

## **VATR 103**

### **Facts**

G is a company incorporated in Mauritius and is a VAT registered person.

It has been stated that G runs two tourist shops situated in Grand Baie and Moka under the trading name “G”. The principal business activity of G is the sale of products held on consignment from local artisans and producers (collectively “**Partners**”).

It has been further explained that as part of its modus operandi, G enters into a one-year contract (“**Agreement**”) with each Partner to have their brands featured in the store. The key clauses within the Agreement are summarised as follows:

- (i) Partners pay a monthly participation fee to G towards the running costs of the shops. The participation fees vary in accordance with the type of product showcased.
- (ii) G works on consignment and the goods sold remain the exclusive property of the partners until sold. Prices are determined by the Partners themselves.
- (iii) G provides to the Partners their summary report of sales made on their behalf every 6th of the previous period.
- (iv) G collects 25% commission upfront on the sales made on behalf of the Partners and remits the balance to them.

The process for the sale of products on consignment is spelt out below:

- (a) An invoice is raised in the name of G upon sale of the product;
- (b) G collects the retail amount from customers;
- (c) G subtracts 25% as commission; and
- (d) The remaining amount is remitted to the Partners.

G recognises the commission received and participation fees as gross revenue for income tax purposes in line with IFRS 15.

### **Point at issue**

Whether G, acting as an agent for the Partners ought to charge VAT on the commission and participation fees received?

### **Ruling**

On the basis of the facts provided above, it is ruled that the goods on consignment from the Partners is a supply of goods by virtue of item 6(a) of the Third Schedule to the VAT Act. Therefore as a VAT registered person, G will have to charge VAT at the rate of 15% on the sale of goods made to final customers and subsequently issue VAT invoices in its name as provided in section 20 of the VAT Act. G will also have to charge VAT on the commission and participation fee received from its Partners.