VATR 20

Facts

M Ltd is a private company incorporated in Mauritius and engaged in the marketing of petroleum goods (i.e. Mogas, Gas oil, fuel oil, Jet A1 & lubricants)in the country. The company has 13 retail outlets which are basically run on two models:

a. Dealers-operated retail outlets, where land is owned by the dealer.
b. Company owned Company operated (COCO) retail outlets, where a contractor is appointed by the company to manage the station.

In the first model, the retail margins on Mogas and Gas oil are fully enjoyed by the dealers as the land on which retail outlet has been developed is contributed by him. In the second model (COCO), the retail margins on Mogas and Gas oil are shared between M Ltd and the contractor on an agreed formula, in accordance with the terms of the contract.

Points in issue

Whether it can be confirmed that

a. No Vat charge should apply on 'retail margin sharing' as the retail margin has already suffered VAT;
b. M Ltd is correct in charging VAT on 'equipment fee' and that the depiction thereof on the invoice is correct;
c. Arithmetical calculations of both VAT elements (in specimen invoices) as shown in Annexure E are correct.

Rulings

a. It is confirmed that since the retail margin has already suffered VAT no charge to VAT should apply on the 'retail margin sharing' as sharing of retail margin between the lessor and the lessee does not amount to a supply of services.
b. It is confirmed that M Ltd is correct in charging VAT on 'equipment fee.' However, the VAT element on the invoice should be shown in such a way that it clearly indicates that it is in respect of both oil and equipment fee.
c. As the VAT is chargeable on the value including the retail margin of liquefied petroleum gas we suggest that the invoice be amended to show : -

    - The value inclusive of the retail margin but exclusive of VAT ;
    - The amount of VAT charged and the rate applied.