



Executive Regulations of **UAE VAT Law** – Amendments

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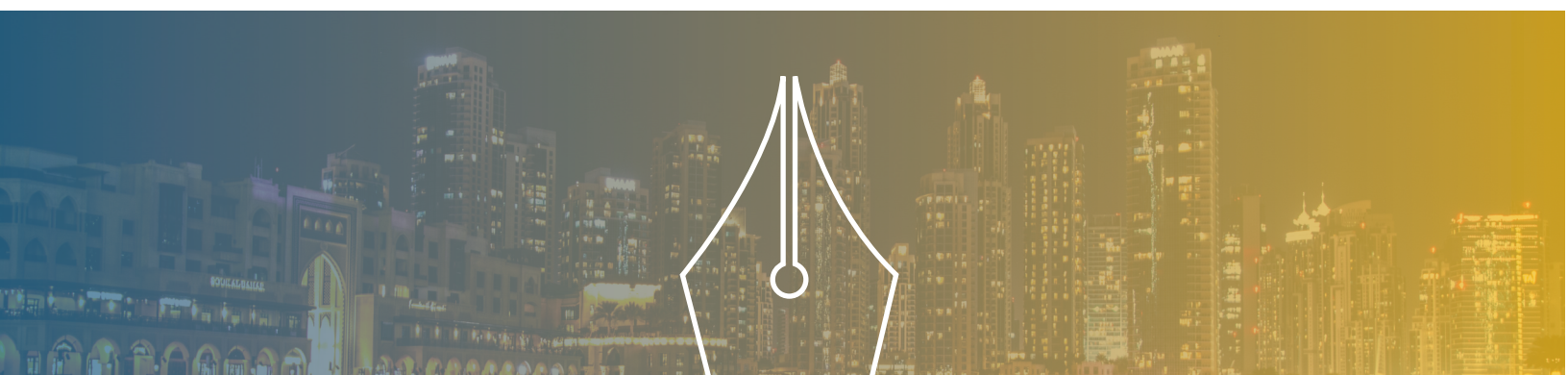
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Cabinet Decision No.100 of 2024



Cabinet Decision No.100 of 2024

The FTA has introduced an amendment to the Executive Regulations of the UAE VAT law through cabinet decision no.100 of 2024 which is amending cabinet decision no 52 of 2017.

These changes will be effective from 15th November 2024 (unless otherwise specified in the article of this decision)

Key Amendment's and their implications are discussed below:



Financial Services



Article 1 includes definition of Virtual Asset.

Virtual Asset are defined as "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".

Article 42- Tax Treatment for financial service

Article 42(2) has been amended to include the following within the definition of financial services,

- Providing investment fund management services independently for a fee, for funds licensed by a competent authority in the state, including but not limited to managing fund operations and managing investments for the benefit of the fund or on its behalf and monitoring and improving fund performance;
- Transferring ownership of virtual assets, including virtual Currencies;
- Conversion of Virtual Assets;
- Keeping and managing Virtual assets and enabling control over them

Article 42(3) exempt following financial services from VAT retrospectively from 1st Jan 2018,

- Transferring ownership of virtual Assets, including virtual currencies.
- Conversion of Virtual Assets

Impact - It brings clarity to the taxation of virtual assets. Investment fund management services, virtual currencies considered as exempt financial services from VAT.

Article 3(bis) – Exceptions of Supplies (Newly added Provision)

Another important amendment is introducing exceptions for the supply effective from 1st January 2023:

- Transfer of ownership or disposal rights of government building between government entities
- Transfer of ownership or disposal of real estate asset between government entities
- Above also covers the right to use or exploit those assets.

Impact – Significant impact for government entities transactions like transfer, lease of these assets will no longer considered to be supply hence such transactions are not subject to VAT.

Article 5 – Exceptions related to Deemed Supply

Exceptions related to Deemed Supply, now has extended to the following supply as well:

Where both the Supplier and Recipient are either government entity or charitable organization then, up to AED 250,000 for each supplier within 12-month period are also falls under exception to deemed supply.

Impact – Encouraging activities between government entities and/or charitable organizations without the burden of VAT.

Article 14 – Tax Deregistration

Clause 9 has been added which states that deregistration does not absolve a Person from having to comply with the provisions of the Decree-Law and this Decision, including filing another Tax Registration application when the Tax Registration requirements are met.

