

UAE VAT

Things you must know !

CA Pritam Mahure



The book is a compilation of GST related key legal provisions, reports and articles. Readers can also view our **videos** on Indian GST [Youtube.com/c/PritamMahure](https://www.youtube.com/c/PritamMahure)

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Value Added Tax (VAT) in UAE

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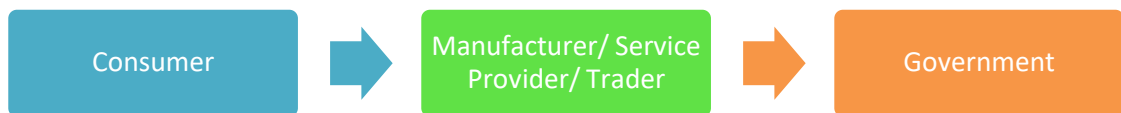
1. Basics of indirect taxation

Taxes are the main source of Government revenues. Taxes can be 'direct' taxes or 'indirect' taxes. **Direct taxes** are the taxes which are levied and collected directly from the person, Company etc. When the Government collects money directly from the ultimate person/ consumer, who bears it, then it is called as 'Direct Tax'. Taxes such as Income Tax, Wealth tax are examples of direct taxes.

Indirect taxes are levied and collected from consumers **through** manufacturers, traders or service providers. Thus, in case, of the Government collects tax through a third person (such as manufacturers, service providers, traders) than the person who bears it ultimately, then it is called as 'Indirect Tax'.

In legal sense, the responsibility to pay an indirect tax rests with the manufacture/ seller/ service providers though finally the tax is collected from the consumer.

Indirect taxes are levied on activities such as supply of goods and services. Each time goods/ services exchange hands, typically, they are subjected to indirect tax levies and prescribed compliances. The following picture depicts how money is collected by Government indirectly:



Till first quarter of 2019, GCC proposes to VAT. Given this, it is indispensable to understand VAT if one wishes to take this opportunity to understand what the future landscape offers and how to make most of it.

2. Primer on VAT

VAT is abbreviation for Value Added Tax. In few countries, VAT is also known as Goods and Service Tax (GST).

VAT/ GST is a consumption based tax wherein the basic principle is to tax the value addition at the each business stage. To achieve this, tax paid on purchases is allowed as a set off/ credit against liability on output/income.

GST is levied on all transaction of goods and services. Thus, in principle, GST should not differentiate between 'goods' and 'services'.

Internationally, GST was first introduced in France and now more than 150 countries have introduced GST. Most of the countries, depending on their own socio-economic formation, have introduced National level GST or Dual GST.

3. VAT in GCC and UAE

There are 6 members State in the Cooperation Council for the Arab States of the Gulf (CCASG) or Gulf Cooperation Council (GCC). These members have signed GCC Unified Agreement on VAT. This agreement is expected to align the VAT laws in GCC though GCC State retain their flexibility in VAT laws.

A major reason for such reasonable rate of VAT is the fact that till now, GCC countries have large revenue from oil and thus there was no tax in GCC! However, in last one decade, question was being debated in GCC whether reliance should be shifted to non-oil i.e. tax revenues. This question attended prominence after it was being discovered that in years to come revenues from oil and gas may reduce whereas public spending may increase. Thus, to ensure that there is no fiscal deficit, revenue from VAT was explored.

4. Five steps to be VAT ready

In United Arab Emirates (UAE), VAT is likely to be reality from 1 January 2018. So, in the following paras, the critical step plan for business to be VAT ready is discussed.

1. Decode VAT

It is an accepted fact that VAT is not merely a tax change but a business change as it will impact all functions of an organisation such as finance, product pricing, supply chain, information technology, contracts, commercials etc. Thus, it is imperative that all these functional teams should be aware about the VAT. But the underlying question is what should these team members read/ refer for VAT?

