

VATR 34 (Govt Gazette No. 54 of 05 June 2010)

Facts

A Ltd is a company involved in the development of commercial outlets for sale. It is VAT registered as it will be making taxable supplies. It will sell commercial outlets both to persons who are VAT registered and to persons not registered for VAT.

While A Ltd will charge VAT on all sales made to VAT registered persons, input VAT on such sales will be claimed against the output VAT, subject to Section 21 of the Act. However, sales of commercial outlets to persons who are not registered for VAT will not be subject to VAT as the supply is an exempt supply under item 48 of the First Schedule to the Act. Input VAT on such supply will therefore be borne by A Ltd.

Points in issue

Whether it can be confirmed that the above understanding of item 48 of the First Schedule is correct.

Ruling

On the basis of facts stated, it is confirmed that the sale of commercial outlets made by A Ltd to persons who are not registered for VAT is not subject to VAT, as it is an exempt supply as provided by item 48 (b) of the First Schedule to the VAT Act. Any input VAT on such supplies will therefore have to be borne by A Ltd.