



الهيئة الاتحادية للضرائب  
FEDERAL TAX AUTHORITY

# Importers and Exporters



## What is a supply?

VAT will be due where a taxable supply is being made by a taxable person

A supply of goods or services

In the UAE

For consideration

By any person

In the course of conducting business

## Taxable supplies: breaking down the detail



### Goods vs. Services

- Goods = the passing of ownership of physical property or the right to use that property as an owner, to another person
- Services = anything which is not a supply of goods is a supply of services



### Consideration

- Consideration is anything received in return for a supply
- If the consideration is only money, the value of that supply is the amount of money received
- Consideration is treated as **VAT inclusive**, so the amount received in payment includes an element of VAT for taxable supplies



### In the UAE

- Place of supply rules determine where the supply is 'made' for VAT purposes
- Where the supply is made within the UAE, UAE VAT will be due
- There are different place of supply rules for goods and services

## Taxable supplies: breaking down the detail



### Made by a person

- Registered for VAT or required to be registered for VAT
- Businesses become required to be registered when their turnover reaches a certain threshold
- It is possible for businesses to voluntarily register for VAT before if they reach a lower voluntary threshold



### In the course of business

Business includes:

- Any activity conducted regularly, on an ongoing basis
- Independently by any person, in any location
- Including industrial, commercial, agricultural, professional, service or excavation activities or anything related to the use of tangible or intangible properties

## Place of supply

Place of supply rules will determine whether a supply is made in the UAE or outside the UAE for VAT purposes:

- If the supply is treated as made outside the UAE: no UAE VAT will be charged
- If the supply is treated as made in the UAE: VAT may be charged



### Goods

- **Basic rule:** the place of supply is the location of goods when the supply takes place
- **Special rules,** for example:
  - ❖ Cross-border supplies of goods – that is supplies which involve parties in different countries
  - ❖ Water and energy
  - ❖ Real estate

### Services

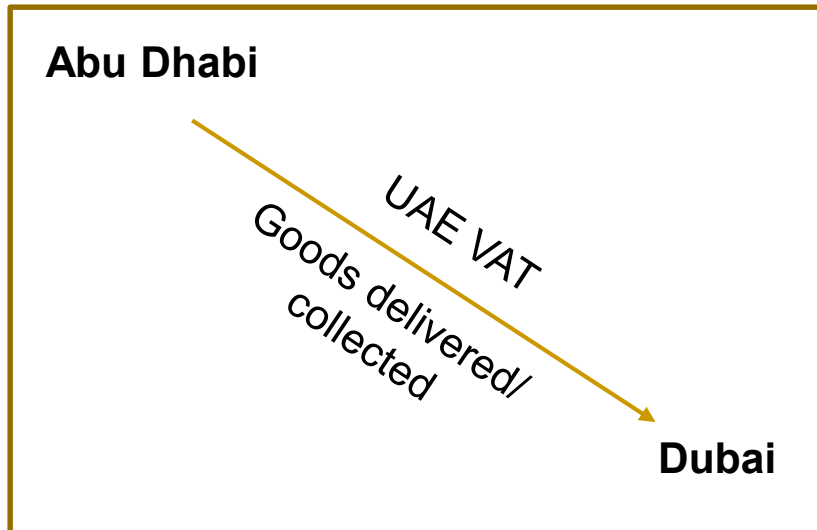
- **Basic rule:** the place of supply is where the supplier has the place of residence
- **Special rules,** for example:
  - ❖ Cross-border supplies of services between businesses
  - ❖ Electronically supplies services – where services are used or enjoyed



## Place of Supply – Goods (1/2)

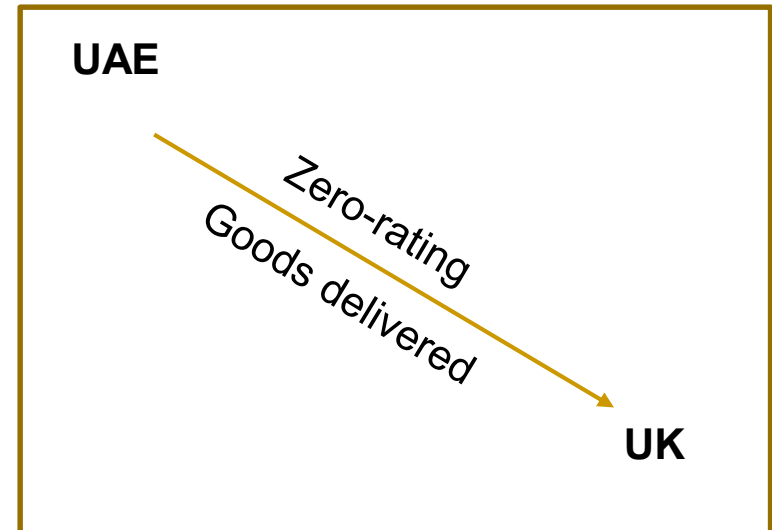
### — Domestic Supplies —

- No movement of goods outside the UAE
- Subject to the applicable VAT rate in the UAE – standard or zero-rated



### — Exports to outside the GCC —

- Export of goods: place of supply is still the UAE

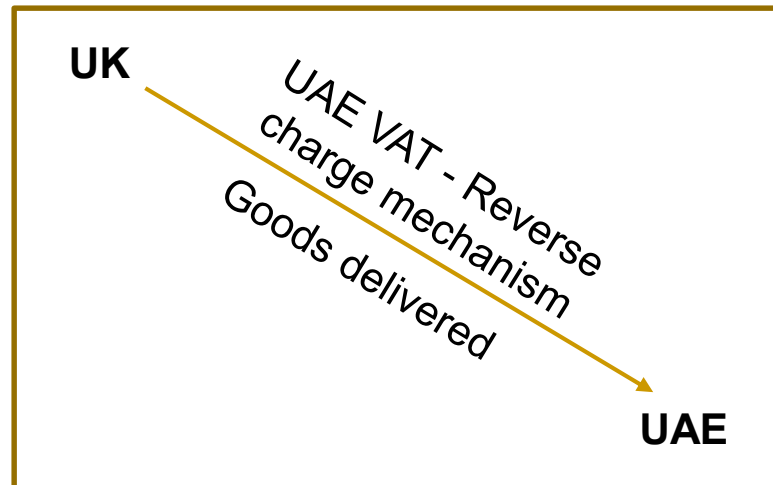




## Place of Supply – Goods (2/2)

### B2B Import into UAE from outside of GCC

- Import of goods: place of supply is the UAE
- The recipient accounts for VAT under the reverse charge mechanism **EXCEPT** where goods will be re-exported to another GCC State – see next page for details





