

VATR 5

Facts

A proposed leasing company is to be incorporated as a category 1 Global Business Licence Company (GBL 1) to carry out offshore leasing activities. The activities fall under the definition of financial services or financial business activities as specified in Part II of the First Schedule to the Financial Services Development Act 2001.

Point at issue

Whether VAT is chargeable on the international leasing activities carried out by a GBL 1 company and which are provided outside Mauritius.

Ruling

Item 50 of the First Schedule to the Value Added Tax Act provides for the exemption of certain financial services including such other financial services as may be prescribed.

The prescribed financial services are as laid down in the Sixth Schedule to the regulations of the Value Added Tax Act (GN 87 of 1998).

With regards to leasing, items 30(a) and 38 of the First Schedule to the Value Added Tax Act provides for the exemption of charges under a finance lease agreement and aircraft leasing respectively.

However, item 6(a) of Fifth schedule to the Value Added Tax Act provides for the zero-rating of-

"The supply of services to a person who belongs in a country other than Mauritius and who is outside Mauritius at the time the services are performed."

In the circumstances, no VAT is to be charged on international leasing activities of the GBL 1 company supplied to persons not resident in Mauritius and who are outside Mauritius at the time the services are performed.