



Demystifying Executive regulations Mapping Executive regulations to UAE VAT law

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Current VAT Status

Current VAT Status in UAE



GCC initiative



- Modelled on the EU VAT regime
- GCC framework agreement is the basis for national VAT laws across the GCC
- Optional VAT treatment for education, health, government sector, real estate, financial services, etc.

Still Required:



- Cabinet Decision on Designated Zones
- Cabinet Decision on Government Entities
- Cabinet Decision on Pharmacy

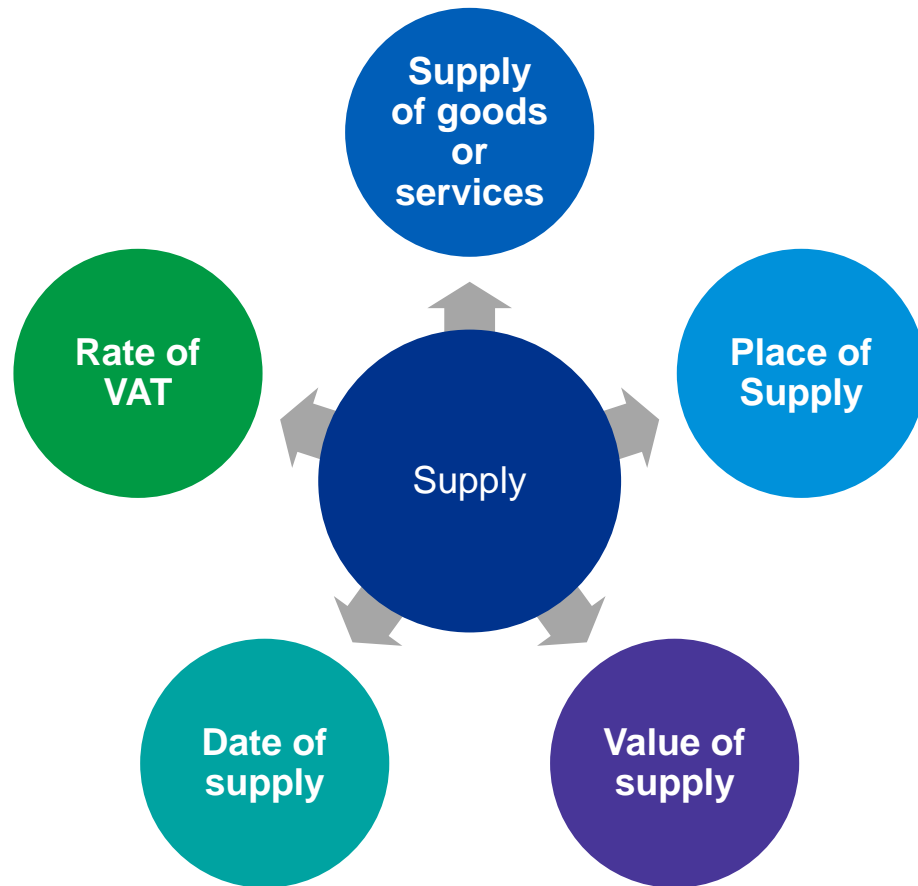
- Areas of clarification

VAT is to be implemented in the UAE on 1 January 2018



VAT - Key Aspects

Supply



Essentials for taxability

- Types of supply
- Place of supply

Essentials for quantification & payment of tax:

- Value of supply
- Rate of tax
- Date of supply i.e.
point of tax

Taxable or not?

Taxable		Exempt
Standard rated	Zero rated	Exempt
Everything which is not zero-rated, exempt or out of scope.	<ul style="list-style-type: none"> — Export of goods and services — International transport and related supplies — Air, Sea and Land means of transport and associated services — Supply of precious metals — First supply of residential properties within 3 years of completion — Qualifying education services — Preventive and basic healthcare services 	<ul style="list-style-type: none"> — Residential properties following the first supply — Bare land with no civil engineering — Margin based financial services — Local passenger transport — Life insurance
Out-of-Scope		
<ul style="list-style-type: none"> — Supplies which are: <ul style="list-style-type: none"> — Not made in UAE — Not made in the course or furtherance of a business — Made by a person who is not registered for VAT — Transfer of business as a going concern — Supplies by certain Government entities (yet to be determined) 		

Can you recover?

