

VATR 113

Facts

A is a domestic company entirely owned by Mr B who is a professional architect. A provides architectural services to the local market.

A is also related to C, a Global Business Company, 100 % owned by Mr B and which provides architectural services to the foreign market.

Both companies share a pool of employees which consists of architects, draughtsman, designers and administrators who, for the sake of simplicity, are formally employed and paid by A.

Since these employees, though employed and paid by A, also spends time working on the projects of C, the latter shares the costs of these employees.

Based on the numbers of hours the staff would work on the projects related to C, A would calculate the share of labour costs for C and send a claim to the latter for reimbursement. A shall not add any commissions or whatsoever to the claim.

Point at issue

Whether VAT will be applicable on the claim made by A to C for reimbursement of labour cost?

Ruling

On the basis of the facts mentioned above, it is ruled that the supply of labour for consideration by A to C is subject to VAT at the standard rate of 15%.

