

# UAE VAT Executive Regulations : An Analysis

Overview of key changes

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# Speaker's Profiles



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# Article 30 – Exports of goods

# Acceptable evidence of export

## ***Current requirement***

*“Official evidence” means Export documents issued by the local Emirate Customs Department in respect of Goods **leaving the State**.*

## ***After 15 November 2024***

*Acceptable documents required specifying one of the following options:*

- ***a customs declaration and commercial evidence of export;***
- ***a shipping certificate and official evidence of export; or***
- *a customs declaration that proves the suspension arrangement of customs duties, in case the goods are put into customs suspension.*

# Acceptable evidence of export: **Option 1**

**Customs declaration**

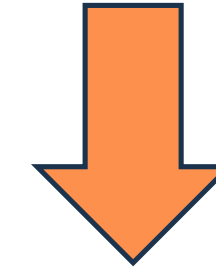
and

**Commercial evidence of export**

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Customs declaration as issued by the relevant customs authority



Defined as the document issued by sea, air or land transport companies and agents, which proves the transfer and departure of the goods from the UAE, ***and includes any of the following documents:***

- 1) Air waybill or air manifest
- 2) Sea waybill or sea manifest
- 3) Land waybill, or land manifest

# Acceptable evidence of export: **Option 2**

## Shipping certificate

and

## Official evidence of export

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A certificate issued by sea, air or land transport companies and agents ***as an equivalent of a commercial evidence where it is not available***



1. The export certificate issued by the customs departments in the UAE.
2. A clearance certificate issued by customs department or the competent authorities in the UAE regarding the goods leaving the UAE after verifying their departure from the UAE.
3. A document or clearance certificate certified by the competent authorities in the country of destination stating the entry of the goods into the country.



# Article 31 – Exports of services

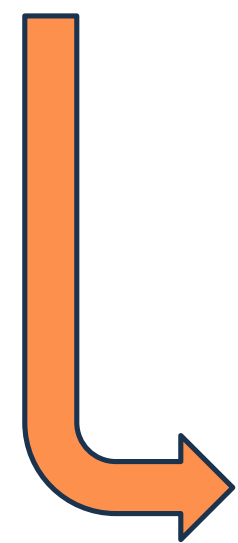
# New condition for zero-rating exports of services

## **Article 31(1)(a)**

1. *The Export of Services shall be zero-rated in the following cases:*

a. *If the following conditions are met:*

- 1) *The Services are supplied to a Recipient of Services who does not have a Place of Residence in an Implementing State and who is outside the State at the time the Services are performed,*
- 2) *The Services are not supplied directly in connection with real estate situated in the State or any improvement to the real estate or directly in connection with moveable assets situated in the State at the time the Services are performed, and*
- 3) *The Services are not treated as being performed in the State or in a Designated Zone under Clauses 3 to 8 of Article 30 and Article 31 of the Decree-Law.***



- *Services provided on goods*
- *Supply of means of transport to a lessee who is not a taxable person in the UAE*
- *Supply of restaurant, hotel, and food and drink catering services*
- *Supply of any cultural, artistic, sporting, educational or any similar services*
- *Supply of services related to real estate*
- *Supply of transportation services or transport-related services*
- *Telecommunications and electronic services*

# Article 42 – Fund Management and Virtual Assets

# Fund management services

## Amended provisions



### **Article 42(2) of the Executive Regulations**

“Financial services...include..:

...

j. The **management of investment funds**, which means “services provided **by the fund manager** independently for a consideration, to **funds licensed by a competent authority** in the State, including but not limited to, management of the fund’s operations, management of investments for or on behalf of the fund, monitoring and improvement of the fund’s performance”.



### Article 42(3) of the Executive Regulations

“The following financial services shall be exempted:

a. Activities under Clause 2 of this Article where they are not conducted in return for an explicit fee, discount, commission, and rebate or similar.

...

d. Fund management services described in paragraph (j) of Clause 2 of this Article.”.

## Implications

- » **Exempt supply:** Fund management services provided to local funds licensed by a competent authority will be exempt.
- » **Shift of VAT cost from funds to fund managers:** Input tax on exempt supplies is non-recoverable. Although fund managers benefit from the exemption on their services, it limits their ability to recover input tax on expenses. Therefore, fund managers must assess the impact on input tax recoverability and consider input tax apportionment.
- » **Licensed funds:** The exemption applies only to services provided to funds licensed by competent authority in the UAE; services to unlicensed funds remain taxable at 5% VAT.
- » **VAT deregistration:** Fund managers solely providing exempt services to licensed local funds shall assess the requirement for VAT deregistration. If they import services, then they may still be required to register for VAT and account for VAT under the RCM.
- » **Zero-rating treatment:** Fund management services provided to funds located outside the UAE may qualify for zero-rating provided all conditions under Article 31 of the Executive Regulations are met. Input tax incurred towards such zero-rated supplies shall be recoverable.

# Virtual Assets

## Amended provisions



### **Article 42(2) of the Executive Regulations**

“Financial services...include..:

...

- k. The transfer of ownership of Virtual Assets, including virtual currencies.
- l. The conversion of Virtual Assets.
- m. Keeping and managing Virtual Assets and enabling control thereof.



### **Article 42(3) of the Executive Regulations**

“The following financial services shall be exempted:

.....

- e. Services specified in paragraphs (k) and (l) of Clause 2 of this Article, including services supplied on or after 1 January 2018.

**Article 1:** *“Virtual asset” is digital representation of value that can be digitally traded or converted and can be used for investment purposes, and does not include digital representations of fiat currencies or financial securities.*

## Implications

- » **Exempt supply:** transfer and conversion of such virtual assets is exempt.
- » **Services related to the keeping, managing, and enabling control of virtual assets:** have been included in the definition of financial services, but are not expressly stated to be exempt in clause 3. As such, they can be either taxable or exempt, depending if provided in exchange for an explicit or implicit fee.
- » **Retrospective application:** Given that the change in VAT treatment for the transfer and conversion of virtual assets is effective retroactively from 1 January 2018, businesses may need to reassess the past VAT treatment of both outputs and input tax.
- » **Exclusions from the definition:** Digital representations of fiat currencies or financial securities are excluded from the definition of ‘Virtual Assets’. Is this meant to exclude CBDC or also stablecoins?

# Article 46 – Tax on Supplies of More Than One Component

# Clarification of VAT treatment

## **Article 4**

A single composite supply shall exist in the following cases:

- A principal component and components which either are necessary or essential to the making of the supply, including incidental elements; **or**
- Where there is a supply which has two or more elements so closely linked as to form a single supply which it would be impossible or unnatural to split.



## **Updated Article 46(1)**

*Where a supply is a single composite supply as provided in Article 4 of this Decision:*

- a. The Tax treatment of the supply shall follow the Tax treatment of the principal component of the supply.*
- b. If a single composite supply does not contain a principal component, the Tax treatment shall, generally, be applied based on the nature of the supply as a whole.***

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