

VATR 119

Facts

XY Bank Limited acquired the Domestic Wealth and Personal Banking and Business Banking business of AB Bank Limited in November 2023.

This transaction received all regulatory approval and the acquisition is pursuant to section 32A of the Banking Act.

There are some employees who are in scope for the transfer alongside some customers and a branch which is a leasehold property. The purchase consideration for this transaction is MUR 1.

XY Bank Limited is not acquiring AB Bank Limited; it is only acquiring its retail and business banking operations (loans and deposit book). AB Bank Limited will continue to exist and operate independently of this acquisition.

Point at issue

Whether the acquisition of AB Bank Limited by XY Bank Limited will qualify as a transfer of business as a going concern and thus not be chargeable to VAT in line with section 63 (3) of the Value Added Tax Act?

Ruling

On the basis of the facts provided, it is ruled that as AB Bank Limited will not cease its business operation following the acquisition by XY Bank Limited of part of the business of AB Bank Limited, the acquisition will not qualify as a transfer of a business as a going concern under section 63(3) of the VAT Act and will therefore be subject to VAT at the rate specified in the Fourth Schedule to the VAT Act.