## Place of Supply

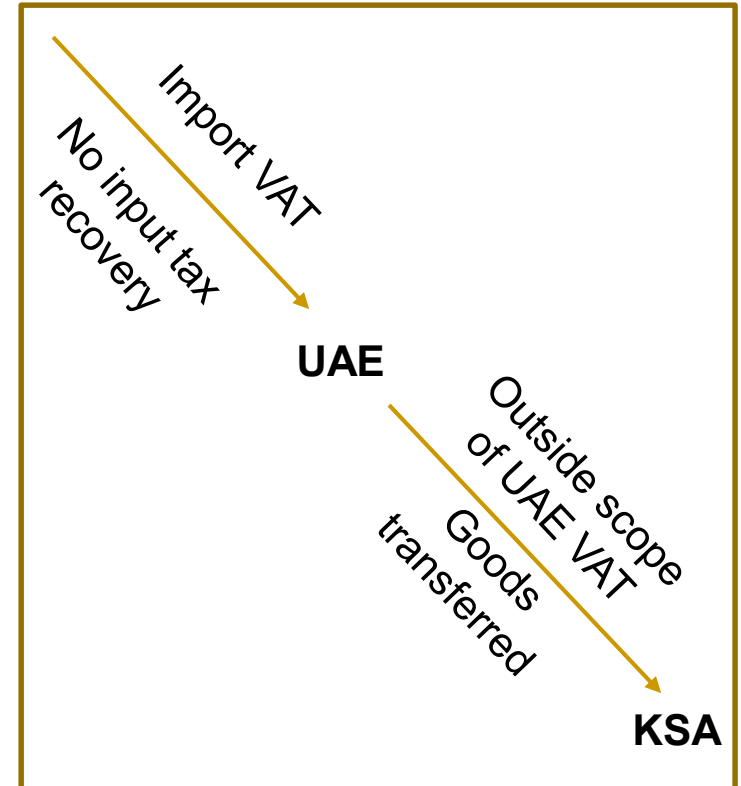
### Goods imported to the UAE & transferred to GCC

#### Import followed by movement of goods within GCC

Where goods are imported into the UAE (i.e. released for consumption here) but the intention is that these goods will be transferred by the importer into another GCC State, the place of supply of import is still the UAE **BUT**...

- The importer must pay import VAT without using the reverse charge and cannot recover this VAT
- This import VAT should be recoverable in the GCC State to which the goods are transferred

Where import VAT was recovered in the UAE under the expectation that goods would not be transferred to another GCC State, but at a later date they are moved to another GCC State, the importer will be required to “repay” the import VAT by treating the transfer as a deemed supply subject to VAT.





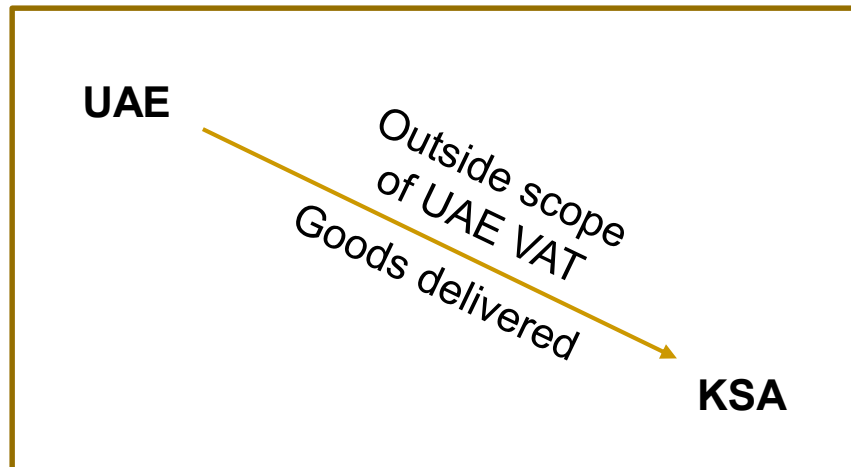


# Place of Supply Goods supplied within GCC

## — B2B Exports to GCC —

Export of goods: place of supply is the other GCC State (e.g. KSA) provided:

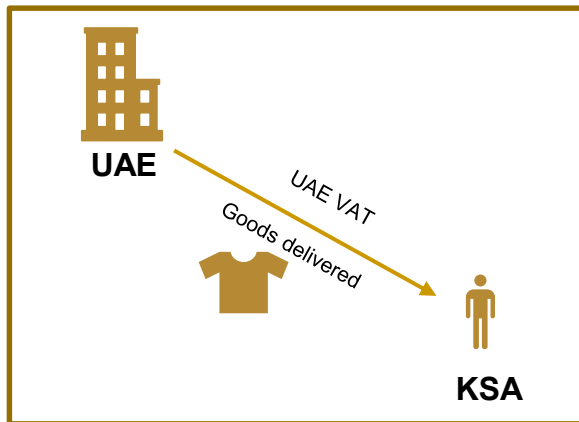
- the customer is registered for VAT in the GCC State where the goods are delivered
- the goods are exported outside the UAE



## Distance Sales

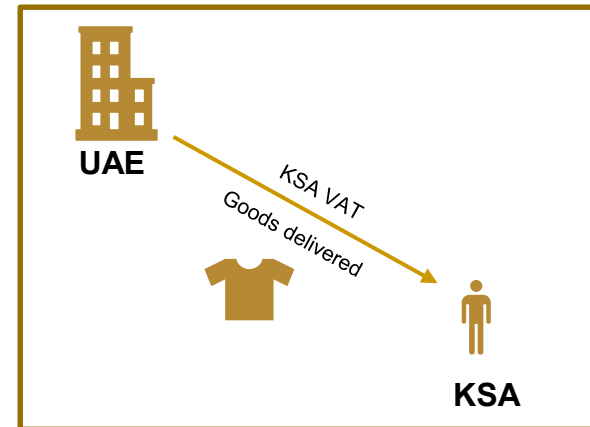
### Below threshold

- Supplier is registered in UAE and sells goods from UAE to KSA
- Customer in KSA is not registered for tax
- Total amount of exports by supplier **remains below** the mandatory registration threshold in KSA
- Place of supply is UAE and UAE VAT is due



### Exceeding threshold

- Supplier is registered in UAE and sells goods from UAE to KSA
- Customer in KSA is not registered for tax
- Total amount of exports by supplier **exceeds** the mandatory registration threshold in KSA
- Place of supply is KSA and KSA VAT should be charged



## Place of Supply Services (1/2)

**Basic rule** = where the supplier has their place of residence

**Specific rules** =



Place of supply of services supplied to recipients who are VAT registered in another GCC State **is that other GCC State** unless the place of supply is the UAE for another reason



Place of supply of services supplied by a person that is not resident in the UAE to a VAT registered business resident in the UAE **is in the UAE**



Place of supply of services relating to the installation of goods **is where the service is performed**



Place of supply of restaurant, hotel and catering services is **where they are performed**

## Place of Supply Services (2/2)

### Specific rules =



Place of supply of real estate services **is the location of the real estate**



Place of supply of transport services **is where the transport begins**



Place of supply of a means of transport to a person not registered for VAT in the GCC **is where the goods are put at the disposal of the recipient**

