

VATR 12

Facts

A company is in the business of processing visa applications for tourists. The invoice which it will be issuing to its customers for the services rendered will be made up of two components:

- a. Service charge - for processing the application
- b. Disbursement - payable to the foreign authorities for granting the visa

Point in issue

- a. whether the services at (a) & (b) above are subject to VAT If the answer to (i) is in the affirmative,
- b. whether turnover for VAT purposes is the value of the total invoice, or only the service charge component.
- c. whether VAT is chargeable on the value of the total invoice, or only on the service charge component after excluding the disbursement component.

Ruling

- a. The services provided by the company constitute a "supply" in accordance with Section 4 (1) (b) of the Value Added Tax Act. As the supply is a taxable supply, it is subject to VAT.
- b. The turnover for VAT purposes does not include the amount charged to the client and payable to the foreign authorities for granting visa.
- c. VAT is chargeable on the amount invoiced to the client, excluding the amount charged on behalf of the foreign authorities for granting visa, provided the different components of the amount charged are shown separately on the invoice.