

VATR 98

Facts

D is a domestic company engaged in international trading which involves buying and selling of goods overseas without the goods coming into Mauritius or passing through Customs control in Mauritius.

F is another domestic company in Mauritius. It holds a scrap metal exporter licence obtained from the Ministry of Commerce and Industry. As a holder of this special licence, F is authorised to export scrap metal from Mauritius.

D is not holder of a scrap metal licence.

D and F are related companies as some shareholders are common. Both companies are registered for VAT.

D has received an order from a client in India for the supply of scrap metal. D will buy these scrap metal from F to be export to its client in India.

As D is not authorised to export scrap metal, F will export the scrap metal on behalf of D to D's client in India. For the purpose of the export and Customs declaration, F will be the exporter.

F will invoice D for the goods once the Customs export declaration procedures have been completed.

In its books, D will account as purchases the goods purchased locally from F, and the goods sold overseas in India as export sales.

Point at issue

- (1) Whether F should charge VAT to D on the goods exported to India on behalf of D? In the affirmative, whether D may make a claim for repayment of the input VAT on ground that the goods are exports by D?

Ruling

On the basis of the facts mentioned above and provided that D is duly authorised to deal in scrap metal, it is ruled that -

As F and D are VAT registered persons, F must charge VAT at standard rate on the sales made to D. D will be entitled to take credit for input tax against output tax in respect of the VAT invoice raised by F. All goods exported from Mauritius under Customs control are zero-rated by virtue of item 1 of the Fifth Schedule to the VAT Act. However, as D will not be the exporter, it will not qualify to make a claim for repayment of the whole or part of any excess amount in accordance with section 24(4)(a) of the Value Added Tax Act.