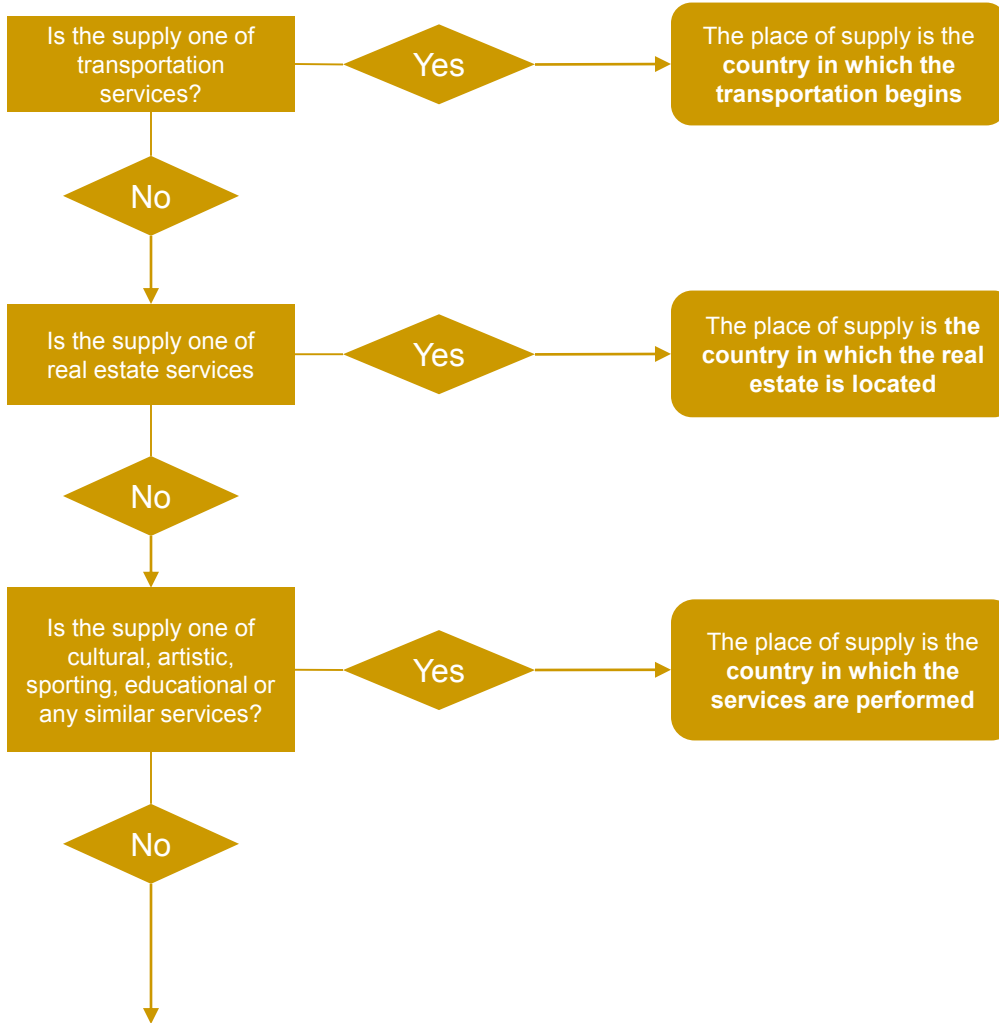


Place of supply of telecommunications and electronic services **is where the services are actually used and enjoyed by the recipient**

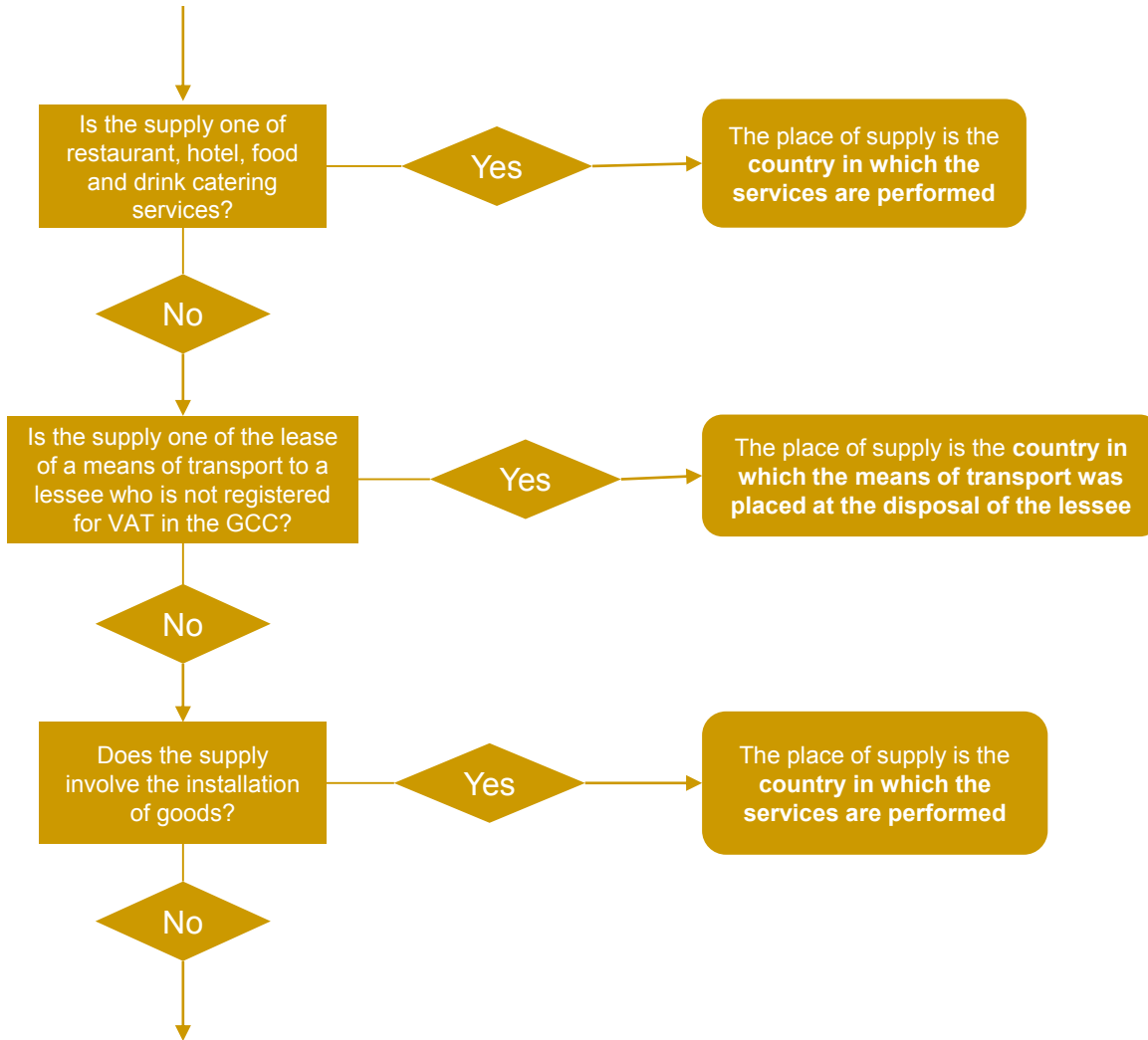


Place of supply of cultural, artistic, sporting, educational or similar services **is where they are performed**