In this regard, it is pertinent to note that most of the key aspects of the VAT regime are already in public domain through various such as UAE VAT Law and Tax Procedure Law. Also, many background material to GCC VAT are available in public domain. Even the rates for goods and services (i.e. 5%) is available in public domain. Thus, based on this legal knowledge of VAT available in public domain the organisation may consider sensitising its employees.

The organisation can consider sensitising its entire business eco-system i.e. not only the employees but also vendors (such as Tier-1, Tier-2 vendors etc.) and key customers of the organisation. An early initiation of training will give the concerned employees, vendors and customers a sense of involvement in discussion much before VAT legislation it is put in public domain.

2. Understand VAT impact

VAT may provide opportunities but at the same time it could bring threats. Given this, an organisation may consider carrying out an exercise to identify how its operations will get impacted because of VAT. For VAT Impact Analysis exercise, the respective department heads such as finance, supply chain, product pricing, human resource etc. should be involved to ensure that they provide their inputs and suggestions.

Going one step forward, organisations can also identify possible cost savings which key suppliers / vendors could be entitled to in the VAT regime. Based on the possible cost savings to suppliers / vendors, the organisations can have discussion with its vendors for passing of benefits by way of cost reduction in the coming years (i.e. after VAT is introduced). Early discussion and engaging with vendors will ensure maximum possible benefit to be passed on to the organisation.

Organisations will also have to take into consideration the increase (most likely!) or decrease (least likely!) in tax compliances. For most of the organisations, in VAT regime, compliances are expected to increase dramatically. Thus, in human resource department will have to be informed about the VAT regime so that they can anticipate the increase (and decrease in certain cases) in the manpower.

3. Gear up for transition of IT systems

Information Technology (IT) is a key area for business organisations as irrespective of the fact whether the organisation is ready or not, on the very first day VAT is introduced, the information technology system of an organisation has to be ready and running else it will bring the entire business to standstill.

Thus, to avoid the threat of disruption of business, it is advisable that early study should be carried out to understand how the systems migration for VAT could be done.

4. Design Alternate Business Strategies

To gear up for VAT regime, the organisation may identify alternate efficient business strategies to ensure smooth transition to VAT. Even, supply chain strategies is expected to undergo a major change. An organisation will have to re-visit their pricing strategies as business competitors may well reduce prices of their product to pass on the VAT input tax credit benefits.

However, while forming alternate business strategies, it goes without saying that the organisation should take into consideration the commercial feasibility of alternate business strategies before these strategies are recommended.

5. Make Representation

Introduction of VAT regime could affect negatively (than positively!) to few industries/ sectors. VAT can have a tagline 'VAT is a matter of solicitation. Please read all the law documents carefully!' Thus, efforts should be made by the organisation to identify the possible issues for which appropriate representation could be made before the appropriate forums through various trade chambers.

While current economic situation is characterised by volatile global economic conditions, introduction of VAT remains a new challenge, thus early initiation of aforesaid steps can surely help the organisations gain most of the VAT regime.

5. Eight things you must know about VAT – Birds eye view

1. VAT is payable on supply

In VAT regime, VAT is applicable on taxable supply and deemed supply made by a taxable person. Further, VAT is also imposable on Import of Concerned Goods except as specified in the Executive Regulation.

Further, certain supplies, specified in Article 11 of VAT Law, even if made **without consideration**, such as use of business assets, on which credit is availed, for purposes other than business will attract VAT.

2. Reverse Charge Mechanism

Typically, the VAT liability is to be discharged by the supplier of goods/ service or both. However, in specific cases, the liability to pay tax is cast on the recipient of the supply instead of the supplier. This is known as Reverse Charge Mechanism (RCM).

As per Article 48 of VAT Law, inter-alia, in cases where the taxable person imports concerned goods or concerned services for the purposes of his business, then he shall be treated as making a taxable supply to himself, and shall be responsible for all applicable Tax. It is also provided at Article 48 that the Executive Regulation shall specify conditions and instances

where RCM applies and additional obligations related to record keeping for Tax calculated according to the RCM.