		Input tax credit available?
Taxable supply	Standard-rated supply VAT rate at 5%	Yes
	Zero-rated supply VAT rate at 0%	
Non-taxable supply	Exempt supply under the VAT law	No
	Outside the scope of VAT Not a supply or disregarded supply	Depends
	Cannot charge VAT on a non-taxable supply	

Deemed Supply = considered as taxable supply

Supply of goods and services without consideration

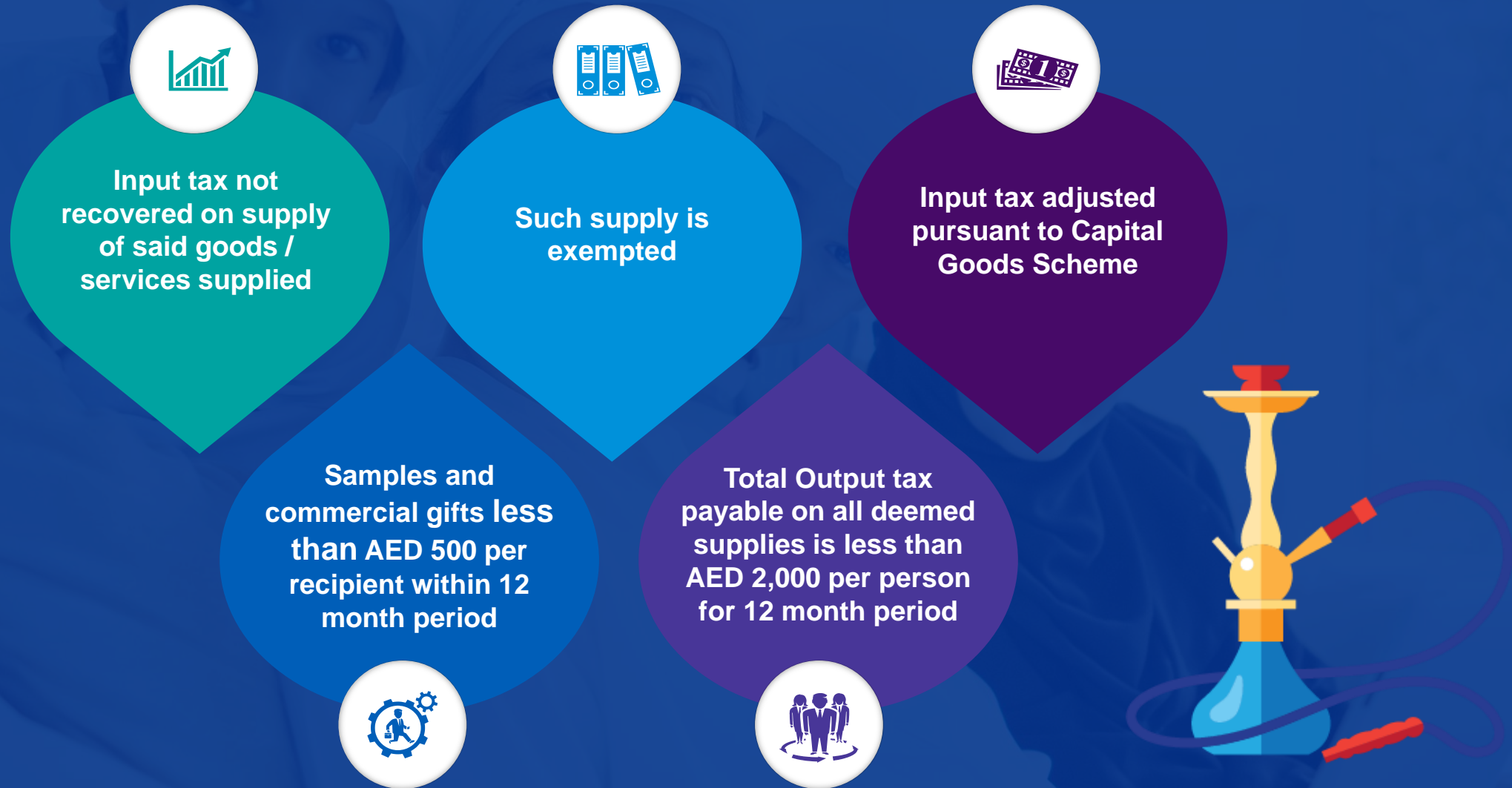
Goods used or partially used for non business purpose