## Place of Supply of Services: assessing the rules

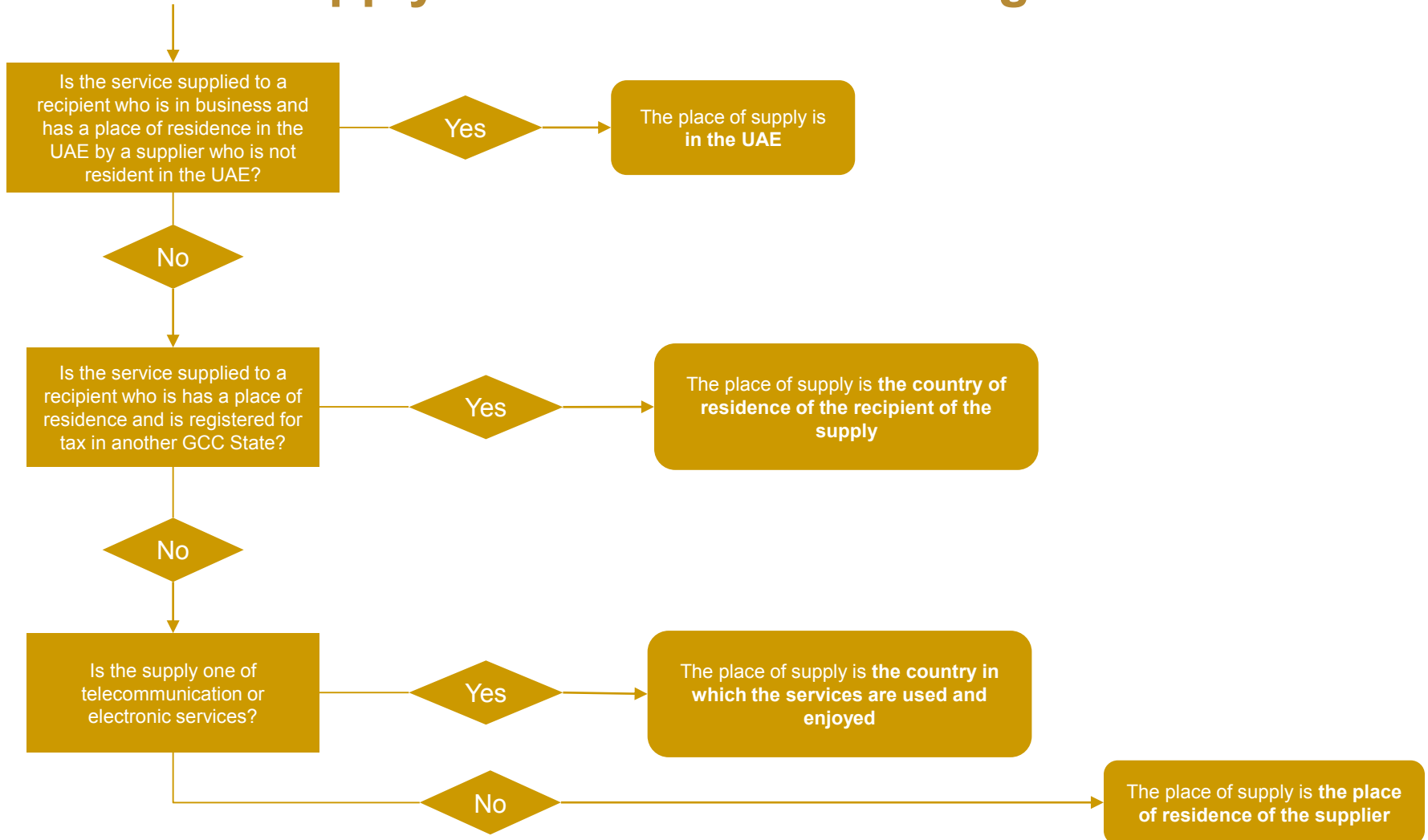


## Place of Supply of Services: assessing the rules





## Place of Supply of Services: assessing the rules



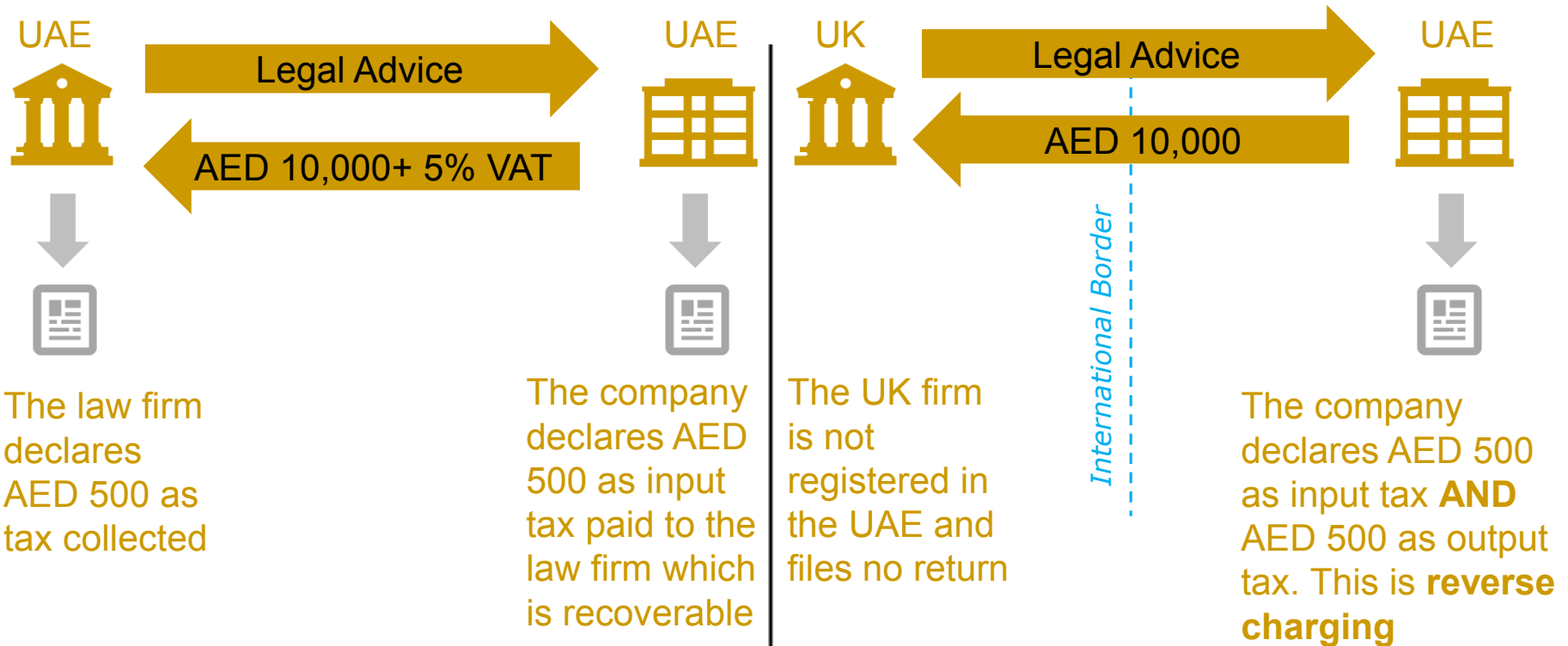


## Place of Supply Services - Reverse charge mechanism

- In situations where a VAT registered person imports services into the UAE which would be subject to VAT if purchased in the UAE, the VAT registered purchaser has to account for VAT in respect of those supplies
- Typically used for cross-border transactions to relieve a non-resident supplier from the requirement to register and account for VAT in the country of the purchaser
- The purchaser will account for VAT on its normal VAT return and he may be able to claim that VAT back on the same return, subject to the normal VAT recovery rules



