

VATR 115**Facts**

X was incorporated under the laws of Mauritius on 22 February 2022 as a domestic company limited by shares and is VAT registered.

The business activity of X is to buy, hold and administer a villa in Mauritius.

The villa will be put to business use, that is, renting to generate rental income.

As of date, the construction of the villa by X is still en-route and rental income is expected to be earned once construction is completed and rental made, which is not expected so soon.

The rental period will be for a period of less than 90 days.

Points at issue

- (1) Considering X is VAT registered and the rental periods are designed to be less than 90 days, can X claim credit for input VAT before the actual commencement of its rental operations?
- (2) In case X can claim input VAT before the actual commencement of the rental operation, can X claim a refund for the excess input tax incurred during the construction phase, particularly on capital goods, despite the fact that X has not yet started to collect output VAT?

Ruling

On the basis of the facts mentioned above, it is ruled that :

- (1) X may, by virtue of section 21(1) of the VAT Act, take credit for input tax incurred on the construction of the villa in Mauritius against output tax arising from the rental of the said villa for a continuous term not exceeding 90 days.
- (2) Subsequently, X may make a claim for repayment of the excess arising therefrom in accordance with section 24(1)(a) of the VAT Act. However, the Director-General may, in accordance with section 24(1A)(b) of the Value Added Tax Act, retain the excess amount to be carried forward onto the return for the following taxable period.