**Article 23 – Participation Exemption**

1. Income from a Participating Interest shall be exempt from Corporate Tax, subject to the conditions of this Article.

2. A Participating Interest means, a 5% (five percent) or greater ownership interest in the shares or capital of a juridical person, referred to as a “Participation” for the purposes of this Chapter where all of the following conditions are met:

a) The Taxable Person has held, or has the intention to hold, the Participating Interest for an uninterrupted period of at least (12) twelve months.

b) The Participation is subject to Corporate Tax or any other tax imposed under the applicable legislation of the country or territory in which the juridical person is resident which is of a similar character to Corporate Tax at a rate not less than the rate specified in paragraph (b) of Clause 1 of Article 3 of this Decree-Law.

c) The ownership interest in the Participation entitles the Taxable Person to receive not less than 5% (five percent) of the profits available for distribution by the Participation, and not less than 5% (five percent) of the liquidation proceeds on cessation of the Participation.

d) Not more than 50% (fifty percent) of the direct and indirect assets of the Participation consist of ownership interests or entitlements that would not have qualified for an exemption from Corporate Tax under this Article if held directly by the Taxable Person, subject to any conditions that may be prescribed under paragraph (e) of this Clause.

e) Any other conditions as may be prescribed by the Minister.

3. A Participation shall be treated as having met the condition under paragraph (b) of Clause 2 of this Article where all of the following conditions are met:

a) The principal objective and activity of the Participation is the acquisition and holding of shares or equitable interests that meet the conditions of Clause 2 of this Article.

b) The income of the Participation derived during the relevant Tax Period or Tax Periods substantially consists of income from Participating Interests.

4. A Participation in a Qualifying Free Zone Person or an Exempt Person shall be treated as having met the condition under paragraph (b) of Clause 2 of this Article, subject to any conditions that may be prescribed by the Minister.

5. Where the conditions of Clause 2 of this Article continue to be met, the following income shall not be taken into account in determining Taxable Income:

a) Dividends and other profit distributions received from a foreign Participation that is not a Resident Person under paragraph

b) Gains or losses on the transfer, sale, or other disposition of a Participating Interest (or part thereof) derived after expiry of the time period specified in paragraph (a) of Clause 2 or Clause 9 of this Article.

c) Foreign exchange gains or losses in relation to a Participating Interest.

d) Impairment gains or losses in relation to a Participating Interest.

6. The exemption under this Article shall not apply to income derived by the Taxable Person from a Participating Interest insofar as:

a) the Participation can claim a deduction for the dividend or other distributions made to the Taxable Person under the applicable tax legislation;

b) the Taxable Person has recognised a deductible impairment loss in respect of the Participating Interest prior to the Participating Interest meeting the conditions of Clause 2 of this Article;

c) the Taxable Person or its Related Party who is subject to Corporate Tax under this Decree-Law has recognised a deductible impairment loss in respect of a loan receivable from the Participation.

7. Where the impairment loss referred to in paragraph (c) of Clause 6 of this Article is reversed in a subsequent Tax Period, the associated income of the Taxable Person shall be exempt from Corporate Tax in that Tax Period up to the amount of income from the Participating Interest that was not exempted under paragraph (c) of Clause 6 of this Article.

8. The exemption under this Article does not apply to a loss realised on the liquidation of a Participation.

9. The exemption under this Article shall not apply for a period of (2) two years where a Participation was acquired in exchange for the transfer of an ownership interest that did not meet the conditions of Clause 2 of this Article or a transfer that was exempted under Article 26 or 27 of this Decree-Law.

10. Where a Taxable Person fails to hold a 5% (five percent) or greater ownership interest in the Participation for an uninterrupted period of at least (12) twelve months, any income previously not taken into account under this Article shall be included in the calculation of the Taxable Income in the Tax Period in which the ownership interest in the Participation falls below 5% (five percent).

11. The Minister may prescribe that an ownership interest in the shares or capital of a juridical person meets the minimum ownership requirement under Clause 2 of this Article where the acquisition cost of that ownership interest exceeds a threshold specified by the Minister.