



**Ministry Of Finance**  
**VAT Department**

**VAT RULE 2018-004**  
**Transitional Rules –**  
**Construction Contracts**



## VAT RULE

### 2018-004 - Transitional Rules - Construction Contracts

#### **A. Authority**

This Rule is made under sections 17 and 98(12) of the Value Added Tax Act, 2014.

#### **B. Legislation**

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

#### **C. This Rule applies in respect of:**

Section 6 Rates of Tax

#### **D. Application of Rule**

The purpose of this rule is to provide clarification on the transitional arrangements as it relates to construction contracts. The Rule applies to the following situations:-

- i. Treatment of construction contracts entered into and commenced before 31<sup>st</sup> July, 2018, and where performance by the supplier is completed on or before the 28<sup>th</sup> February 2019.
- ii. Treatment of construction contracts entered into and commenced before 31<sup>st</sup> July, 2018, and where performance by the supplier is completed after the 28<sup>th</sup> February 2019.

#### **E. Comptroller's Rule**

1. Registrants who supply construction goods and services may treat as standard rated at the retiring standard rate of 7.5% any contracts:
  - (a) which were entered into and commenced before 31<sup>st</sup> July, 2018, and
  - (b) where the services are fully performed and the goods or property is completed and made available to the recipient on or before February 28<sup>th</sup>, 2019.

2. Registrants must notify the VAT Department in the prescribed form VAT Form No. 55 of all contracts that qualify for this treatment by August 31<sup>st</sup>, 2018. Only contracts that are consistent with the details provided to the VAT Department shall be subject to VAT at the retiring standard rate of 7.5%.
3. Where the performance of the contract by the supplier continues after February 28<sup>th</sup>, 2019, only the portion of the consideration that relates to the work completed by February 28<sup>th</sup>, 2019 is subject to VAT at the retiring standard rate of 7.5%. The remaining portion of the contract continuing from March 1<sup>st</sup>, 2019 shall be treated separately and is subject to VAT at the new standard rate of 12%.
4. Registrants must maintain records as required by the VAT Act, including contracts and other documentation, in support of all contracts to which this Rule applies for future inspection by the VAT Department.

**F. The period for which this Rule applies**

This Rule shall apply from July 1<sup>st</sup>, 2018 and remains in effect until it is revoked or amended by the Comptroller.

**G. Approval and Coming into Force**

\_\_\_\_\_  
Approved by the VAT Comptroller

\_\_\_\_\_  
Date