

Frequently Asked Questions - Overview of UAE VAT

➤ **What is taxable supply?**

A taxable supply is defined in the VAT legislation as a “supply of goods or services for a consideration by a person conducting business in the UAE and does not include an exempt supply”. Therefore, for a supply to be a taxable supply, the following conditions would generally need to be met:

- there needs to be a supply of goods or services;
- the supply must be for consideration; and
- the supply must be made by the person who is conducting business in the UAE.

➤ **What is a zero-rated supply?**

Taxable supply of goods or services for a consideration where VAT is chargeable at zero percent is construed as a zero-rated supply. In such cases, the input tax paid on the procurements shall be fully recoverable.

➤ **What is an exempt supply?**

Exempt supplies are not taxable supplies for VAT purposes. Therefore, VAT is not charged on exempt supplies and the supplier is prevented from recovering any VAT on expenses incurred in making those exempt supplies.

➤ **Is VAT applicable on all types of supplies? If yes, what is the rate at which VAT shall be applicable?**

VAT is applicable on all taxable supplies. Such taxable supplies may either be subject to the standard rate of five percent or zero rate of VAT.



➤ **Is the supplier required to issue a tax invoice for all types of supplies?**

A tax invoice is required to be issued in the case of taxable supplies. A tax invoice is not required to be issued in the following cases:

- Taxable supply, which is subject to zero rate provided there are or there will be sufficient records available to establish the particulars of the supply
- Exempt supplies
- Out of scope supplies.

➤ **What is the timeline for issuing the tax invoice?**

A tax invoice must be issued within 14 days of the prescribed date of supply.

➤ **When can a simplified invoice be issued and what details are required to be mentioned mandatorily on the simplified tax invoice?**

A simplified tax invoice can be issued in the following two situations:

- where the recipient is not registered for VAT; or
- where the recipient is registered for VAT and the consideration for the supply does not exceed AED 10,000.

Set out below are the details required for simplified tax invoice:

- the words *Tax Invoice* clearly displayed on the invoice;
- the name, address, and TRN of the registered supplier;
- the date of issuing the tax invoice;
- a description of the goods or services supplied; and
- the total consideration and the VAT amount charged.

➤ **Is VAT applicable on the advances? If yes, when shall VAT on such advances be accounted i.e. at the time of receipt of advances, or issuing the tax invoice for supply when such an advance is received?**

Yes, VAT is applicable on advances. Furthermore, VAT needs to be accounted at the time of receipt of the advances.

➤ **For the import of goods or services, is VAT required to be paid? If yes, then who should pay this VAT and what is the mechanism for this?**

For the import of goods or services, the reverse charge mechanism is applicable. It is a mechanism wherein the non-resident supplier will not charge VAT to the recipient. Instead, the recipient must self-account for the VAT in respect of import of goods or services.

Therefore, the recipient of goods or services must record VAT on imports as output tax at the applicable rate in their system and declare it in their VAT return. Furthermore, such self-accounted VAT may be recovered by the recipient as input tax subject to certain conditions.



➤ **What is the value of the goods on which import VAT is calculated?**

Import VAT is calculated on the value of the import which comprises the customs value as defined in the customs legislation, including the value of insurance, freight and any customs fees and any excise tax paid on the import of the goods into the UAE. Therefore, import VAT is calculated on the value of goods, inclusive of any customs duty and excise tax that may also be due.

➤ **What is the treatment of export of goods or services under VAT?**

Any export of goods or services are treated as zero-rated supplies under VAT. Such zero-rated supplies are taxable supplies of goods or services which are subject to VAT at 0%.

Although, VAT charged on the zero-rated supply is Nil, the person making the supply can recover VAT on expenses incurred in making the zero-rated supply.

➤ **What are the documents required in case of export of goods?**

Any export of goods shall be supported by official evidence and commercial evidence.

Official evidence means export documents issued by the local Emirate Customs Department in respect of goods leaving the State.

