

VATR 10

Facts

A company has as object the provision of factoring services which include the following:

- a) Providing upfront finance against book debts of up to 80% of the invoice value, also known as "recourse factoring";
- b) Sales ledger maintenance of accounts related to the "account receivables", known as "ledger keeping";
- c) Collection of "accounts receivable" (debt management); and
- d) Credit protection against default in payment by the buyer, also known as "non-recourse factoring".

Point in issue

Whether all the services provided by the company as stated at (a) to (d) ,and which relate directly to the provision of debt factoring, fall within the meaning of "factoring" under item (d) of the Sixth Schedule to the VAT Regulations, and therefore exempt from VAT.

Ruling

Although the term 'factoring' has no legal definition, the services provided by the company as detailed above are debt factoring services within the meaning given in Finance & Accounting literature on the subject. Those services therefore qualify as exempted services by virtue of item (d) of the Sixth Schedule to the Value Added Tax Regulations.