

VATR 95

Facts

P, a domestic company incorporated on 26 May 2016, is currently the sole shareholder of Q, holder of a GBL-CIS Manager licence. As the Financial Services Commission requires a company to have an unimpaired equity base, P could not apply for GBL licence due the significant losses it incurred from the years 2016 to 2018.

Q acts as the manager and offers investment management services to R which is a GBC1 closed end fund, sub-categorised as a professional collective investment scheme. R is structured as a limited partnership and its general partner is Q. R will make growth equity and related investments in the industrial ecosystem across Africa.

Prior to the incorporation of R in 2018, P incurred substantial expenses to the tune of USD 3.7M in the years 2016 and 2017 to promote R structure, secure foreign investors and find investment opportunities outside Mauritius. All expenses of P were made for the purpose of launching R and allow Q to secure a regular stream of revenue.

P is in the process of applying for a GBL licence and is contemplating to recharge part or all expenses incurred to set up R to Q.

Points at issue

- 1) Whether the recharge of expenses incurred to set up R from P to Q upon being granted a GBL licence will be subject to VAT?
- 2) In the event P does not apply for a GBL licence, whether the recharge to Q of the expenses incurred by P to set up R will be subject to VAT?

Ruling

On the basis of the facts mentioned above, it is noted that P is not making any supply of services to Q. Therefore, the recharging to Q of expenses incurred by P is outside the scope of VAT.