## Place of Supply Reverse charge mechanism - example



**Net result of Reverse Charging = puts local and international suppliers on the same footing**



# Date of supply: When to account for output VAT on supplies

## Basic tax point for goods

- Date of removal of goods (in case of supply of goods with transportation) [Article 23(2a); GCC VAT Agreement]
- Date on which goods made available to customer (in case of supply not involving transportation) [Article 23(2b); GCC VAT Agreement]
- Date of assembly/ installation (supply of goods involving assembly or installation) [Article 23(2c); GCC VAT Agreement]

## Basic tax point for services

- Date on which performance of service is complete [Article 23(2d); GCC VAT Agreement]



## Date of supply: When to account for output VAT on supplies

### Receipt of earlier payment or invoice

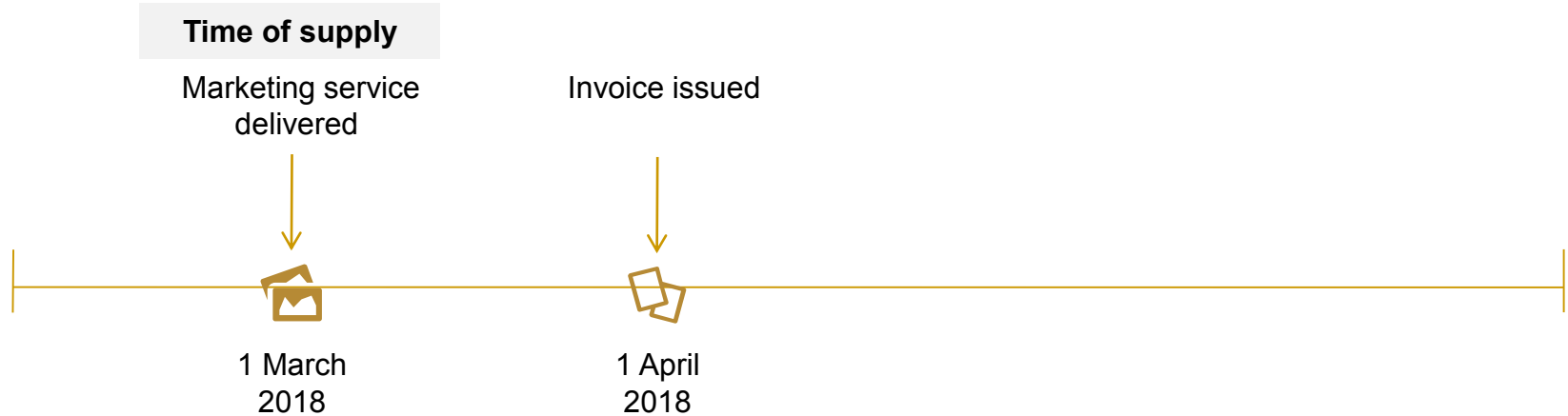
- Receipt of payment or the date of a VAT invoice if earlier than the basic tax point

### Continuous supplies & stage payments

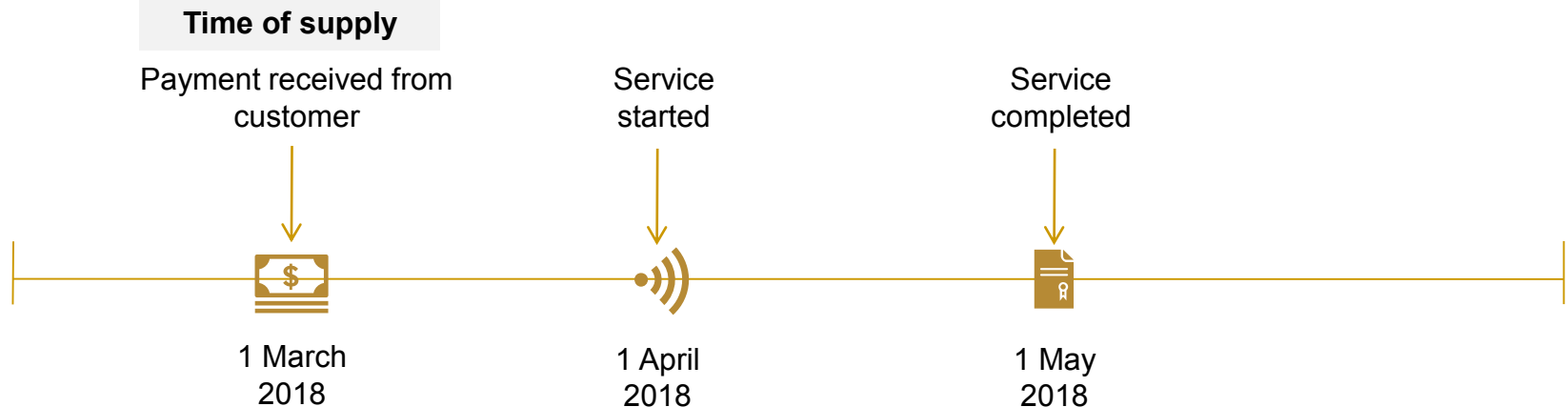
- The earlier of receipt of payment, the due date of payment shown on the VAT invoice or the date of the VAT invoice

