



# Technical Update

June 2020

## Implementation of VAT on Long-Term Tangible Asset Sales

(Instruction No. 15301 GDT, dated 22 June 2020)

For the purpose of clarity and consistency with the Law on Taxation (LoT) and other provisions in effect, with regards to the application of Value Added Tax (VAT) on the sale of long-term tangible assets used in a business, the General Department of Taxation (GDT) has issued Instruction No. 15301 GDT, dated 22 June 2020, on the Implementation of VAT on Sale of Long-Term Tangible Assets.

Following the Instruction, the application of VAT on the sale of long-term tangible assets shall be as follows:

1. A sale of the long-term assets by an enterprise, including a grant as a donation, supply under the market value or transfer to another enterprise (except during a transfer of a business), is subject to 10% VAT based on its fair market value.
2. For long-term tangible assets that have ceased to be used in the business:
  - If the long-term asset received input tax credit at its purchase, per Article 65 of the LoT, it shall be treated as sold and subject to 10% VAT at its fair market value at the time of cessation of use.
  - If the long-term asset did not receive input tax credit at its purchase, it is not treated as sold and not subject to 10% VAT when ceased to be used. However, it will be subject to 10% VAT when it is actually sold.The term “long-term assets ceased to be used” refers to long-term assets that are retained and no longer used by the enterprise in its business activity.
3. Enterprises that make non-taxable supplies, per Article 57 of the LoT, and thus input tax credit was not allowed for the purchase of long-term tangible assets, shall charge 10% VAT when they sell those long-term tangible assets.

This Instruction replaces the previous Instruction No. 11581 GDT, dated 5 May 2020, on Implementation of VAT on Disposal of Business Assets.

### Our comments

With this latest Instruction, the GDT aims to clarify the previous instruction issued by the GDT earlier this month which was causing uncertainty for taxpayers. Hence taxpayers should refer to this Instruction as the official GDT’s guideline with regards to VAT implementation on the sale of long-term tangible assets.

As a committed tax advisor to our clients, we welcome any opportunity to discuss the relevance of the above matters to your business.

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