Goods and services owned on the date of tax de-registration

Supply of business assets to / from another implementing



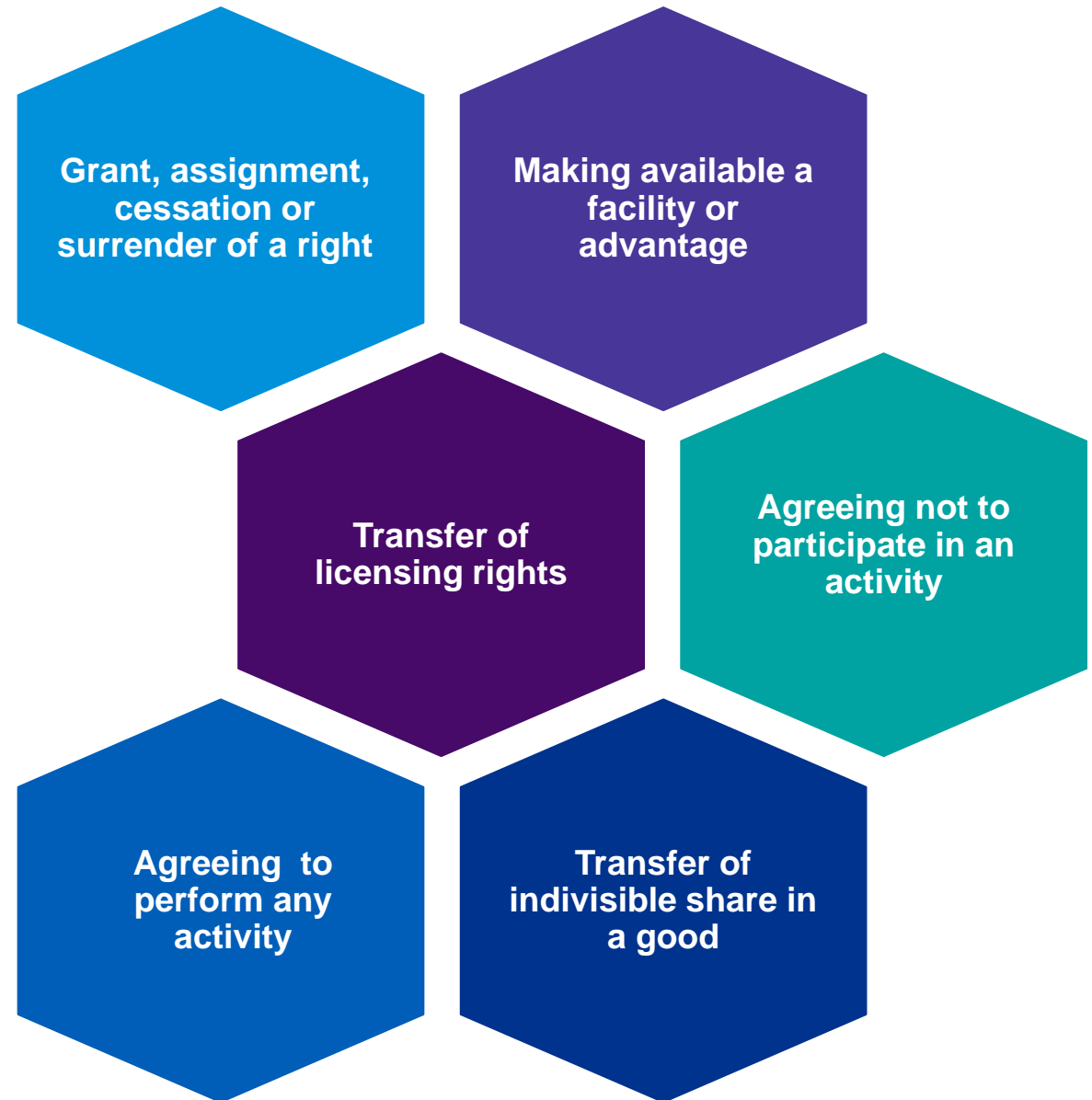
Deemed Supply Exceptions (Executive Regulation Article 5)



Supply of Services

Every supply which is not considered as a supply of goods

Executive Regulation Article 3



Time of Supply

Determines when liability to pay VAT arises



Date of Supply of goods

Earliest of following:

- Transfer of goods
 - Transfer of goods under supplier's supervision
 - Possession of goods by recipient
 - Date of completion of assembly or installation
- Import of goods
- Acceptance of supply by buyer or 12 months post transfer of goods / possession by buyer – if supplied on returnable basis
- Receipt of payment
- Issuance of tax invoice



Date of Supply of services

Earliest of following:

- Completion of service
- Receipt of payment
- Issuance of invoice

Tax invoice must be issued within 14 days from date of supply (Decree Article 67)