# Specific examples: Services

## Example 1

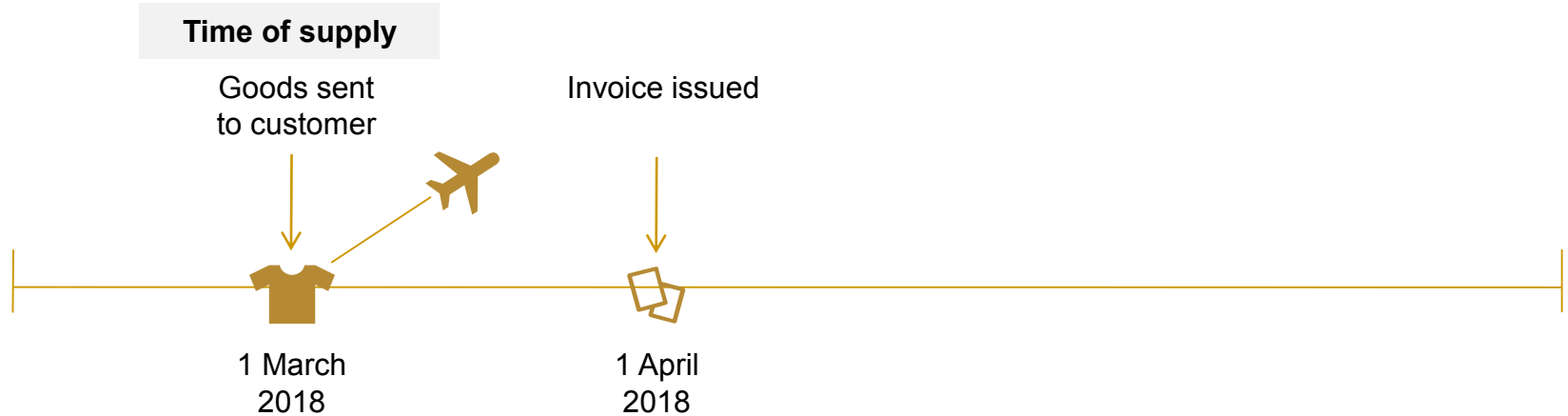


## Example 2



# Specific examples: Export of goods

## Example 1

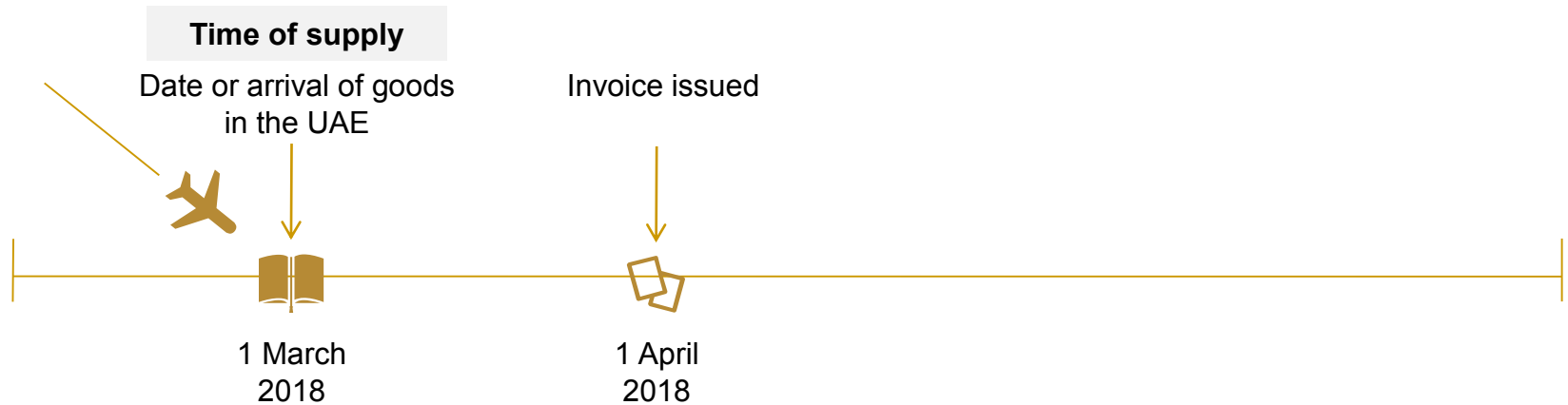


## Example 2

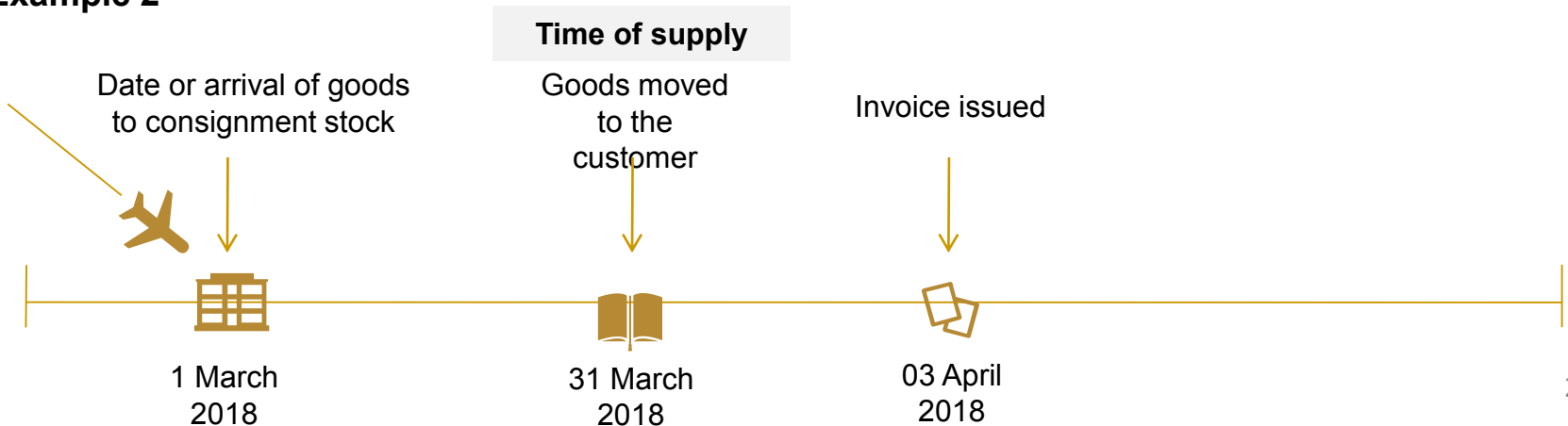


# Specific examples: Import of goods

## Example 1



## Example 2





## VAT Liability: Export of services

A supply of services shall be zero-rated if all of the following conditions are met:

- the services are supplied to a recipient who does not have a place of residence in a GCC State and who is outside the UAE at the time the services are performed; and
- the services are not supplied directly in connection with:
  - ✓ real estate situated in the UAE or any improvement to the real estate; or
  - ✓ moveable personal property situated in the UAE at the time the services are performed.

Services may also be zero-rated where:

- the services are actually performed outside the GCC or are the arranging of services that are actually performed outside the GCC;
- the supply consists of the facilitation of outbound tour packages, that part of the service.

For the purpose of this rule, “outside the UAE” includes a short term presence in the UAE (less than 1 month), or a presence that is not effectively connected with the supply.



## VAT liability: Export of goods outside the GCC

The export of goods outside of GCC is **zero-rated** when the following conditions are met :

**Direct export** - the supplier is responsible for arranging transport

- the goods are physically exported outside GCC or put into a customs suspension regime within three months of the date of the supply; and
- official or commercial evidence of export is retained by the exporter.

**Indirect export** – the overseas customer arranges for the collection of the Goods from the supplier in the UAE, who exports the goods himself or via an agent

- the goods are physically exported outside GCC or put into a customs suspension regime by the overseas customer within three months of the date of the supply; and
- official or commercial evidence of export is provided by the overseas customer to the supplier, and
- the goods are not used or altered in the time between supply and export; and
- the goods do not leave the State in the possession of a passenger or crew member of an aircraft or ship.