3. VAT payable as per date of supply

The liability to pay VAT will arise at the date of supply as determined in Article 25 and 26 of VAT Law. In this regard, provisions prescribe what will date of supply for goods and services. Article 25 contemplates, 7 scenarios and prescribes that date of supply shall be earliest of them. Similarly, Article 26 (for contractual periodic or consecutive payments etc) contemplates 4 dates of supply prescribes that date of supply shall be earliest of them.

Given that there could be **multiple parameters** in determining 'time' of supply, maintaining reconciliation between revenue as per financials and as per VAT could be a major challenge to meet for businesses.

4. Determining Place of Supply could be the key

If as per place of supply, it is determined that supply is made within the UAE then in such case UAE VAT law will be applicable.

Article 27 to 31 deal with place of supply. Separate place of supply are prescribed for goods (Article 27), water and energy (Article 28), services (Article 29), special cases such as events, transport, restaurant, real

estate etc (Article 30) and telecommunication and electronic services (Article 31).

In this regard, the VAT law provides separate provisions which will help in determination of place of supply for goods and services.

Typically, for 'goods' the place of supply would be shall be in the State if the supply was made in the State, and does not include Export from or Import into the State. Whereas for 'services' the place of supply would be **Place of Residence of supplier**. However, VAT Law prescribes multiple scenarios (at Article 27 to 31) wherein this generic principles will not be applicable and specific provisions will determine the place of supply. Thus, businesses will have to scroll through all the place of supply provisions before determining the place of supply.

5. Valuation in VAT

Article 34 to 37 deal with valuation. There are separate provisions for value of supply (Article 34), value of import (Article 35), value of supply to related party (Article 36) and value of deemed supply (Article 37). Typically, VAT is payable on the consideration in money.

6. Input tax in VAT

Article 54 to 56 deal with input tax. The input tax that is recoverable by a taxable person for any tax period is the total of input tax paid for goods

and services which are used or intended to be used for, *inter-alia*, making any of the taxable supplies.

Article 54 also provides that the Executive Regulation of this Law shall specify the instances where Input Tax is excepted from being recovered.

7. Rate of VAT

UAE is proposing a VAT @ standard rate of 5%. Single rate of VAT brings simplicity and is existing in countries like Singapore (7%), Japan (5%), New Zealand (12.50%).

8. Key procedural provisions

Provisions with respect to refund etc are contained under Tax Procedure Law.

