

# UAE VAT Executive Regulations : An Analysis

Overview of key changes

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# Speaker's Profile



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Article 53

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Article 55

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Article 60

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# Article 53- Non-recoverable input VAT- Medical insurance services

## 1 Description

- New clause 1 (c) (3) at the article is now allowing the **deduction of Input tax on expenses incurred by an employer** when obtaining **health insurance for their employees and their families**. This includes enhanced health insurance coverage, provided it is within the specified limits of one spouse and up to three children under the age of 18 years.

## 2 Take aways

- In practice this development implies the deployment of **one single model of input VAT recovery** for these expenses across all the Emirates.
- This measure will be in force **from 15 November 2024**.

## 3 Going Forward

- **No transitional rules** have been approved.
- The **cut-off date and the periodicity** of the tax invoices received from health insurance vendors become critical.
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# Article 55- Apportionment of input VAT (1)

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## Description

- **A new Clause 4** is now marking the **end of the tax year** in the following specific cases:
  1. If the taxable person cancels his VAT registration, the tax year will end on the last day on which the person is subject to VAT.
  2. If a member joins a VAT group, the tax year will end on the last day before joining the tax group.
  3. If a member leaves a VAT group, the tax year will end on the last day on which the person remains a member of the VAT group
- **Amendment on Clause 6 (b)** is now including non recoverable VAT as per Article 53 as a part of the input VAT not directly recoverable with taxable supplies as per Article 54 **and 57**.
- **Amendment on Clauses 6 (c) and 7 changes the way to calculate the recoverability of Residual Input VAT:**
  1. The denominator of the calculation of the recovery percentage is now the **Sum of Input VAT for the Period**.
  2. the recovery percentage shall be rounded to the nearest whole number.
  3. Finally, the recovery percentage is multiplied on the input VAT amount obtained as per Clause 6 (b)
- **New Clause 12** clarifying that in cases where the tax year is less than 12 months, the yearly 'actual use' adjustment limit of AED 250,000 should also be adjusted proportionately.
- **Amendment on Clause 13** habilitating the FTA to mandate businesses to submit special input tax apportionment applications if the **calculation method applied by taxpayers does not reflect the actual use**.
- **New Clause 16 Taxpayers now have the** option to apply for applying an input tax recovery rate based on the recovery rate from the previous tax year to the FTA.

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## Take aways

- This measure will be in force **from 15 November 2024**.
- Taxpayers should both review the **impact of the developments on their current input VAT apportionment calculations** and **explore also the opportunities** offered by the new rules to propose alternative input VAT recovery methods to the Tax Authority.

# Articles 59 & 60- Tax Invoices/credit notes

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## Description

- **Article 67 of the UAE VAT Law** requires the **issuance of a tax invoice within 14 days from the date of supply.**
- As per **new Clause 13 of Article 59**, a **new timeline for issuance** of the tax invoices has been fixed for the following cases:
  1. A **simplified tax invoice** must be issued on the **same day of the date of supply**;
  2. A **summary tax invoice** can be issued and delivered to the recipient within 14 days from **the end of the calendar month in which transactions took place.**
- **Clause 5 of Article 59** clarifies that **simplified tax invoices cannot be issued** for supplies taxable under the **reverse charge mechanism. Should standard tax invoices generated on these cases?**
- **New Clauses 14 and 15 of Article 59** are establishing habilitating cases for the FTA for control special authorizations under Clause 7 and restrict the the use of simplified tax invoices under Clause 5 of such Article.
- **Amendments on Clauses 1 (c) and 6 of Article 60 (Tax Credit Notes) establish:**
  1. FTA has clarified that when multiple Tax Credit Notes are issued for the same Tax Invoice, the value of the supply reflected in any subsequent Tax Credit Note should be the adjusted value, taking into account the modifications made after the issuance of the previous Tax Credit Note.
  2. In cases that an agent issues tax credit notes on behalf of the principal, the principal supplier and agents are required to maintain records viz., name, address, and TRN of the principal supplier / agent.

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## Take aways

- This measure will be in force **from 15 November 2024.**
- Taxpayers should both **review the impact of the developments** on their invoicing procedures / mechanisms to ensure compliance with the UAE VAT law.
- Specific care should be taken regarding to the **update of IT billing systems to accurately record supplies and ensure that tax invoices and credit notes are issued within the specified timelines** as per the rules and formal risks are prevented.



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