Value of Supply



**Monetary
Consideration**

Consideration received
excluding tax



**Partly monetary
consideration**

Monetary value + market value of non
monetary consideration excluding tax

**Consideration means all that
is received for supply of
goods / services**

Decree Law prescribes the valuation methodology for the following supplies

**Import
(A35)**

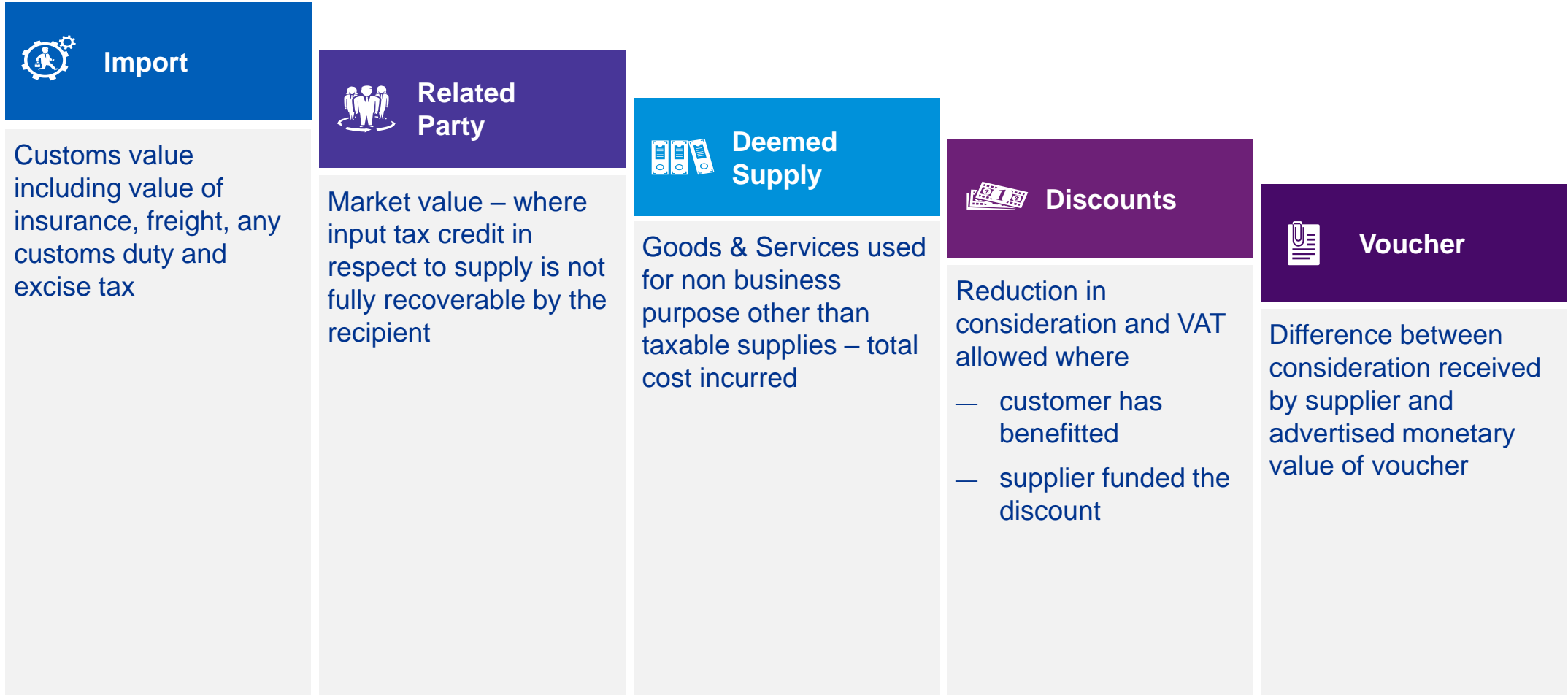
**Related
Party
(A36)**

**Deemed
supply
(A37)**

**Discounts
(A39)**

**Voucher
(A40)**

Value of Supply



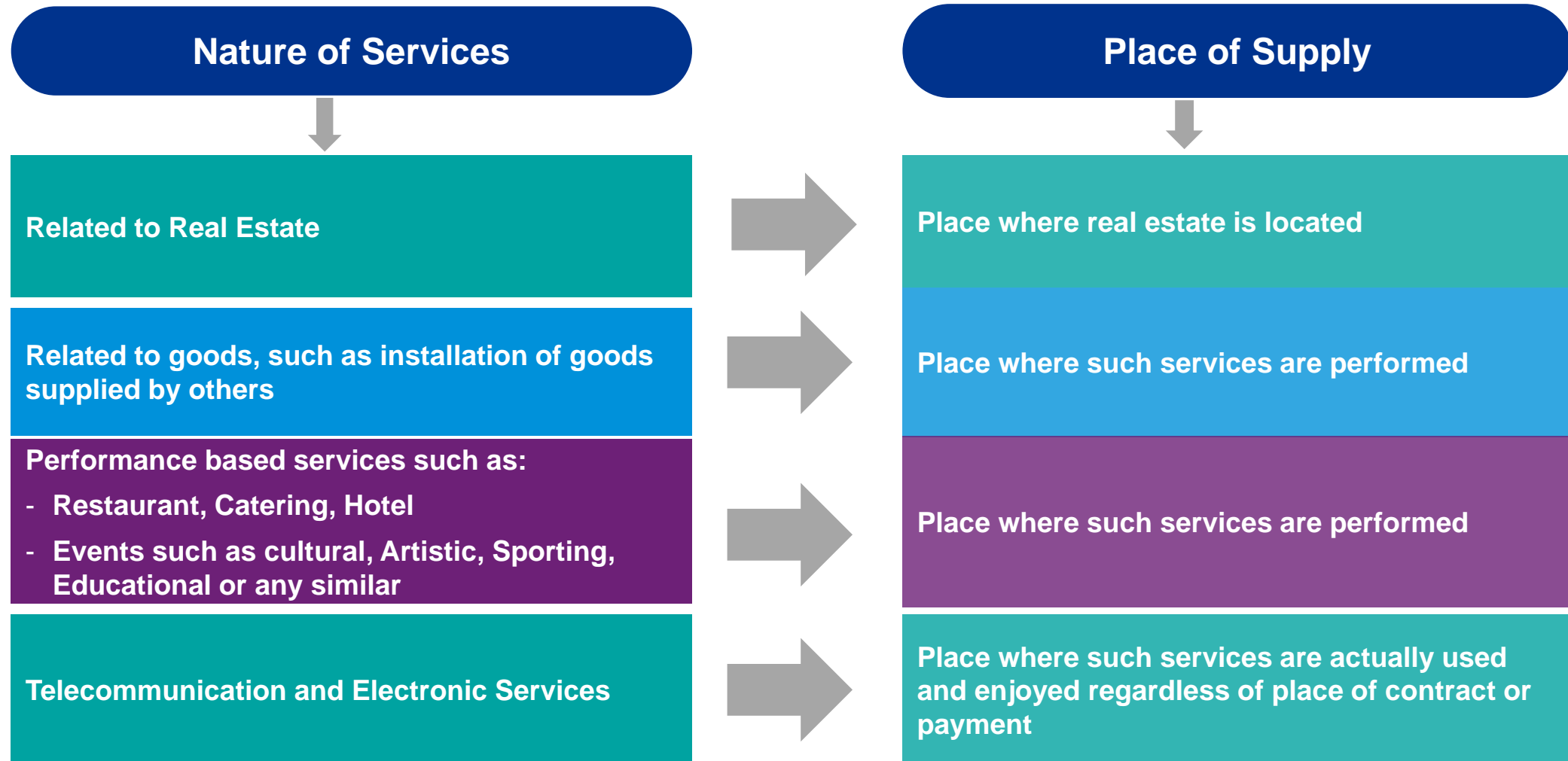
Place of Supply – Services

Services not covered in specified categories (i.e. Default Rule) – place of residence of supplier

Services supplied to registered recipient having place of residence in implementing state – place of residence of recipient of service

Supplier does not have place of residence in UAE, however recipient is registered and has place of residence in UAE – place of supply is UAE

Exceptions to Place of Supply of services rules





VAT Recovery (Input tax credit) & Reverse charge



Recovery of Input Tax

Recovery of input tax shall be allowed where goods and services are used or intended to be used for the following:



Taxable supplies

Supplies made outside the state which would have been taxable if made within the state

Exempt services rendered outside the state (recipient is outside the state at the time of performance)

First supply of residential building

VAT paid in Implementing state on goods acquired / imported and later on brought into UAE

Must be in possession of valid tax invoice

Consideration to be paid or intention to pay within 6 months from agreed date of payment

Non - Recoverable Input Tax



Business Entertainment



Motor vehicle –
purchased or leased for
business and available
for private use



Goods / services
purchased for personal
use



Import of goods in UAE
where intended final
destination of goods is in
another Implementing
State



Entertainment

- Hospitality of any kind including accommodation, food and drinks which are not provided in normal course of meeting, access to shows or events or trips provided for pleasure or entertainment
- Exception for catering and accommodation service when provided by transportation service operator



