

VATR 61 (Govt Gazette No.27 of 30 March 2013)

Facts

A Ltd is a property developer registered for VAT. Its principal activity will be to construct a business hub of three floors. The ground floor will be partly rented and partly used by the company for its operations. Floors 1 and 2 will be sold for office and commercial purposes.

Points at Issue

- a. Will the company be entitled to claim the input tax on capital goods in full?
- b. When will the company be able to make a claim for VAT repayment from the MRA?

Rulings:

On the basis of facts provided, it is confirmed that:

- a. in accordance with Item 48(b) of the First Schedule to the VAT Act, the sale or transfer of any building or part of a building, flat or tenement together with any interest in or right over land, made by a VAT registered property developer is subject to VAT when made to a VAT registered person and exempt from VAT when made to a person who is not VAT registered.

The company will therefore be entitled to claim credit for input tax on capital goods in the proportion of its taxable supplies to its total supplies in accordance with the provisions of Section 21(3) (b) of the VAT Act.

- b. in view of the above, the company may claim VAT repayment only when it will be in a position to provide MRA with satisfactory evidence in respect of the proposed sale to VAT registered persons.