

VATR 122**Facts**

The company, A, operates in the Freeport Zone and specialises in HVAC (Heating, Ventilation, and Air Conditioning) solutions and the assembly of technical kits. The company provides customized solutions that meet international quality standards which are exported abroad.

Following approval from the EDB Council to market their services in Mauritius, the company intends to undertake a project with B, targeting the local market.

The project with B will involve the assembly and local manufacturing of technical kits (electrical kits and plumbing kits), intended for resale on the local market.

The parties to the project include the company, A as the manufacturer and the assembler and B who will be the supplier of the materials and the client of the company.

Point at issue

1. What is the VAT treatment applicable to the import of raw materials in the Freeport Zone?
2. What is the VAT treatment applicable to the manufacturing process carried out within the Freeport Zone?
3. What is the VAT treatment applicable to the sale of manufactured kits to B on the local market?

Ruling

Based on facts provided, it is ruled that:

1. The import of raw materials which are not meant for exclusive use in the Freeport Zone but rather for processing and sale on the local market by the company, will be subject to VAT by virtue of section 50(1)(b) of the VAT Act.
2. The manufacturing process carried out within the Freeport Zone is a supply of goods by virtue of item 5 of the Third Schedule to the VAT Act and is subject to VAT by virtue of section 50(1)(b) of the VAT Act.
3. The sale of the manufactured kits to B on the local market will be subject to VAT by virtue of section 50(2) of the VAT Act at the rate as specified in the Fourth Schedule to the VAT Act.