

## **VATR 36 (Govt Gazette No.105 of 13 November 2010)**

### **Facts**

B Ltd (the Company), proposes to be engaged in the rental of short-term immovable properties in Mauritius. It will contract with bungalow and small villa owners for the rental of their bungalows/villas, mainly to international clients. The contract will be on a request basis only, i.e. it will not have any exclusivity to the properties, and the owners will also be free to contract with other operators or clients.

Upon requests from clients, the Company will look for bungalows and villas available for accommodation from a predetermined list of owners, who may or may not be VAT registered. The Company will charge the client an amount which will comprise the cost of accommodation and a service fee. Under the payment conditions, 10 percent of the amount charged will have to be paid by the client as deposit upon booking confirmation, and the balance within 30 days prior to arrival. The amount payable to the bungalow owners will be paid by the Company after settlement by the client of the total amount charged.

Currently the Company is not VAT registered, but as it expects its turnover to exceed Rs 2 million in the foreseeable future it may have to register for VAT.

### **Point in issue**

Whether it can be confirmed that once the Company is registered for VAT, it should charge VAT on its service fee only and not on the cost of accommodation?

### **Ruling**

On the basis of facts given, the Company will be making a taxable supply of the rental of villas/bungalows for short term periods (not exceeding 90 days). The Company will therefore be required to charge VAT on the total amount charged to clients which will include the cost of accommodation and the service fee.

Please note that should the Company have to pay VAT to a VAT registered owner of the bungalows/villas, it will be entitled to claim as input tax the VAT payable to the owner.