

**Statement of Practice (VAT/SP1/13)**

**VAT treatment on electricity and water recharged to occupiers of large commercial/residential buildings**

1. In accordance with Items 7 (a) and 7 (b) of the Fifth Schedule to the Value Added Tax Act, the supply of electricity by the Central Electricity Board and the supply of water by the Central Water Authority are zero-rated.
2. This Statement of Practice aims at clarifying the VAT treatment of electricity and water supplied by the Central Electricity Board and the Central Water Authority respectively to occupiers of large commercial/residential buildings, where :
  - (a) the entities occupying the premises are not individually and separately registered with CEB/CWA; and
  - (b) the meter is in the name of the owner/management entity who recharges the electricity/water supplied by CEB/CWA to occupiers of the individual units in the building based on :
    - (i) their actual individual consumption, in respect of the individual units occupied by them; and
    - (ii) an apportionment of the charges in respect of the common parts of the building.
3. The different scenarios that have been brought to the attention of MRA and the VAT treatment to be given in respect of each scenario is as follows:-

	Scenario	VAT treatment
(a)	The electricity/water is recharged at actual cost price to the occupier and a monthly service charge is claimed from the occupier.	The electricity/water charged by CEB/CWA and attributed to the occupier is treated as a disbursement rather than a supply. The service charge is treated as a taxable supply, subject to VAT at 15%. The disbursement and the supply should

		be separately itemised on the VAT invoice.
(b)	The electricity and water is recharged with a profit element, in addition to a service charge.	The electricity/water charged by CEB/CWA and attributed to the occupier is treated as a disbursement rather than a supply. The profit element and the service charge are to be treated as a taxable supply subject to VAT at 15%. The disbursement and the supply should be separately itemised on the VAT invoice.
(c)	The electricity and water charges are included in a single service charge that covers other services as well.	The whole service charge that covers electricity, water and other services is treated as taxable and subject to VAT at 15%.

4. In all the above scenarios, the owner/management entity has to issue proper VAT invoices. Where the recipients of the supply are VAT registered, the VAT invoices should include the names, BRN and VAT Registration Number of the recipient. Moreover, in scenarios (a) and (b) above, the owner/management entity has to keep proper records in support of the amount treated as recharge of electricity/water which is considered as a disbursement rather than a supply and therefore not subject to VAT.
5. Where the bills from the Central Water Authority include waste water charges and these are covered in scenarios (a), (b) and (c) of paragraph 3 above, the relevant VAT treatment would also apply to the waste water charges.

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