

VAT implications for education sector in the United Arab Emirates

From 1 January 2018, the United Arab Emirates (UAE) introduced a zero-rate VAT (0%) on education services, subject to certain conditions, and to related goods and services. This means that, where certain criteria are met, VAT will not be charged on such supplies; otherwise the default 5% standard rate of VAT will apply. Many ancillary services connected with education are not taxable however, and therefore the provision of accommodation and transport to students by education providers could lead to restrictions on input tax recovery. This mixture of VAT liabilities, combined with complex funding arrangements, such as grants and sponsorship, presents many challenges around effective VAT management. As such, it is crucial that robust VAT processes are in place to ensure the correct VAT treatment is applied and the correct amount of input tax is recovered.

Areas of VAT complexity

0% VAT – Education services

- Must meet two conditions: 1) supplied by 'qualifying educational institutions' and 2) education services must be in accordance with a recognized curriculum by government

0% VAT – Related goods and services

- Only if directly related to zero-rated educational services e.g. books and digital reading materials supplied, school trips related to the curriculum

Input tax recovery

- Apportionment of input tax applies if making both taxable and exempt supplies
- Window of 2 tax periods to claim input tax, otherwise voluntary disclosure may be needed

5% VAT – Educational services and related supplies

- Examples may include non-student revenue, extracurricular activities, food & beverages, electronic devices, uniforms etc.

Exempt supplies

- Real Estate, including whether student accommodation is considered residential (exempt), or taxable where significant extra services are provided
- Exempt provision of domestic student transportation services

Grant funded research

- VAT liability depends on the extent of the benefit provided to the funder of the research
- If grant income is out of scope and not linked to a taxable supply, then associated input tax is not recoverable

Other grant income or sponsorship

- Could be a taxable supply where there is a benefit in return for the funding received
- Where there is no significant benefit, income will be outside the scope of VAT

IT systems

- Proper IT systems in place to charge the correct VAT rate, valid VAT invoices and generate the required data to prepare the required VAT returns

How we can help



Dedicated Education Sector VAT Specialists

with extensive commercial and technical experience in your sector who will share best practice and the latest insights on VAT and industry matters.



VAT Health-Check to assess the robustness of your current VAT compliance and related processes, and identify areas of potential optimization and risk mitigation.



Technical advice when you need greater certainty on VAT treatment, including the preparation of tax authority ruling requests and audit support.



Input tax apportionment reviews to investigate whether the standard method is being calculated correctly, and whether an alternative special method could achieve a more fair and reasonable result.



Tax technology experts to assess current processes and systems in order to improve the accuracy and efficiency of VAT reporting.

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