Article 14 (bis) – Tax Deregistration to Protect the Integrity of the Tax System (Newly Added Provision)

The Authority may deregister a Person for Tax if the Authority determines that maintaining such Tax Registration may prejudice the integrity of the Tax system, provided any of the following conditions is met;

- The Registrant no longer meets the Tax Registration requirements
- The Registrant has not submitted tax deregistration application to the Authority, or the Registrant has initiated a Tax deregistration application with the Authority but has not completed such application

Article 29–Profit Margin Scheme

In a further effort to clarify VAT calculations, Article 29 has defined "Purchase Price" will include all costs and fees incurred when purchasing goods.

Impact – Clarified that for calculation of profit margin under the scheme, whole cost associated with the acquisition of goods are considered.

Proof for Export of Goods



Article 30 – Zero-rating the export of goods

FTA Specifies the documents which are required for Zero rating the export of goods. The FTA has clarified that **any of the following** documents would be acceptable to prove the export as zero-rated supply,

- A Custom declaration and commercial evidence proving the export
- A Shipping certificate and official evidence proving the export
- A Custom declaration providing the custom suspension if the goods are under custom suspension
- The clarification provided by FTA for “official evidence” and “commercial evidence”

Official Evidence

A certificate of export issued by the custom in the state or a clearance certificate issued by those authorities or the competent authorities (**Exit Certificate**) in the state regarding the goods leaving the state after verifying that the goods have left the state, or a document or clearance certificate certified by competent authorities in the destination country indicating that the goods have entered it.

Commercial Evidence

A document issued by shipping or air transport companies or agents proving the transportation and departure of goods from the state to outside the state, including any one of the following documents:

- Airway Bill or **Air cargo manifest**
- Bill of lading or **Sea cargo manifest**
- Land transport bill or **Land cargo manifest**

In amended provision the term “Shipping certificate” has been clarified which states that certificate issued by shipping or air transport companies or agents equivalent to commercial evidence if it is not available.

Summary

Documents required for Zero rating the export of goods (Till 15th November 2024)

Business must require all the documents mentioned below for export of goods

Option 1	Exit Certificate, Custom declaration, Airway bill or bill of lading
Option 2	Custom declaration providing the custom suspension if the goods are under custom suspension

Documents required for Zero rating the export of goods (From 15th November 2024)

Business can retain documents based on any of the following option for export of goods

Option 1	Custom declaration and Bill of lading or Airway Bill
Option 2	Exit Certificate or Entry certificate of destination country and shipping certificate
Option 3	Custom declaration providing the custom suspension if the goods are under custom suspension

Impact – These clarity helps the exporter to understand the process and documents require for business applying zero rate on exports.

Article 31– Zero-Rated Services

Amendments have also been made regarding the zero-rating of specific services. Services listed in clauses 3 to 8 of Article 30, and Article 31 of the VAT Decree Law will be subject to the standard rate of VAT if the place of supply is within the UAE, even if they are considered exports of service.

Key Services Affected

- **Installation Services:** Related to goods supplied by others, taxed at the place where the service is performed.
- **Transport Services:** Provided to lessees who are not taxable persons, taxed where the means of transport are made available.
- **Hospitality Services:** Restaurant, hotel, and catering services are taxed at the location of service performance.
- **Cultural and Educational Services:** Taxed where the services are performed.
- **Real Estate Services:** Taxed based on the location of the real estate.
- **Transportation Services:** Taxed where the transportation begins.
- **Telecommunications and Electronic Services:** Taxed based on where the services are enjoyed.

Clarifications on Repair and Maintenance Services

Article 35(1)(b) further clarifies VAT treatment for repair, maintenance, and conversion services for means of transport:

- **Repair Services:** If performed onboard the means of transport.
- **Maintenance Services:** Includes inspection, testing, cleaning, and similar services if carried out onboard.
- **Conversion Services:** Should maintain compliance with conditions of Article 34 on post-conversion.

Impact – These clarifications provide a clear understanding of VAT treatment for these specific services, facilitating better compliance and planning for businesses involved in the transport sector.

Article 38– Zero-rating of Buildings Specifically Designed to be Used by Charities

The definition of “Relevant Charitable Activity” has been deleted.

Article 46– Tax on Supplies of More than One Component

When supplies don’t have a principal component, VAT treatment will be based on overall nature of the supply.

Impact – These changes provide clarity on how to treat composite supplies in VAT

Input VAT Recovery on Health Insurance for dependent



Article 53 – Non-Recoverable Input tax

Allow recovery of input VAT for health insurance, including enhanced health insurance for employees and their dependents within the limit of one spouse and three children under the age of 18.

