VATR 120

Facts

A, a private company, operates under a Deferred Duty and Tax Scheme ("**DDTS**") since 01 October 2006. A currently operates only one outlet in Mauritius.

A intends to surrender its DDTS certificate, in view of the evolution of its business requirements. Given that its current location is highly touristic, it is anticipated that a number of A's clients will wish to purchase products on a VAT free/VAT refund basis.

In order for A to transition from a DDTS regime to a VAT free/VAT refund basis, A will pay VAT on all its existing stock. This one-off VAT amount (the "**One-off VAT Amount**") will be very substantial and will affect A's cash flow.

Point at issue

i.   Once A surrenders its DDTS certificate and pays VAT on its existing stock, will it obtain a full repayment of the One-off VAT Amount from the MRA?

ii.   Once A makes a claim for the excess VAT repayment in subsequent months, will the MRA refund:

(a) the full amount of excess VAT where at least 80% of its annual turnover relates to zero-rated supplies; or

(b) the excess VAT in the proportion of the value of zero-rated supplies to total supplies, where less than 80% of its annual turnover relates to zero-rated supplies.

iii.   Is the *"80% of his annual turnover"* (as quoted from an extract from the MRA's Guidelines For VAT Repayment Claims) computed on the previous financial year's turnover or a longer period? If the latter, what is the period taken into consideration?

Ruling

On the basis of facts provided, it is ruled that once A surrenders its DDTS certificate and pays VAT on its existing stock, it will not be entitled to repayment of the One-off VAT Amount from the MRA under section 24 of the VAT Act.

Likewise A will not be entitled to any repayment on excess amount of VAT in any subsequent taxable period. A should carry forward the excess amount of VAT onto the return for the following taxable period to be offset against subsequent output tax unless a claim for repayment is made under section 24(1) of the VAT Act.

(Rec. No. 23/191589)