



Ministry Of Finance
VAT Department

VAT RULE 2018-005
The Exempt Treatment of the
Transfer of Real Property



VALUE ADDED TAX RULE

2018-005 – The Exempt Treatment of the Transfer of Real Property

A. Authority

This Rule is made under section 17 of the Value Added Tax Act 2014.

B. Legislation

All legislative references are to the Value Added Tax Act, 2014 (the “Act”) and/or the Value Added Tax Regulations, 2014 (the “Regulations”) unless otherwise stated.

C. This Rule applies in respect of:

Paragraph (6)(a), Second Schedule Part II (Exempt Supplies) of the Act and Paragraph (5) of Regulation 31 of the Regulations.

D. Application of Rule

The purpose of this Rule is to provide clarification on the treatment of the transfer of real property as an exempt supply, and to outline the circumstances in which registrants who in the course of their business make both exempt supplies of the transfer of real property and taxable supplies may make a claim for input tax deduction. The Rule applies to transfers of real property made on or after the 1st July, 2018.

E. Comptroller’s Rule

- (1) The term “transfer” of real property refers to a sale, transfer, assignment, or conveyance of land, or a transfer of land connected to construction thereon by the vendor of that land or his affiliate of a building.
- (2) The term real property includes, but is not limited to vacant land, commercial buildings, condominiums, tenements or any other structures attached to the land and time-shares.
- (3) Only the value of the consideration on the transfer of the real property shall be an exempt supply.
- (4) All goods and services used and or supplied in connection with the construction, use or development of the real property shall be a taxable supply at the standard rate.

- (5) All costs associated or incurred in the process of the Transfer of the real property, including legal services and banking services, shall be treated as provided for in the Act, the Regulations and any applicable VAT Rule.
- (6) Registrants who make taxable supplies and also make exempt supplies of real property may deduct the total amount of input tax paid on all supplies acquired and imports made during the tax period in connection with the sale, construction or development of such real property, other than timeshares.
- (7) Input tax paid in relation to the sale of timeshares or by registrants that only make exempt supplies of real property are not allowable.
- (8) Input tax allocable to timeshares are not allowable to the extent that they can be specifically identified. Unidentified input tax will be disallowed in direct proportion to the ratio of timeshare sales to the registrant's total activity.

E. The period for which this Rule applies

This Rule shall apply for the period beginning 1st July, 2018 until it is revoked or amended.

F. Approval and Coming into Force

Approved by the VAT Comptroller

Date