

VATR 100

Facts

C holds a Global Business Licence issued by the Financial Services Commission. C is registered for VAT. The business activities of C are those of purchase of audio-visual rights from producers/licence holders (“**Licensors**”) and the distribution of same to foreign buyers and also to D.

In accordance with the Licence Agreement between C and the Licensors, C grants the rights to broadcast television programs in return of a licence fee.

In accordance with the Licence Agreement between C and the D, C grants the rights to broadcast programs to D upon payment of a licence fee and material fee. The material fee relates to external hard drive on which the films to be broadcasted are recorded, cost of recording and handed over to the broadcaster by the license holder/producer. It also includes the padded envelope and courier charges for dispatch.

The licence fee payable by C to the Licensors is a proportion of the licence fee received from D.

Point at issue

Whether the supply made by C, namely sale of broadcasting rights to D is subject to VAT?

Ruling

On the basis of the facts provided, it is ruled that the sale of broadcasting rights to D and the supply of the external hard drive on which the films to be broadcasted are recorded are exempt supply by virtue of item 73 of the First Schedule to the VAT Act.