

## **VATR 16**

### **Facts**

A Limited, a property developer intends to construct villas for sale to foreigners who will then entrust the villas to a well-known hotel operator for commercial letting to holiday-makers for periods not exceeding 90 days. Each foreign owner would be entitled to use the villa for personal purposes for not more than 6 weeks each year. The hotel operator will pay to each foreign owner a rental fee based on his share of pooled income from the letting of the villas.

A Limited, as well as each foreign owner, intends to apply for VAT registration given that:

- a) A Limited will be making taxable supplies as provided under item 48(b) of the First Schedule to the VAT Act;
- b) each foreign owner will be making taxable supplies in excess of the annual registration threshold of Rs2 Million and will therefore need to be compulsorily registered for VAT.

### **Points in issue**

Whether it can be confirmed that

- a) the property developer can be VAT registered as it would be making taxable supplies under item 48(b) of the First Schedule to the VAT Act, given that the villas sold will not be for residential purposes;
- b) each foreign owner will need to be compulsorily registered for VAT, given that each of them would be making taxable supplies from commercial letting above the registration threshold.

### **Ruling**

On the basis of facts provided, it is confirmed that

- a) A Ltd, the property developer, is required to be VAT registered in accordance with Section 15 (1) of the VAT Act 1998 as it will be making taxable supplies in respect of sale of villas not for residential purposes, as provided under item 48 (b) of the First Schedule to the VAT Act.
- b) each foreign owner is required to be compulsorily registered for VAT in accordance with Section 15 (1) of the VAT Act 1998 as it will be making taxable supplies from commercial letting.