## VAT liability: International transport of goods



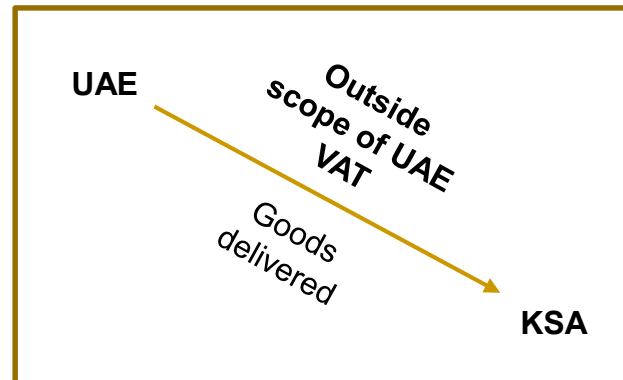
The following supplies relating to the international transport of goods are subject to VAT at 0%:

- The services, including transport-related services, of transporting goods from a place in the UAE to a place outside the UAE or vice versa
- This includes transport through the UAE where either the origin or the final destination of the goods is outside the UAE
- Services supplied during the supply of transport services e.g. handling the goods
- Insuring, arranging the insurance or arranging the transport of goods

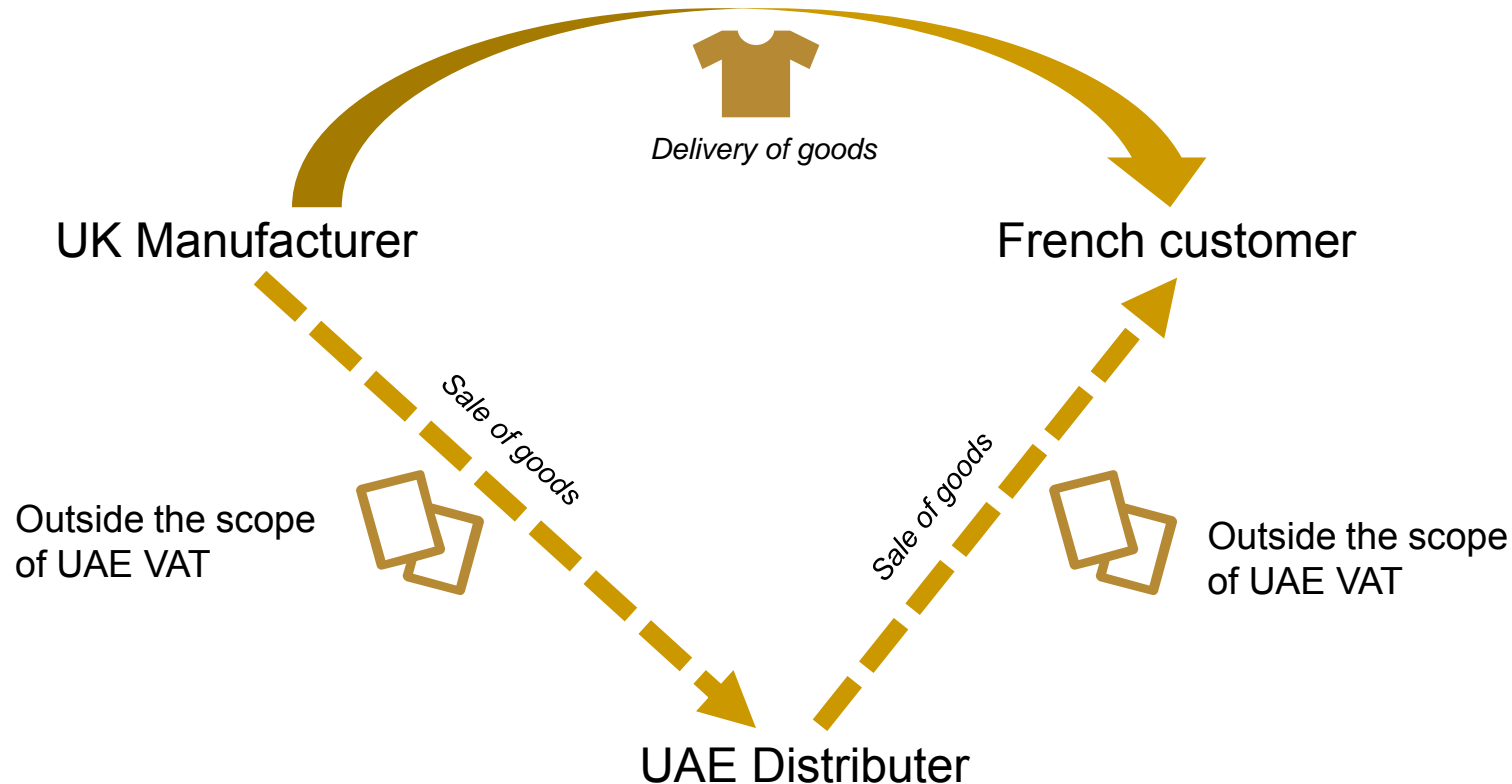
## VAT liability: Supply of goods to GCC countries

The supply of goods to business customers within the GCC is **outside of scope** of UAE VAT in certain cases:

- The place of supply of goods involving the supply of goods to a recipient who is registered for VAT in another GCC country is that other GCC Country.
- As a result, the supply is outside the scope of UAE VAT.
- Any VAT on costs incurred which wholly relate to supplies that are made outside the UAE which would have been considered taxable supplies had they been made in the UAE, are recoverable i.e. if the goods would have been subject to VAT in the UAE, any costs incurred which directly relate to the making of the supply are recoverable.



## VAT liability: Supplies made outside the GCC



- Place of supply is outside the UAE as the goods are outside the UAE when sold
- Liability of the UAE Distributer's supply is outside the scope of UAE VAT
- The UAE Distributer is entitled to recover VAT incurred on costs as the supply would have been taxable if it had been made in the UAE



## Input Tax Recovery Conditions

In order for input tax to be deductible by a person, a number of conditions must be satisfied by the recipient of the supply:

- 1) Recipient must be a **taxable person** and must be registered for VAT
- 2) VAT on the purchase must have been **correctly charged** by the supplier
- 3) The goods or services have been acquired for an **eligible purpose**
- 4) Recipient must receive and retain a tax invoice **evidencing the transaction**
- 5) The amount of VAT which the recipient seeks to recover must **have been paid** in whole or in part, **or intended to be paid** in whole or in part
- 6) Certain incurred VAT **is specifically blocked** from being recoverable as input tax regardless of whether the above conditions have been met

## VAT recovery & exporters

### Exporters

- ❑ Generally make wholly zero-rated supplies (outside the GCC) or outside the scope supplies (to VAT registered businesses in the GCC)
- ❑ Input tax incurred on costs likely to exceed output tax declared on sales
- ❑ As a result, exporters will normally be in a repayment position i.e. they may be due a net refund of VAT from the FTA
- ❑ Exporters will make a claim for repayment of the input tax via the VAT return
- ❑ The FTA will approve refund claims or notify the taxable person of a rejection of the refund claim within 20 working days
- ❑ The FTA may also notify the taxable person that consideration of the claim will take longer than 20 working days

|   | Net value | Output tax due on sales | Input tax recoverable on purchases | Total          |
|---|-----------|-------------------------|------------------------------------|----------------|
| Sales of goods exported outside the GCC | 100,000   | 0                       | -                                  | 0              |
| Local purchase of goods & services      | 60,000    | -                       | 3,000                              | (3,000)        |
| Net VAT payable (recoverable) from FTA  |           |                         |                                    | <b>(3,000)</b> |

## Call off stock & consignment stock



**Call off stock** is where goods are already stored at the premises or warehouse of a potential customer, however the ownership remains with the seller until customer takes stock.

