

**VATR 125****Facts**

A has entered into a Power Purchase Agreement for the construction and operation of a Solar / BESS Farm.

B, the holding company and Developer of the project, will invoice A, a development fee, with respect to the conception and development of the project. These also include permits, studies, legal fees, etc. which are necessary and without which the Solar Farm cannot be built. In this respect, the parties have entered into a Development Agreement.

The VAT arising on the invoice will be paid by B to the Mauritius Revenue Authority.

The Development fee will be capitalised in the books of A and will form part of the Property, Plant and Equipment.

The construction period of the project is as follows:

SPV	Capacity	Construction period	Start of Construction phase	Start of operations
A	30MW	15 months	End of May 2025	Expected August 2026

A will start generating Revenues from sales of electricity upon start of operations as mentioned in the table above.

It will, therefore, take a further 1-2 years, after construction, to be able to fully utilise the input VAT.

**Point at issue**

Whether A will be able to claim VAT repayment for the VAT paid on the Development fee?

**Ruling**

Based on the facts provided, it is ruled that, by virtue of section 2 (definition of “goods”) and section 24 (1) (a) of the Value Added Tax Act, A is not entitled to claim for repayment of input tax incurred on the Development fee, as it does not relate to capital goods.