Nature of Expense	Input tax recovery (Till 15 th November 24)	Input tax recovery (After 15 th November 2024)
Employee Health Insurance	Yes, business can recover input VAT	Yes, business can recover input VAT
Dependent Health Insurance (Within limit specified)	No, business can't recover VAT Input tax	Yes, business can recover input VAT

Impact- This amendment relieves businesses, as it allows them to recover VAT on the insurance of dependents.

Article 55- Apportionment of Input Tax

Tax year for the following cases has been amended,

- where a Taxable Person applies for Tax deregistration, the Tax year shall end on the last day such Person was a Taxable Person,
- where a member joins a Tax Group, the Tax year shall end on the last day before joining the Tax Group, or
- where a member leaves a Tax Group, the Tax year shall end on the last day such Person was a member of the Tax Group.

If the tax year is shorter than twelve months, the limit of AED 250,000 mentioned in clause 11 shall be proportionate to the length of such tax period.

Article 58- Adjustments under the capital Assets Scheme

Clause 17 is included in the article which states that the first tax year for a self-developed capital asset is the year it is first used.

Article 59- Tax Invoices

- The timeline for issuing Tax invoices has been changed in specific scenarios, such as simplified and tax invoices.
- If the tax invoice is a simplified tax invoice (invoice amount up to AED 10,000), the registrant must issue the simplified tax invoice on the date of supply itself.
- Business has 14 days to issue the tax invoices (invoice amount over AED 10,000) from the end of the calendar month that includes the date of supply.
- Where an agent who is a Registrant makes a supply of Goods or Services for and on behalf of the principal of that agent, that agent may issue a Tax Invoice in relation to that supply as if that agent had made the supply, provided that the principal shall not issue a Tax Invoice, subject to:
 - The agent retaining sufficient records in such a manner as to determine the name, address and Tax Registration Number of the principal supplier,
 - The principal supplier retaining sufficient records in such a manner as to determine the name, address and Tax Registration Number of the agent
- The Authority may specify the cases in which a Tax Invoice must be issued, even if one of the cases provided for simplified tax invoice of this Article applies.

Impact - These updates aim to streamline compliance and reduce penalties

Article 69- Foreign Governments

The VAT refund request for foreign governments, international organisations, diplomatic bodies and missions must submit within 36 (thirty-six) months from the date the official incurred such Tax or during any other period specified under the provisions of any international treaty or other agreement in force in the State

Impact - This amendment introduced a timeline for foreign governments for applying for VAT refund.

These changes enhance clarity and flexibility for businesses across various sectors. It is an ideal time to review your VAT practices and ensure compliance with the new regulations.

About FAME Advisory DMCC



About FAME Advisory DMCC

With three decades of market presence, FAME Advisory has remained the UAE's most trusted and leading tax advisory and management firm. Along with that, FAME excels in various domains, such as corporate services, succession planning, and corporate structuring. Our primary aim is to align our solutions with the client's problems, educate them, and empower them to take informed decisions.

Better future with FAME Advisory



Vision

To be the region's first choice for tax compliance and advisory in various aspects of the business.



Mission

We at FAME Advisory aim to solve businesses' tax compliance issues and provide advisory services that help them achieve the milestones they dreamt of.

Our Team



Mr. Nirav Shah

Director at FAME Advisory

With over two decades of experience in corporate advisory, consultancy, and compliance, CA Nirav Shah is a qualified Chartered Accountant and a stalwart in the industry, being recognized as amongst the top corporate structuring, international tax, and compliance experts in the UAE, India, and other countries.

For more than 15 years, Mr. Nirav has had a distinguished journey consulting global clients on Corporate Structures and Governance and family asset holding structures and has served as a specialist in providing strategic inputs to organizations.



Udit Chokshi

Manager- Corporate Tax and VAT Advisory

Udit Chokshi is a Taxpert, helping businesses all across the UAE in getting tax audit-ready, streamlining their VAT and accounting processes, and shield them against tax evasion. Being an active listener, Udit absorbs and understands the client's problem and situation and communicates the facts and solutions honestly.

As a customer service-oriented person, he believes in providing utmost dedication and availability to customers.



Hemang Agravat

Manager - Business Development

As a Business Development Manager at FAME, Hemang has had a long professional career with a focus on growing the company's client base.

He holds a successful track record of nurturing clients & has been instrumental in building high-performing teams. He specializes in building programs that add value to the client relationships. Hemang brings in a wealth of experience bridging the gap between Sales & Advisory teams.



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