**Consignment Stock** occurs when goods are sold to a customer but remain at the warehouse of the seller.



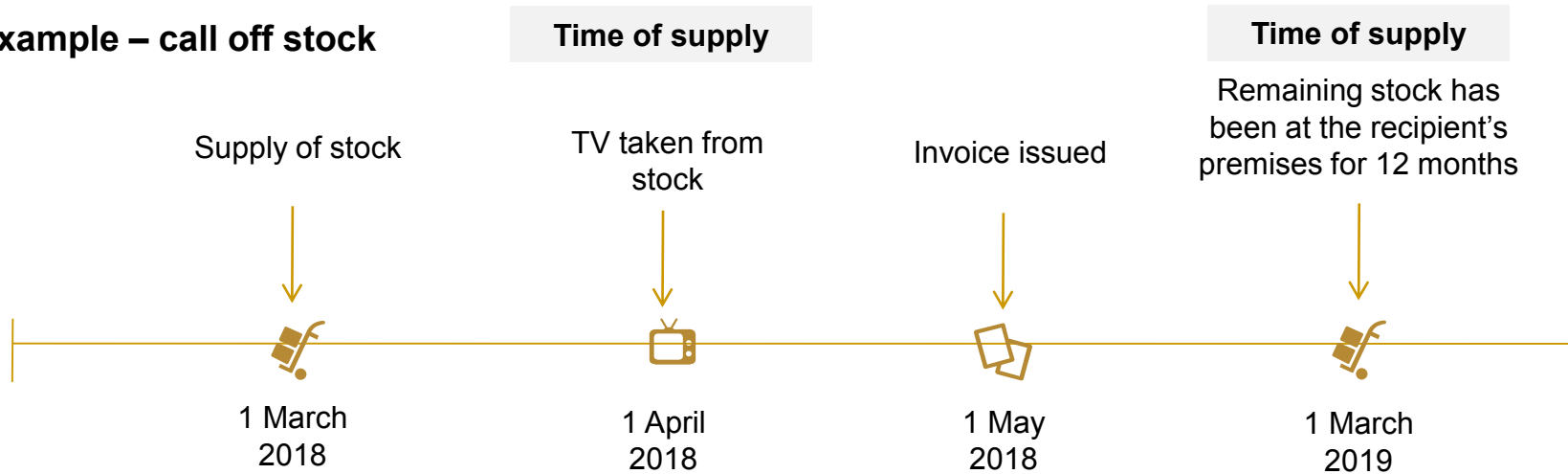
In both scenarios care must be taken to ensure VAT is accounted for at the correct time.



This can become increasingly complex where the supply involves the cross border transport of the goods.

## Call off stock

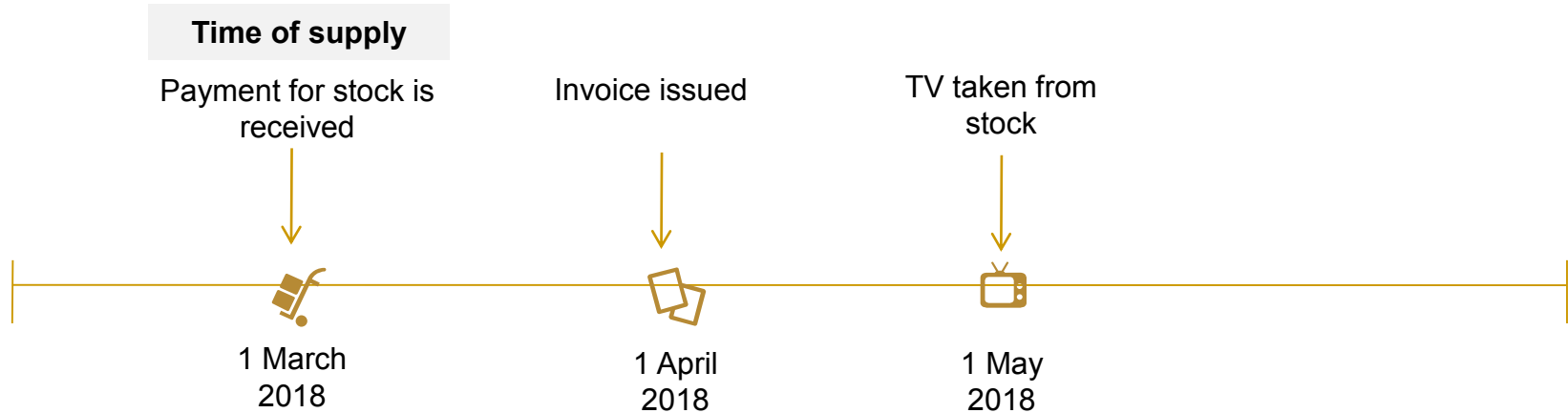
### Example – call off stock



- VAT is due at the point the recipient of the goods takes possession of the goods.
- If stock has not been 'accepted' by the recipient within 12 months from the date it was placed at the recipient's premises, VAT becomes due on that stock at the 12 month mark.

# Consignment stock

## Example – consignment stock

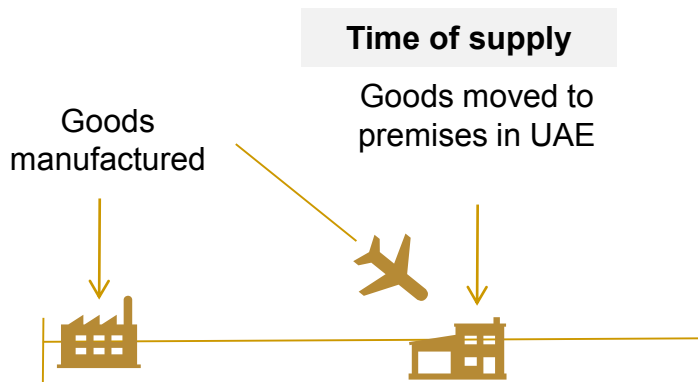


- VAT is due at the earlier of the receipt of payment or the date of an invoice.
- Goods remain in the possession of the seller until a later date when the goods are required by the recipient.
- Often such scenarios involve the movement of the goods to a warehouse close to the recipient's location prior to the date of sale – where this involves the intra GCC movement of goods the supplier may be required to make a deemed supply of the goods.



## GCC movements

### Example



- Where such arrangements involve the intra-GCC movement of goods, there may be a deemed supply when the supplier moves their own goods from another GCC State to the UAE (depending on the rules within the originating GCC State)
- The supplier will need to consider whether they have a requirement to register for VAT in the UAE (considering the registration threshold) as a result of the onward supply of the goods in the UAE