Commercial evidence includes any of the following:

- Airway bill
- Bill of lading
- Consignment note
- Certificate of shipment

➤ **When does the liability to charge and account for VAT arise in respect of any supply of goods and services?**

The liability to charge and account for VAT arises at the earliest of the following events defined for goods and services separately:

For Goods –

- The date on which Goods were transferred; if such a transfer was under the supervision of the supplier.
- The date on which the Recipient of Goods took possession of the Goods, if the transfer was not supervised by the supplier.
- Where goods are supplied with assembly and installation, the date on which the assembly or installation of the Goods was completed.
- The date on which the Goods are imported under the Customs Legislation.
- The date on which the Recipient of Goods accepted the supply, or a date no later than 12 months after the date on which the Goods were transferred or placed under the Recipient of Goods' disposal, if the supply was made on a returnable basis.
- The date of receipt of payment
- The date on which the Tax Invoice was issued

For Services -

- The date on which the provision of Services was completed.



- The date of receipt of payment
- The date on which the Tax Invoice was issued.

In addition to the above provision, there are other provisions that deal with a specific situation, such as if a person supplies goods or services under a contract that includes periodic payments or consecutive invoices, in such case date of supply is the earlier of -

- Issue of a tax invoice
- The due date of payment as shown on the invoice
- Receipt of payment

The date of supply cannot be more than one year from the date the goods or services were provided.

➤ **If the consideration or part thereof is received prior to 1 January 2018 or the invoice was raised prior to 1 January 2018 then is the supplier liable to pay tax on supplies made after 1 January 2018?**

Yes, the supplier shall be liable to pay VAT on such transactions if any of the following instances occur after 1 January 2018:

- Transfer of Goods under the supervision of the supplier
- Placing the Goods at the recipient's disposal
- The completion of assembly or installation of the Goods
- The issuance of the customs declaration
- The acceptance by the Recipient of Goods of the supply

The date of supply in such cases shall be 1 January 2018. In other words, the VAT on such transactions shall be payable along with the tax due for the month of January 2018.

➤ **What is the treatment under VAT in case of contracts that are concluded prior to 1 January 2018 and are silent on VAT?**

In such cases, the consideration received for supplies made after 1 January 2018 shall be treated as exclusive of VAT only if all the following conditions are met:

- The recipient of goods or services is a registrant
- The recipient of goods or services has the right to recover Input Tax incurred on the supply, either in full or in part
- Before 1 January 2018, the supplier requests the recipient of goods or services to confirm:
 - a) that the recipient is or expects to be a registrant on 1 January 2018
 - b) the extent to which such recipient expects to be able to recover tax incurred on the supply

➤ **What are the records required to be kept under the VAT law?**

Set out below are the records required to be maintained:

- records of all supplies and import of goods and services
- all tax invoices and alternative documents received;
- all tax credit notes and alternative documents received;
- all tax invoices and alternative documents issued;
- all tax credit notes and alternative documents issued;



- records of goods and services that have been disposed of or used for matters not related to the business, detailing the VAT paid on those goods and services;
- records of goods and services purchased for which the input tax was not deducted;
- records of exported goods and services; and
- records of adjustments or corrections made to accounts or tax invoices.

In addition to the above, a VAT registered person must keep a VAT record or account which includes the following information:

- output tax due on taxable supplies;
- output tax due on taxable supplies accounted for via the reverse charge mechanism;
- output tax due after the correction of any errors or adjustments;
- input tax recoverable on supplies or imports; and
- input tax recoverable after the correction of any errors or adjustments.

In addition to the above VAT-specific record-keeping requirements, all businesses have to keep accounting records and documents that relate to their business activities. Such records and documents include:

- Balance sheet and profit and loss accounts;
- records of wages and salaries;
- records of fixed assets;
- inventory records and statements (including quantities and values) at the end of any relevant tax period and all records of stock-counts related to inventory statements.

➤ **For how long the records are required to be kept?**

Generally, a taxable person must keep the required records for a minimum of five years after the end of the tax period to which they relate.

Where the taxable person owns real estate, the taxable person should retain the required records relating to the real estate for a period of 15 years after the end of the tax period to which they relate.

➤ **What is the treatment under VAT for transactions between members of the tax group?**

Any supplies made between members of the tax group will be disregarded for VAT purposes, therefore no VAT is chargeable on such intra-group transactions.

➤ **What is the due date of filing VAT returns and payment of VAT?**

The taxable person shall file the VAT return on or before 28th day of the month following the tax period concerned and the payment of VAT shall be made on or before the date of filing the return.

➤ **If input tax is more than output tax then whether the refund can be claimed?**

Yes, if input tax is more than the output tax then refund can be claimed. This can be claimed by filing form VAT 311 – VAT Refunds.



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