

## **TR 70**

### **Facts**

T Fund Limited holds a category 1 Global Business Licence and has been issued with a Tax Residence Certificate by the Office of the MRA. It invests in India securities or other vehicles which provide exposure to the Indian Stock Market for capital appreciation and, under an agreement, avails itself of the management services of an investment manager based in India. The income of the company is stated to consist of dividends and gains on disposal of securities.

### **Point in Issue**

Whether expenses incurred in the production of both dividend income and capital gains on disposal of securities, i.e. expenses that cannot be attributed directly to the sale of shares, would be allowed for income tax purposes?

### **Ruling**

Foreign dividend income being taxable, any expenditure which is exclusively incurred in the production of such income would be allowable. However, profit on sale of securities will be either capital gains not subject to income tax or revenue profit which is exempt, being derived by a GBL 1 company. As such, any expenditure incurred in the production of the profit on the sale of securities will not be deductible for income tax purposes.

As regards common expenses, i.e. expenditure incurred in the production of both foreign dividend income and profit on sale of securities, only a part of the expenses will be allowed for income tax purposes, which will be in the same proportion as the amount the foreign dividend income bears to the sum of foreign dividend income and the profit on sale of securities.