VATR 18

Facts

E Ltd provides outbound roaming facilities to its subscribers. Whenever a subscriber wants to avail himself of the roaming facilities he applies for such a service against a deposit fee. This enables the subscriber to use the mobile network of E Ltd's foreign roaming partners (i.e. foreign service providers-FSPs) in the foreign country. On a daily basis, E Ltd receives details of the usage of the subscriber and the corresponding amount charged by the FSP (inclusive of the foreign country's VAT, if applicable). E Ltd raises an invoice on the subscriber to claim the amount charged by the FSP. In addition E Ltd charges the subscriber a roaming charge, representing 15% of the amount charged by the FSP, for services provided to the latter in Mauritius. Depending on the settling arrangements that exist between E Ltd and the FSP the amount collected from the subscriber, excluding the roaming charges of 15 %, is paid to the FSP.

Point in issue

Whether E Ltd should charge the subscriber VAT-

a) on the total amount invoiced to the subscriber, including the amount charged by the FSP; or
b) only on the roaming charges charged by E Ltd.

Ruling

a) The outbound roaming services fall outside the scope of VAT since these are provided outside Mauritius and by the FSP.
b) The roaming charges of 15% of the amount invoiced by the FSP are for services provided in Mauritius by E Ltd and are therefore subject to VAT.