Motor vehicle

- Road vehicle for conveyance of max. 10 people including driver – excludes truck, forklift, hoist or similar vehicle
- Exception to motor vehicle being available for private use in case of licensed taxi, emergency vehicle, vehicle rental business

VAT Recoverability

- Possession of valid tax invoice (containing relevant details)
- Maintain books of accounts
- VAT reporting requirements
- Typically Monthly / quarterly filing - VAT returns
- Minimum 5 years – VAT records maintained
- Penalties have been defined

Quarterly / monthly returns due by 28th of the following month



An annual return may also be required to settle any variances throughout the year



Reverse Charge Mechanism

A mechanism to self account for VAT –
Provides cash flow benefit and avoids distortion of competition

Shifts the place of supply and responsibility to account for VAT from the seller to the buyer

Reverse charge on imported goods / services is required (e.g. importation from third parties etc.) where UAE business is registered for VAT

Should not be a cost to a business that makes taxable (5% or 0%) supplies as VAT is reported and recovered on same VAT return

Can result in a cost for a business making exempt supplies



Designated zones



Designated Zones

(Decree Law chapter 5 and Executive Regulations Article 51)

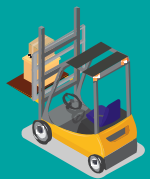


Designated Zones – any area specified by Cabinet Decision (Definition Article 1)



Designated Zone is a specific fenced geographic area with the following:

- Security measures
- Customs control
- Monitor entry and exit and movement of goods

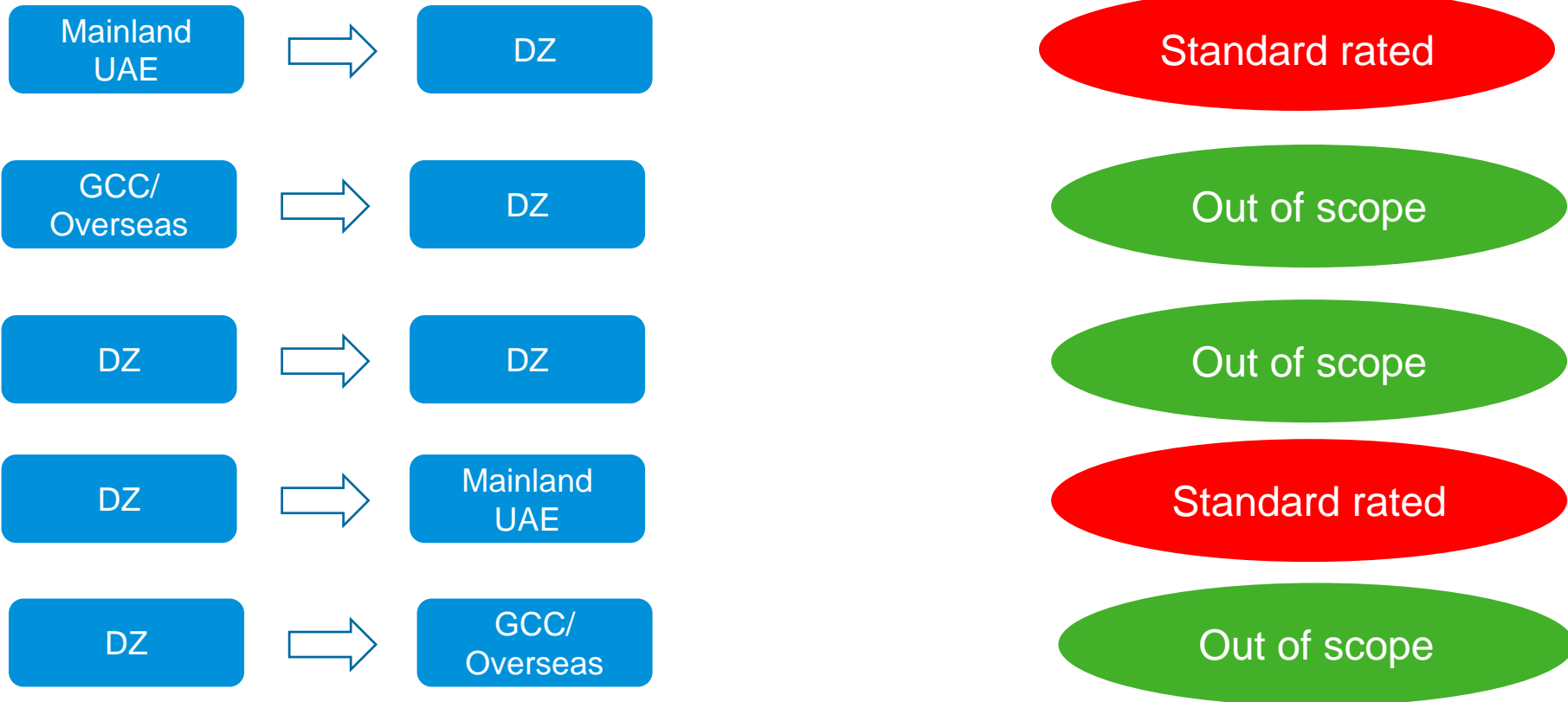


Designated Zone internal procedures required regarding method of keeping, storing and processing goods



