

VATR 26

Facts

P Ltd is a company which acts as a reservation platform between customers and taxi operators/contract bus operators for the provision of taxi services in the island. Bookings for the service can be done online, using the Company's website, or via its hotline after office hours. Upon a booking, a taxi is sought to meet the expectations of the client. Clients are invoiced by the Company and the proceeds are treated as sales. The taxi operators are subsequently paid by the Company and the transaction is treated as cost of sales.

The Company provides taxi services both to companies and individuals, including VIP services, transport of employees and for general use. It does not itself hold any taxi permit but sub-contracts with individuals holding proper taxi permits. The business relations between the Company and taxi operators are backed by service agreements which include tariffs, and also provide for full responsibility to be taken by the taxi operators/contract bus operators for any loss or damage occasioned to any person in case of an accident.

Points in issue

- a. Whether the income derived by P Ltd is subject to VAT?
- b. In the event the answer to 1 above is in the affirmative, whether the clients of the Company can claim the relevant input VAT as a deduction?

Ruling

- a. P Ltd does not hold licences for transport of passengers by public service vehicles. It outsources the transportation service to contractors who hold appropriate public service vehicle licences, viz. taxi operators and contract bus operators. In essence, the Company derives its income for acting as a reservation platform between customers and contractors. Such service provided by the Company is a taxable supply and therefore subject to VAT in accordance with the provisions of Section 9 (1) of the VAT Act.

- b. The provisions of item 27 of the First Schedule to the VAT Act are as follows: *"The transport of passengers by public service vehicles excluding contract buses for the transport of tourists and contract cars."*

Since public service vehicles include taxis, no VAT will be charged by taxi operators as the supply is an exempt supply. The Company will therefore charge VAT only on the fee receivable for acting as a reservation platform. On the other hand, operators of contract buses for the transport of tourists and operators of contract cars will charge VAT on their supplies to the Company. For administrative convenience therefore, P Ltd may charge VAT on the full amount of such supply, which will also allow the VAT registered operators to claim input VAT as a deduction in respect of their taxable supplies to the Company, in accordance with Section 21 (1) of the Act.