



# UAE Tax Flash

## Tax Flash News – Updates to UAE VAT Executive Regulation No 100 of 2024

### In brief

On 2<sup>nd</sup> October 2024, the Federal Tax Authority (FTA) published Cabinet Decision No. (100) of 2024 on the Executive Regulation of Federal Decree-Law No. (8) of 2017 on Value Added Tax (VAT), and its amendments (the “Updated Executive Regulation”).

The Updated Executive Regulation will come into effect as of 15 November 2024. It is noteworthy that the Executive regulation has been updated with more than 30 amendments impacting different industries. We will be discussing the practical implications and consequences with our clients in various industries on an individual basis. Below we summarize the main changes and updates that should be taken into consideration.

### Summary of the key updates to the Executive Regulation on Value Added Tax

Article (1) – Definitions	<ul style="list-style-type: none"><li>• A new definition for virtual assets has been added. These assets represent a digital value that can be traded or transferred digitally, and may be used for investment purposes, and do not include digital representations of paper currencies or securities.</li></ul>
Article (2) – Supply of goods	<ul style="list-style-type: none"><li>• The scope for supplies of real estate has been extended to include, in addition to the sale and tenancy contracts, any other disposal that could lead to a transfer of ownership between different persons.</li></ul>
Article (3) (bis) – Exceptions from supply of services	<ul style="list-style-type: none"><li>• A new Article has been added in relation to the exceptions from Supply of Services and include the following scenarios:<ul style="list-style-type: none"><li>• The granting or transferring of the right to own or dispose governmental buildings, real estate assets, and other projects of a similar kind, between governmental bodies.</li><li>• The granting or transferring of the right to use/exploit, or benefit from governmental buildings, real estate assets, and other projects of a similar kind, between governmental bodies. This provision shall cover rights granted or transferred starting from 1 January 2023.</li></ul></li><li>• The Article provides a list of categories that should be considered governmental buildings, real estate assets, and other projects of a similar kind.</li></ul>
Article (5) – Exceptions related to deemed supplies	<ul style="list-style-type: none"><li>• The additional output tax threshold for the exception from deemed supplies reporting has been added as follows:<ul style="list-style-type: none"><li>• Up to AED 250,000 of output tax payable on all deemed supplies, for each person for a period of 12 months, provided that such a person is a government body or charity and that the recipient is a government body or charity. Any excess should be considered as a payable tax.</li></ul></li></ul>
Article (8) – Voluntary registration	<ul style="list-style-type: none"><li>• It has been clarified that for the purpose of voluntary registration, the applicant should provide sufficient evidence to FTA, confirming that in</li></ul>

	<p>addition to carrying on a business in UAE, the applicant has the intention to carry out any of the supplies mentioned in Clause 1 of Article 54 of the VAT Federal Decree Law No. 8 of 2017 and its amendments, as follows:</p> <ul style="list-style-type: none"> <li>• Taxable supplies</li> <li>• Supplies made outside the UAE which would have been taxable supplies had they been made in the UAE.</li> <li>• Supplies made outside the UAE, which would have been treated as exempt had they been made inside the UAE.</li> </ul>
Article (14) (bis) – Tax deregistration to protect the integrity of the tax system	<ul style="list-style-type: none"> <li>• A new Article has been added in relation to tax deregistration, confirming the FTA's right to issue tax deregistration decisions for taxable persons if the continuity of the tax registration of such taxable persons may prejudice the integrity of the tax system.</li> </ul>
Article (15) – Deregistration of a tax group or amendment thereof	<ul style="list-style-type: none"> <li>• It has been clarified that a member of a VAT group should be removed from the VAT group where, in addition to the cases mentioned in the same Article, the member is no longer making taxable supplies.</li> </ul>
Article (29) – Profit margin scheme	<ul style="list-style-type: none"> <li>• It has been clarified that for the purpose of calculating the profit margin, the purchase price shall include in addition to the price of the goods, any other cost and fee incurred for purchasing the goods.</li> </ul>
Article (30) – Zero rating the export of goods	<ul style="list-style-type: none"> <li>• The Article has provided more clarity on the expected documents that should be retained as evidence for the direct/indirect export, or customs suspension situation, as any of the following: <ul style="list-style-type: none"> <li>• Customs declaration and commercial evidence, proving the export; or</li> <li>• Certificate of shipment and official evidence, proving the export.</li> <li>• Customs declaration proving the customs suspension situation.</li> </ul> </li> <li>• The Article has also expanded the definitions of official evidence, commercial evidence, and certificate of shipment, as follows: <ul style="list-style-type: none"> <li>• Official evidence has been defined as export certificates issued by the customs authorities in the UAE or a clearance certificate issued by those authorities or the competent authorities in the UAE in connection with the goods that have left the country upon verification that the goods have left the country, or a document or a clearance certificate certified by the competent authorities at the country of destination confirming the arrival of the goods into that country.</li> <li>• Commercial evidence has been defined as a document issued by the transportation companies/agencies as evidence that the goods have been transported and moved outside the country, including airway bill/air cargo manifest, bill of lading/sea cargo manifest, and land transport bill/land cargo manifest.</li> <li>• Certificate of shipment has been defined as a certificate issued by the transportation companies/agencies that can be treated as commercial evidence, if such evidence is not available.</li> </ul> </li> <li>• This essentially aligns the documentation for proof of export with recent changes in Excise legislation.</li> </ul>
Article (31) – Zero rating the export of services	<ul style="list-style-type: none"> <li>• A new condition has been added for the supply of services to qualify for zero-rating, where the services should not be subject to the special place of supply rules as mentioned in Articles 30 and 31 of the VAT Federal Decree Law No. 8 of 2017 and its amendments.</li> </ul>
Article (33) – Zero rating international transportation services for passengers and goods	<ul style="list-style-type: none"> <li>• It has been clarified that the transport of goods from a place in the UAE to another place in UAE, as part of international transportation of goods, should be supplied by the same suppliers in order to qualify for zero-rating.</li> </ul>
Article (34) – Zero rating certain means of transport	<ul style="list-style-type: none"> <li>• It has been clarified that the provisions of this Article apply, in addition to the supplies of means of transport, to the imports of means of transport.</li> </ul>
Article (35) – Zero rating goods and	<ul style="list-style-type: none"> <li>• It has been clarified that the provisions of this Article apply, in addition to the supplies of goods related to the supplies of means of transport, to the</li> </ul>