Operator of Designated Zones to comply with procedures set by FTA

Designated Zone implications on supplies of goods



Goods consumed and services provided in a designated zone are subject to VAT



Tax Invoice Credit Notes and Reporting Requirements



Tax Invoice requirements Decree Law Article 65 and Executive Regulations Article 59

To be a valid full tax invoice, the following details are required:

- a) The words, “tax Invoice”
- b) Name, address and Tax Registration Number (TRN) of the supplier
- c) Name, address and TRN of the recipient if registrant
- d) A sequential Tax Invoice number or a unique number which enables identification of the Tax invoice
- e) Date of issue
- f) Date of Supply, if different from the date of Tax Invoice issued
- g) Description of goods or services supplied
- h) For each good/service, the unit price, the quantity/volume supplied, the rate of Tax and the amount payable in AED
- i) The amount of any discount offered
- j) Gross amount payable in AED
- k) Tax amount payable expressed in AED together with the exchange rate applied where the currency is converted from AED to any other currency
- l) Whether the tax is payable on reverse charge i.e. Tax to be accounted by the recipient of goods or recipients of services, a statement that recipient is liable to account of tax and a reference to the relevant provisions of the law

Simplified Tax Invoice requirements

Decree Law Article 65 and Executive Regulations Article 59

A simplified tax invoice shall contain the following particulars:

- a) The words, “tax Invoice”
- b) Name, address and Tax Registration Number (TRN) of the supplier
- c) Date of issue
- d) Description of goods or services supplied
- e) Total consideration and tax amount charged

Simplified tax invoice only applicable where:

- **Recipient is not a Registrant**
- **Recipient is a registrant but the value is less than AED 10,000**

Adjustment of Tax after the Date of Supply

Article 61 of the Law

Instances and Conditions for Output Tax Adjustments

1. Supply was cancelled
2. Change in the nature of supply changes the tax treatment of the supply
3. Agreed consideration was altered for any reason
4. Sales return and resultant repayment of consideration received
5. Error in the tax charged

Article 62 of the Law

Mechanism for Output Tax Adjustment

In the cases where the output tax calculated exceeds the output tax that should have been charged on the supply, the registrant shall issue a tax credit note.

Article 63 of the Law

Adjustment due to issuance of the Tax Credit Notes

1. A reduction in the output tax for the supplier
2. A reduction in the input tax by the recipient of the goods or services

Tax Credit Note – Decree Law Art 61 and Executive Regulations Article 60

The Tax Credit Note shall contain the following:

- a) The words “tax credit note” clearly displayed on the invoice
- b) Name, address and TRN of the supplier
- c) Name, address and TRN of the recipient, if registered
- d) Date of issue of the tax credit note
- e) Value of supply shown in the tax Invoice, the correct amount of the value of the supply, the difference between those two amounts (i.e. the amount of tax credit note) and the tax that relates to that difference in AED
- f) A brief explanation of the circumstances giving rise to the issuance of the tax credit note
- g) Information sufficient to identify the supply to which the tax credit note relates

Records to be maintained

Following records have to be maintained:

- Records of all supplies and Imports of Goods and Services
- All Tax Invoices and alternative documents related to receiving Goods or Services
- All Tax Credit Notes and alternative documents received
- All Tax Invoices and alternative documents issued
- Records of Goods and Services that have been disposed of or used for matters not related to Business, showing Taxes paid for the same
- Records of Goods and Services purchased and for which the Input Tax was not deducted
- Records of exported Goods and Services
- Records of adjustments or corrections made to accounts or Tax Invoices

— A Tax Record that includes the following information:

1. Due Tax on Taxable Supplies
2. Due Tax after the error correction or adjustment
3. Recoverable Tax for supplies or Imports
4. Recoverable Tax after the error correction or adjustment

All documents (such as tax invoice, credit note, returns or any other tax related document / correspondence shall include the TRN

Emirates Reporting (Executive Regulations article 72)

There is a requirement to keep records for supply made in each Emirate based on the following rules;

- Emirates in which the Fixed Establishment related to this supply is located (Location of the supplier)
- Exception to above if the taxable person does not have fixed establishment in the state, it must keep records of the transaction to prove the Emirate in which the supply is received.



