

VATR 107**Facts**

As part of a business re-organisation, S intends to transfer its activities as a going concern to T.

T is a newly incorporated company set up exclusively to take over the activities of S. T has not yet started its operations and it intends to do so with effect from 1st January 2023.

Both entities' activities are the import and distribution of pharmaceutical products. Both entities are VAT registered persons. S makes both taxable and exempt supplies in the normal course and furtherance of its business.

Following the re-organisation, the activities of T shall be exactly the same as S and its beneficial ownership shall also remain the same as S. S will no longer be operational and all the operations will be taken over by T.

As part of its re-organisation, T intends to acquire the tangible assets of S which shall comprise of :

- Office equipment;
- Computer equipment;
- Motor vehicles;
- Furniture and fittings; and
- Inventories.

The assets shall be acquired to make both taxable and exempt supplies in the normal course and furtherance of the business of T.

S will receive consideration equivalent to the book values of the assets in the books of S since the purpose of the transfer is for a restructuring rather than for a profit motive.

There are no intangible assets on the books of S nor will the transaction give rise to any intangible assets.

Point at issue

Whether VAT will be chargeable on the transfer of assets from S to T ?

Ruling

On the basis of the facts provided, it is ruled that subject to section 21(7A), S shall not charge VAT on the transfer of its assets to T pursuant to section 63(3) of the VAT Act.

With regard to its cessation of business, as a registered person, S will have to comply with the provisions in section 63(1) and (2) of the VAT Act.