

VATR 48 (Govt Gazette No.55 of 26 May 2012)

Facts

An auditing firm, duly licensed to provide auditing services in Mauritius, has among its clients portfolio companies incorporated outside Mauritius which are represented by offshore management companies in an *"agent"* capacity. The foreign companies do not have a place of management or an office in Mauritius. The management companies are only contact points and do not have power of any action including investment decisions, nor do they have any authority to conclude contracts in the name of the foreign companies.

The auditing firm has been commissioned to provide auditing services to these foreign incorporated companies and to report on the financial statements to the shareholders in accordance with International Financial Reporting Standards. In line with international auditing practice, the auditing firm agrees on the terms of the audit assignments in '*letters of engagement*' addressed to the directors of the foreign companies through the offshore management companies at their local registered address.

The auditing firm engages its local staff and carries out the audit work in Mauritius. It charges its professional fees for the auditing services to the foreign companies through the offshore management companies which collect the fees from the foreign companies to pay them over to the auditing firm.

The auditing firm is duly registered for VAT in accordance with section 15 (2) of the Value Added Tax Act.

Point at Issue

Whether in respect of the auditing services it performs for the foreign companies, the auditing firm can issue its invoices zero-rated to the care of the offshore management companies which act as contact points for the foreign incorporated companies?

Ruling

On the basis of facts submitted, the offshore management companies are only contact points for the foreign incorporated companies which do not have a permanent establishment in Mauritius. The audit services provided to the foreign incorporated companies is therefore a zero-rated supply in accordance with the provisions of item 6 (a) of the Fifth Schedule to the VAT Act.

The auditing firm can therefore issue its invoices zero-rated.