

## **VATR 46 (Govt Gazette No.55 of 26 May 2012)**

### **Facts**

B Ltd is licensed and regulated by the Financial Services Commission (FSC), and holds an *"investment adviser (unrestricted)* licence under the Securities Act 2005 under which it is authorised to provide the following services:

- Investment advisory; and
- Portfolio management, whether on a discretionary or non-discretionary basis.

As such, B Ltd manages investment portfolios of securities for pension funds, corporate and institutional clients, including Collective Investment Schemes (CIS), in accordance with investment management mandates.

A CIS Manager has outsourced its investment management function and appointed B Ltd as an Investment Adviser under a non-discretionary investment management mandate, i.e. the investment portfolio of the CIS is managed by B Ltd but the CIS Manager is always informed and consulted on all investment decisions.

B Ltd is remunerated on the basis of a percentage of the net asset value of the investment portfolio of the CIS at the end of each month.

### **Point at Issue**

Whether the remuneration B Ltd receives from the non-discretionary management of the CIS investment portfolio is to be treated as a taxable supply or an exempt supply for VAT purposes?

### **Ruling**

Under the provisions of item 50 (e) of the First Schedule to the VAT Act, only *"the management of investment funds and of pension funds* is an exempt supply, irrespective of whether the supply is made under a discretionary or a non-discretionary investment management mandate. Investment advisory services are, however, subject to VAT.