

VATR 50 (Govt Gazette No.55 of 26 May 2012)

Facts

A business entails the purchase of fabrics in roll from which are then cut and stitched according to the requirements of the clients and installed at their place, viz. Hotels; in short roll fabrics are the main raw materials which are converted into finished products in terms of curtains and other similar types. This process involves mainly human labour.

Point at Issue

1. As most of the clients' order involves the whole components i.e., fabrics and their making up, fixing and installation, should VAT to be charged be limited to the labour / installation services only as fabrics constitute exempt supplies?
2. Should the VAT invoice consist of both exempt supplies (fabrics) and taxable supplies (fixing and installation)?

Ruling

The whole process constitutes a single vatable supply and cannot be split into fabrics and labour / installation costs and VAT should be charged on the total invoice price.