

## **VATR 86**

### **Facts**

B, a company incorporated in Mauritius has received an order from D, a company based in Zimbabwe. Owing to foreign exchange controls in Zimbabwe, D has suggested that the order be channelled through M.

M currently holds a Category 1 Global Business Licence under the Financial Services Act and forms part of the same group of companies as D. M will report each transaction as a purchase of goods from B and a corresponding sale to D but the goods will not be subject to any process by M.

For purposes of the Bill of Lading, the shipper and the consignee will be B and D respectively. The terms of the shipment will be Free on Board. The goods will leave the warehouse of B and will be loaded directly to a ship such that M will not take any physical possession of the goods. However, on the Customs declaration, M will appear as the exporter and D will be the importer.

B will receive cash from M and the trade debt of M will be settled by its holding company. D and M have certain financial arrangements whereby the trade debt of D from M will be settled over a period of time.

### **Point at issue**

Whether the sales made by the company to M will be subject to VAT at zero-rate?

### **Ruling**

Based on the above facts, B will be selling goods to M, a company incorporated in Mauritius. The supply of goods by B to M will not fall within the ambit of Item 1 of the Fifth Schedule to the VAT Act as the supply will not constitute goods exported from Mauritius under Customs control. Therefore, the supply will be subject to VAT at standard rate.