

United Arab Emirates: Amendments made to the VAT Executive Regulations

November 2021



In brief

On 28 September 2021, the Cabinet of the United Arab Emirates (UAE) issued a Cabinet Decision (No. 88 of 2021) to amend Clause (5) to (10) of Article 51 of the Cabinet Decision No. 52 of 2017 - The Executive Regulations of the Federal Decree-Law No. 8 of 2017 on Value Added Tax. The amendments are effective from 30 October 2021.

In detail

The UAE Cabinet issued a Cabinet Decision (No. 88 of 2021) on 28 September 2021 amending Clauses 5 to 10 of Article 51 of the Cabinet Decision No. 52 of 2017 - The Executive Regulations of the Federal Decree-Law No. 8 of 2017 on Value Added Tax.

Clause (5) of Article 51 has been amended to include sub-clause b and c as below (the bold text is the additions made to the original Clause as amendments):

“Where a supply of goods is made within a designated zone to a person to be consumed by him or another person, then the place of supply shall be the state, except in any of the following cases:

The purpose was to incorporate the goods into, attach the goods to, or that the goods become part of or are used in the production of another good in the same designated zone and such good is not consumed.

The goods were delivered to a place outside the state, and the supplier retains supporting commercial or official evidence proving that, and customs evidence proving that the goods were removed from the designated zone.

The goods were moved from the designated zone to a place inside the state, and the supplier retains official evidence establishing that VAT had been applied on that import.”

Clause (7) of Article 51 has been amended as below (The original text of the Clause is replaced by the bold text as amendments):

As an exception to Clause 6 of this article, the place of supply of any services shall be outside the state, where shipping or delivery services are supplied directly in connection with goods that have a place of supply outside the state according to paragraphs (b) and (c) of Clause 5 of this article, and all the following conditions are met:

- a. **Shipping or delivery services are supplied by the same supplier of the goods;**
- b. **The supplier of the goods is a non-resident, and not registered for tax;**



- c. **These goods are sold via an electronic sales platform; an electronic sales platform means any type of online sales platform, including websites and electronic applications, which bring together third-party sellers and buyers, and through which goods may be sold and purchased with or without shipping or delivery services;**
- d. **The person owning the electronic sales platform is not the supplier of the goods.**

The original text of Clause (7), (8) and (9) of Article 51 become Clause (8), (9) and (10) of Article 51 as the result of the amendments.

The Federal Tax Authority ('FTA') has issued a Public Clarification (VATP027) - *Goods Supplied in a Designated Zone, and Connected Shipping or Delivery Services* on 30 October 2021. According to the Public Clarification, the new amendments aim to:

- Avoid potential double taxation on goods supplied from a designated zone to the UAE mainland; and
- provide registration relief to non-resident suppliers who also ship or deliver these goods.

The Public Clarification also provides guidance on the conditions to be met for the application Article 51(5) and (7) for treating the supply of goods and supply of shipping or delivery services as out of scope of the UAE VAT respectively.

The amendments are prospective and effective from 30 October 2021, supplies made before the effective date of the amendments shall still follow the VAT treatment based on the original Clauses of Article 51 of the Executive Regulations.

Taxpayers can retrieve the amended VAT Executive Regulations and Public Clarification (VATP027) from the official website of the FTA via the following links:

The amended VAT Executive Regulations

<https://www.tax.gov.ae/-/media/Files/FTA/links/Legislation/VAT/Executive-Regulation-of-Federal-Decree-Law-No-8-of-2017---Publish-new-2.pdf>

The Public Clarification

<https://www.tax.gov.ae/-/media/Files/FTA/links/Public-Clarification/VATP027---Goods-and-services-supplied-in-a-DZ.pdf>

The takeaway

Taxable persons need to assess the impact of the amendments when they supply goods from a Designated Zone to overseas and to UAE mainland, or involve in provision of shipping or delivery services for such goods. The impacted areas could be change of VAT current VAT treatment, requirement for VAT registration, potential deregistration obligation, revisit and modification of existing business process, arrangement and contract.

www.pwc.com/me

Let's talk

For a deeper discussion of how the amendments might affect your business, please contact:

Jeanine Daou

Middle East Indirect Tax Leader

+971 56 682 0682

jeanine.daou@pwc.com

Nadine Bassil

Indirect Tax Partner

+971 56 177 7591

nadine.bassil@pwc.com

Carlos Garcia

Middle East Customs and International Trade Leader

+971 56 682 0642

c.garcia@pwc.com

©2021 PwC. All rights reserved. PwC refers to the PwC network and/or one or more of its member firms, each of which is a separate legal entity. Please see www.pwc.com/structure for further details. This publication has been prepared for general guidance on matters of interest only, and does not constitute professional advice. You should not act upon the information contained in this publication without obtaining specific professional advice. No representation or warranty (express or implied) is given as to the accuracy or completeness of the information contained in this publication, and, to the extent permitted by law, PricewaterhouseCoopers, its members, employees and agents do not accept or assume any liability, responsibility or duty of care for any consequences of you or anyone else acting, or refraining to act, in reliance on the information contained in this publication or for any decision based on it.

Thank you