

VATR 64

Facts

The company sells processed fresh vegetables like lettuce, carrots, onions and tomatoes. The production processes of the various products are as follows:

- a. the vegetables are bought and stored in a chilled room overnight prior to production;
- b. in the case of lettuce, the base and withered leaves are removed. For carrots and onions, the tips are cut before being peeled;
- c. the vegetables are pre-rinsed with tap water;
- d. the vegetables are washed in chlorinated water for 1 to 3 minutes;
- e. the vegetables are then drained;
- f. in the case of lettuce whole leaves are selected or the lettuce is shredded. Tomatoes are sliced or diced. Onions are cut or sliced and carrots are cut in “julienne”; and
- g. each product is packed in containers of 0.250 kg /0.5 kg/1 kg for sale.

Points at Issue

Whether the sale of the processed vegetables should be exempt from VAT by virtue of Item 7 (c) of the First Schedule to the VAT Act or subject to VAT at the rate of 15% in accordance with Section 9 (3) of the VAT Act.

Rulings

By virtue of Item 7 (c) of the First Schedule to the VAT Act:

"primary agricultural and horticultural produce (including tomatoes, potatoes, onions and other vegetables, fruits, tea, coffee, cocoa beans and nuts) which have not been processed except for reaping, threshing, husking, crushing, winnowing, trimming, drying and packaging to put them into marketable condition", are exempt from VAT.

On the basis of information provided, the processed vegetables would fall within the ambit of Item 7(c) of the First Schedule to the Value Added Tax Act and the supply thereof would be exempt from VAT.