Return format is not yet released. It is expected to be a summary level return requiring Emirate level reporting



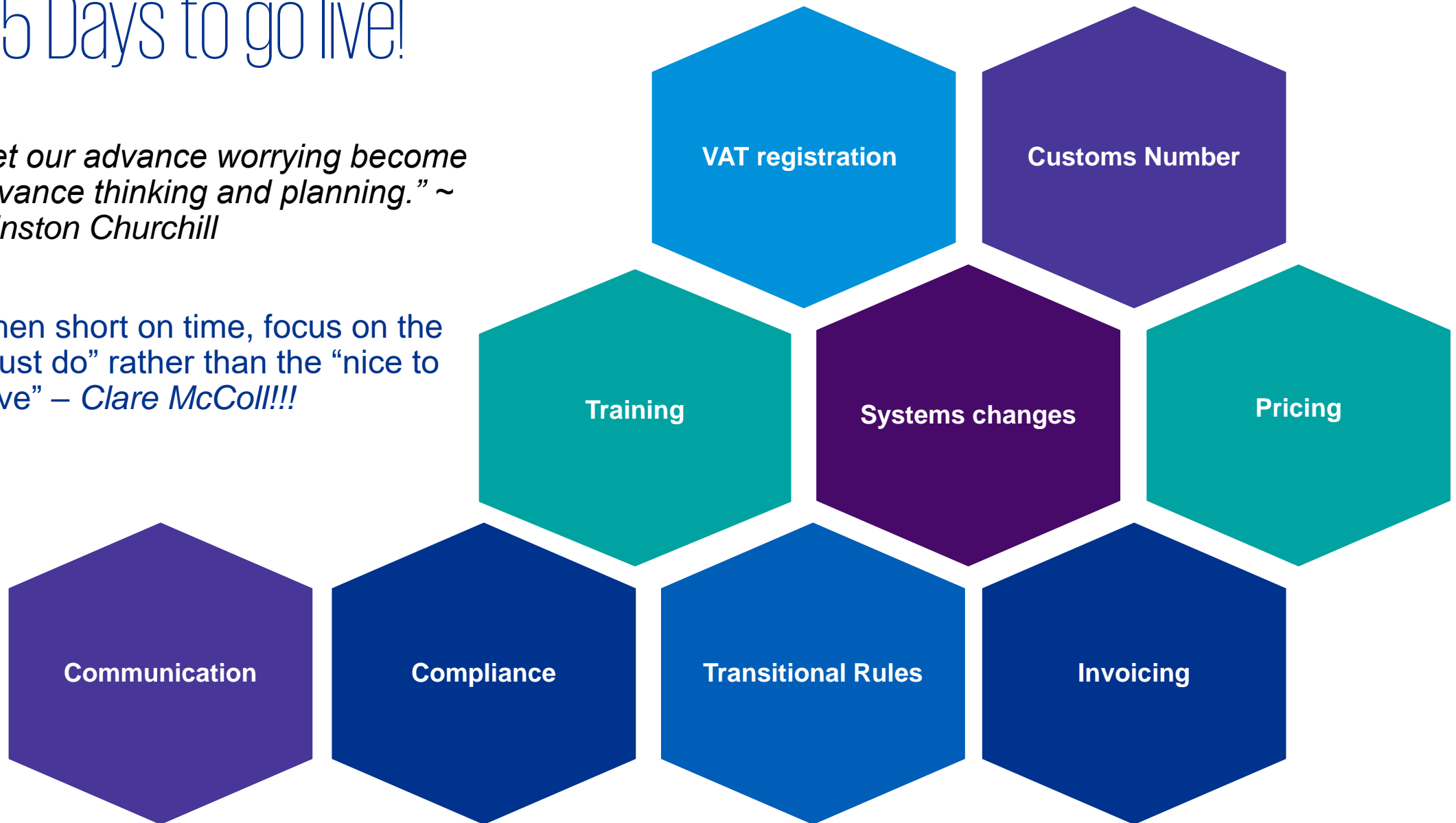
Closing comments



15 Days to go live!

“Let our advance worrying become advance thinking and planning.” ~ Winston Churchill

When short on time, focus on the “must do” rather than the “nice to have” – *Clare McColl!!!*





Thank you

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