



# Ministry Of Finance

## VAT Department

### VAT RULE

### # 2015-017

### Apportionment Formula for Financial Institutions (Clearing Banks)



**A. Authority**

This Rule is made under section 17 of the Value Added 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 50 of the Value Added Tax and Regulations 21 and 32 of the VAT Regulations, 2014 in regards to input tax deductions, apportionment where both taxable and exempt supplies are made by Financial Institutions.

**D. Application of Rule**

The purpose of this Rule is to establish the variables to be used by Financial Institutions (Clearing Banks) to claim input tax incurred in their operations.

**E. Comptroller's Rule**

1. Where the inputs incurred can be directly identified or allocated to a zero rated (offshore activity) or standard rated activity, full input VAT credit will be allowed.
2. Where the inputs can be directly allocated to the exempt activity, no input credit will be allowed.



3. Other inputs which cannot be directly allocated to a supply will be apportioned based on the following formula:
  - a) Input credits for zero rated supplies will be approved in direct portion to the share of annual labour or man hours allocated to zero-rated supplies as a percentage of total labour hours directed to all categories of supplies (zero, exempt and standard); and
  - b) Input credits for standard rated supplies will be approved in direct proportion to fee income as a fraction of fee plus net-interest income from domestic supplies
  
4. For the purposes of this Rule, annual man hour allocations will be based on the number of employees engaged in making a taxable supply based on 40 hours per week over 52 calendar weeks.

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

This Rule shall apply for the period beginning on January 1<sup>st</sup>, 2015 until it is withdrawn or replaced.