services supplied in connection with means of transport	<p>imports of such goods.</p> <ul style="list-style-type: none"> <li>The zero-rating conditions have been clarified in more detail for services provided directly in connection with means of transport for the purpose of operating, repairing, maintaining, or converting the means of transport.</li> </ul>
Article (42) – Tax treatment of financial services	<ul style="list-style-type: none"> <li>New services have been added to the scope of financial services where such services should be exempted from VAT: <ul style="list-style-type: none"> <li>Investment fund management: such services are clarified as service provided by the fund manager independently, for a consideration, to funds licensed by the competent authorities in the UAE.</li> <li>Transfer of ownership of virtual assets including cryptocurrency.</li> <li>Exchange of virtual assets.</li> </ul> </li> <li>Management and safeguarding of virtual assets services have also been added to the scope of financial services. However, such services would only be exempted from VAT to the extent they are not provided in return for an explicit fee or similar.</li> <li>It has been clarified that exemptions applicable for the transfer of ownership of virtual assets (including cryptocurrency) and the exchange of virtual assets shall have retrospective effect on services supplied from 1 January 2018.</li> </ul>
Article (46) – Tax on supplies of more than one component	<ul style="list-style-type: none"> <li>A new VAT rule has been added where the VAT treatment of a single composite supply that does not include a principal component should be assessed based on the nature of the whole supply in all its components.</li> </ul>
Article (52) – Input tax recovery in respect of exempt supplies	<ul style="list-style-type: none"> <li>For the purpose of input VAT recovery on supplies of financial services provided outside UAE, the conditions for a person to be considered as outside the UAE even where that person is present in the UAE are updated where the following two conditions should be met: 1) the presence is of short term in UAE of less than one month, <b>and</b> 2) the presence in UAE is not effectively connected with the supply.</li> </ul>
Article (53) – Non recoverable input tax	<ul style="list-style-type: none"> <li>The exceptions list for input VAT entitlement on employee related expenses has been updated to include medical insurance provided to the employees and their dependents, taking into consideration the legal obligations under the applicable labor law in each Emirate and designated zones.</li> </ul>
Article (55) – Apportionment of input tax	<ul style="list-style-type: none"> <li>Taxable persons can now request the FTA's approval for the use of a fixed apportionment recovery rate, based on the apportionment recovery rate of the previous tax year.</li> <li>New requirements have been added to adjust the annual adjustment threshold of AED 250,000 proportionately with the tax year period where it is less than 12 months.</li> </ul>
Article (59) – Tax invoices	<ul style="list-style-type: none"> <li>The date of issuance of tax invoices has been updated for the following scenarios: <ul style="list-style-type: none"> <li>Simplified tax invoices should be issued at the date of supply.</li> <li>Summary tax invoices should be issued and delivered within 14 days from the end of the calendar month that includes the date of supply of these supplies.</li> </ul> </li> </ul>

KPMG has a team of experienced tax specialists that can help you assess your current tax position, advise on the appropriate tax treatment, prepare clarification requests, or represent you in front of the FTA as registered tax agents.

We are happy to discuss your specific circumstances with you and determine the way forward should you have any questions or concerns in this regard. Please get in touch with your usual KPMG contact or any of the tax professionals below.

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