

VATR 55 (Govt Gazette No.107 of 3 November 2012)

Facts

S Ltd, a company engaged in construction and engineering works is in receipt of retention monies. Retention relates to the amount of progress billing that is not paid until the satisfaction of conditions specified in the contract for payment of such amounts or until defects have been rectified and it is after the defect period is completed that an invoice will be issued for the settlement of the retention money.

Points at Issue

Whether VAT on retention is payable after the defect liability period is completed being given that neither invoice is issued nor money is received prior to that period?

Rulings

On the basis of facts provided, it is confirmed that VAT on retention is invoicable upon submission of a certificate by the Quantity Surveyor, which will enable the contractor to issue a VAT invoice.