



Summary of the UAE executive regulations of the Federal Decree-Law No (8) of 2017 on Value Added Tax

This is a summary of the UAE VAT regulations and as such is not a complete reflection of the Legislation and should not be relied upon on its own as either guidance or instruction.

Supply of goods (Article 2)

1. A supply of goods is a transfer of ownership of goods from A to B, where B is able to dispose of the goods as the owner.
2. A supply of water, real estate including tenancy contracts and all forms of energy are considered a supply of goods.

Supply of services (Article 3)

A supply of services means the supply of anything other than the supply of goods.

A single composite supply (Article 4)

A single composite supply is where:

- A principal component is accompanied by component(s) which are normally included, necessary or essential to the making of the supply.

Exceptions related to deemed supply (Article 5)

The following amounts will determine the exceptions related to deemed supply:-

- The value of the supply of goods should not exceed AED 500 for each recipient within a 12 months period.

Related parties (Article 9)

For the purposes of tax group provisions two or more legal persons shall be considered a related party:

- Where one person or more acting in a partnership and having control, having 50% or more voting interests or having 50% or more market value of shares and options in each of the entities, or

- Where they are a related party with a third person, or
- If they are associated in economic, financial and regulatory aspects.

Registration as a tax group (Article 10)

1. One of the entities to act as the representative and make a request to register a tax group.
2. The authority should decide within 20 business days.
3. The authority may refuse the application for the below and other reasons:
 - The persons do not meet the requirements for tax group registration
 - Where authority believes that the tax group would enable tax evasion, significantly decrease tax revenues, or significantly increase the administrative burden.

Due date of supply (Article 19)

1. Where time of supply (including transitional period) is triggered due to receipt of payment or the issuance of tax invoice, the tax shall be due to the extent of the payment received or stated in the tax invoice and the remainder of Due Tax on that supply shall be payable according to the provisions of the Decree Law.

Place of supply (Article 20 – 22)

1. Where the goods supplied exits and re-enter the state while being delivered, the goods shall not be treated as exported/imported if all the conditions indicated in article (20) of the regulations are met.
2. Definition of real estate is provided under clause (1) of article (21) of the regulations and a supply deemed to relate to a real estate if the service is directly connected with the real estate or

where the supply of service is a grant of right to use the real estate.

Price excluding tax (Article 27)

1. Published price for taxable supply shall be inclusive of tax except for certain supplies as per article (27) of the executive regulations.
2. May declare price as exclusive of tax if supply of goods/services for export or the customer is a registrant. Where price declared as exclusive of tax, it should be clearly identified.

Zero rated supplies (Article 30 – 41)

1. Direct and indirect export under article (45) of the Decree Law are further specified under article (30) of the regulations.
2. The 90 days export condition may be extended if an application in writing has been made and certain circumstances were applicable to the supplier. Goods not exported within the period 90 days or longer period allowed, tax shall be charged.

Deloitte comment: *Currently supplies of goods and services between KSA and UAE are to be treated as exports as a result of these countries temporarily not being treated as "implementing states".*

3. Goods moved into a designated zone shall not be considered as an export.
4. Export of service would not be zero rated if certain conditions stated in article (31) of the regulations are met.
5. International transportation services for passengers and goods and transport-related services under article (45) of the Decree Law are further specified under article (33) of the executive regulations.

- Article (40) of the regulations outlines the circumstances in which education services and supply of goods and services in relation to education services that can be zero-rated.
- Clause (1) of article (41) of the regulations defines "healthcare services".

Exempt supplies (Article 42)

- Supply of financial services where consideration is an explicit fee, commission, discount and rebate or similar are subject to tax.
- Exemption of residential buildings only if the lease is more than 6 months or the tenant is a holder of an ID card issued by Federal Authority for Identity and Citizenship.
- Definition of bare land is provided.
- Supply of local passenger transport services under article (46) of the Decree Law are further specified under article (45) of the executive regulations.

Imported goods (Articles 47)

- Goods shall not be treated as imported into the state when imported into a designated zone from a place outside the state.

Reverse charge (Article 48)

- Goods and services will be subject to the reverse charge mechanism as outlined under clause (1) of article (48) of the Decree Law if the circumstances for the supply is as outlined under clause (3) of article (48) of the regulations.
- Tax is accounted for based on the value of the concerned goods or concerned services at the rate which would be

applicable if the supply was made by a taxable person within the state (i.e. if the supply is an exempt supply in the state, the goods or services will also be exempted). The amount will be declared and paid in the taxable return which the date of the taxable supply takes place.

- The company is required to pay tax on imported goods if the final destination of the goods is another GCC state.

Designated zones (Article 51)

- Designated zones are areas specified under clause (1) of article (51) of the regulations.

Non-recoverable input tax (Article 53)

- Input tax incurred cannot be claimed by the company for the following expenses:
 - Entertainment expenses provided to anyone other than employees of the company for government entities .
 - Motor vehicles purchased, rented or leased for the use of business and available for the private use by any person.
 - Goods and services purchased for the personal benefit of employees without a charge, including entertainment services, except as outlined under subparagraphs (1) to (3) of paragraph (c) of clause (1) of article (53) of the regulations.

Apportionment of input tax (Article 55)

- A tax year for the company is determined from clauses (1) to (4) of Article (55) of the regulations.
- Amount of input tax recoverable in a tax period is the rounded amount derived from the following formula:

$$\frac{\text{Total input tax attributable to taxable supplies}}{\text{Total input tax attributable to taxable} + \text{Exempt supplies}} \times \text{Total non attributable input tax}$$

Tax invoices and tax credit notes (Article 59 to 61)

- Particulars that must be indicated on a tax invoice is outlined under clause (1) of article (59) of the regulations whilst particulars required for a simplified tax invoice is outlined under clause (2) of article (59) of the regulations.
- Particulars that must be indicated on a tax credit note is outlined under clause (1) of article (60) of the regulations.

Tax returns and tax periods (Articles 62 to 64)

- The length of the company's tax period is outlined under article (62) of the regulations.
- A tax return must be filed by the company by the 28th day of the month following the end of a tax period unless specifically allowed by the authority.

Transitional rules (Article 70)

- Time of supply for the supply of goods and services spanning the implementation date is outlined under Clauses (1) to (5) of Article (70) of the Regulations.
- Consideration in relation supply contracts which spans the implementation date is exclusive of VAT subject to conditions outlined under Clauses (5) and (6) of Article (70) of the Regulations.

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