

VATR 68

Facts

B has been awarded a contract by C for the supply of duty free and VAT free goods on board of C planes. B does not have any licence authorising the company to:

- a) import and supply goods on board of airlines;
- b) operate a Customs Approved Store Room (CAS) for the supply of goods on board of airlines.

Goods imported by B are stored in the CAS of D and the export bills are drawn in the name of D.

Point at issue

Whether sales of duty free products on board of aircrafts are considered as zero rated supplies.

Ruling

Pursuant to Item 1 of the Fifth Schedule to the VAT Act, goods exported under Customs control are zero rated.

However, on the basis of the facts mentioned above, the supplies of those goods on board of airlines are considered to be made by the CAS owner, namely D and not B.

It therefore follows that goods supplied on board of airlines by D are zero rated whereas the supplies made by B are considered to be outside the scope of VAT.