



DUBAI VAT TAX UPDATE

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VAT ON IMPORT & EXPORT

OVERVIEW

Effective from 1 January 2018, the UAE has implemented a VAT.

VAT @% 5 chargeable to the customs value of imported goods, recoverable by VAT-registered businesses .

Exemptions and zero-rated items exist for certain imports.

Exported goods and services from UAE are typically zero-rated, but conditions apply.

Regarding the import value of goods, VAT is applied on top of the customs value, along with customs duties and excise tax if applicable. Although Federal Decree-Law No. 8/2017 includes a correction mechanism for imports involving related parties (Article 36), this article is considered obsolete, as customs legislation already provides mechanisms for determining the appropriate value.



• **DEFINITIONS :-**

• **TAXABLE PERSON** : A Registered or to be registered person (individuals, businesses, and government entities), who conducts a business for the purpose of generating income.

• **TAXABLE SUPPLIES** : Supplies of goods and services (subject to VAT) made by a taxable person in the UAE,

• **INPUT TAX** : VAT that is paid or accrued by a taxable person on the purchase of goods and services, or on the importation of goods.

• **IMPORT OF GOODS**: The entry of goods into the UAE from outside the GCC territory. Imported goods may be subject to customs duty, excise tax, and VAT.

• **EXPORT OF GOODS**: The supply of goods from the UAE to outside the GCC territory. Exported goods are generally exempt from VAT, but may be subject to customs export controls.

• **CUSTOMS DUTY**: A tax that is imposed on imported goods.

IMPORT OF GOODS :-

- The entry of goods into any GCC state is known as import of goods.
- Goods which are located in the UAE and sold by a non-resident to a UAE resident VAT registered business are also considered “imports”.
- VAT becomes chargeable on imported goods at the point of entry into the UAE, T.
- The import VAT rate is 5% on custom Value.

IMPORT OF SERVICES

- UAE taxable persons receiving services within the UAE must account for VAT through the “**REVERSE CHARGE MECHANISM**” and applied **VAT @ 5%**.
- The recipient must reports the purchase in boxes 3 and 10 of the VAT return.
- It simplifies the customer assumes the roles of both supplier and recipient for VAT purposes and self-assesses any VAT due.
- If non-resident suppliers provide services to non-registered in UAE customers the supplier must register for VAT in the UAE for VAT purposes.

EXPORT OF GOODS

The supply of goods and services from the UAE to recipients outside the UAE is considered as export.

Similarly, the services received by a taxable recipient in the UAE that are taxable in the UAE are termed as import of services.

The export of goods from the United Arab Emirates (UAE) is **zero-rated for value-added tax (VAT)**, meaning that **no VAT** is charged on the sale.

The UAE distinguishes between direct exports and indirect exports. With direct exports, the seller is responsible for the transport of the goods. With indirect exports, the buyer is responsible for arranging collection of the goods from the seller and exporting the goods.

To report exports on the VAT return, the amount of exported goods must be reported in box 4 of the VAT return **for zero-rated supplies**.

EXPORT OF SERVICES

Any services provided by a UAE supplier to a recipient abroad will be considered as exports of services in UAE, unless they fall under the special place of supply rules.

To qualify for the zero rate on exports of services to a foreign recipient, (subject to conditions):

Services that meet the above criteria should be reported in box 4 of the VAT return for zero-rated supplies. Otherwise, the supply of services in the UAE will be subject to VAT at the standard rate of 5%.

What are tax advisory services

Unplanned tax management can result in higher taxes than you may need to pay.

Proper tax management & planning and exploring the tax anatomy can reduce the corporate tax.

Fortunately, You can consult a corporate tax advisor in this regard,

You can Contact us for corporate & VAT Tax planning right now.

Thanks & Regards

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