6. Legislative Analysis – Birds eye view

Chart highlighting legislative framework for VAT

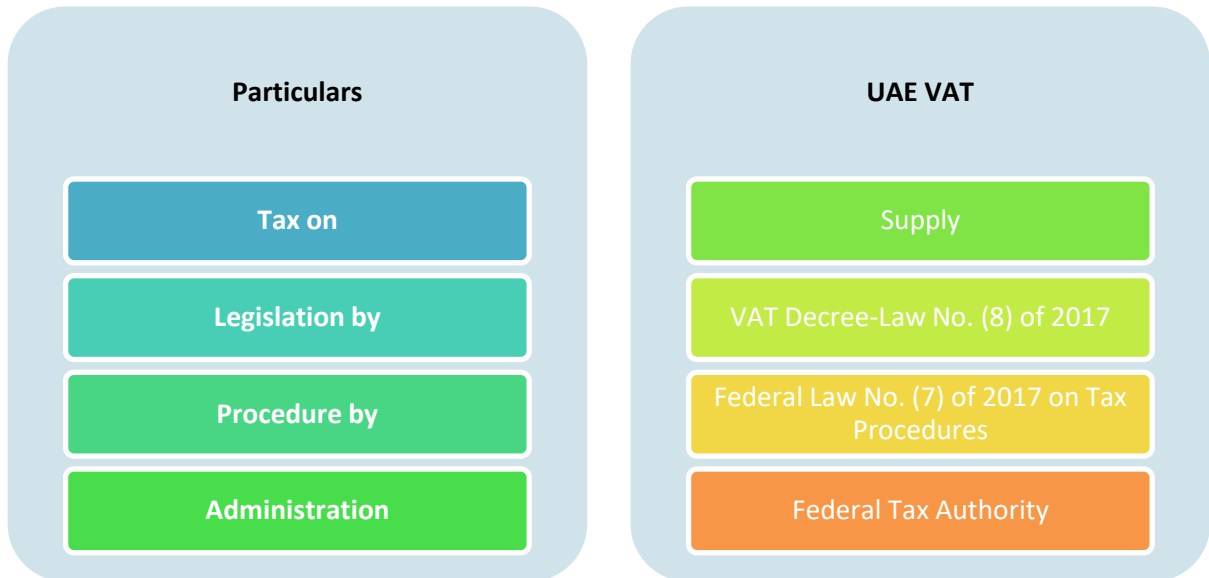


Chart highlighting Acts and the Articles therein

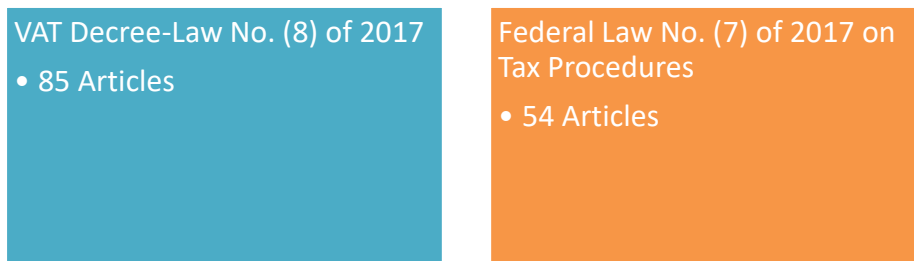


Chart highlighting various provisions VAT Decree-Law No. (8) of 2017 (85 Articles)

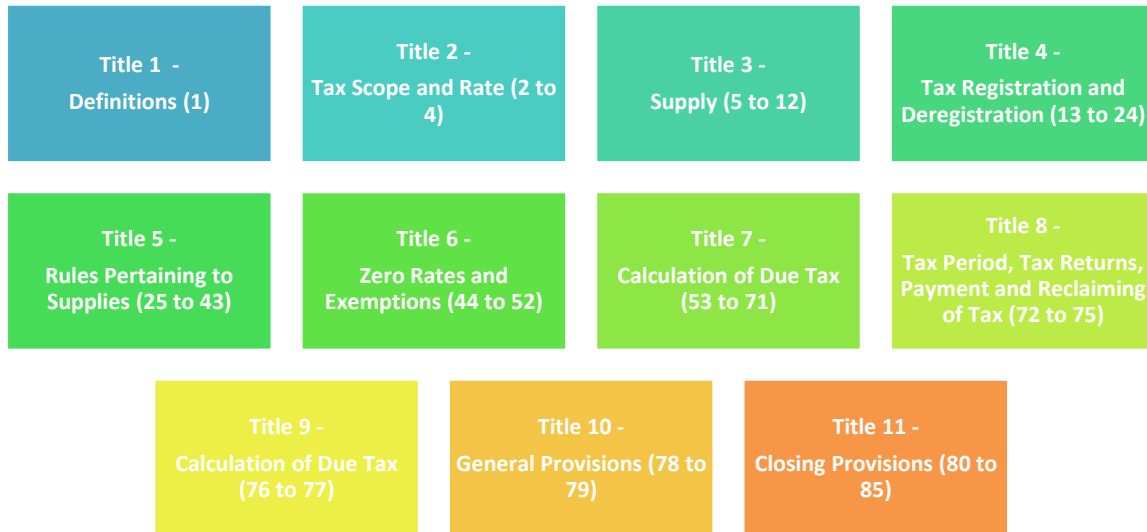
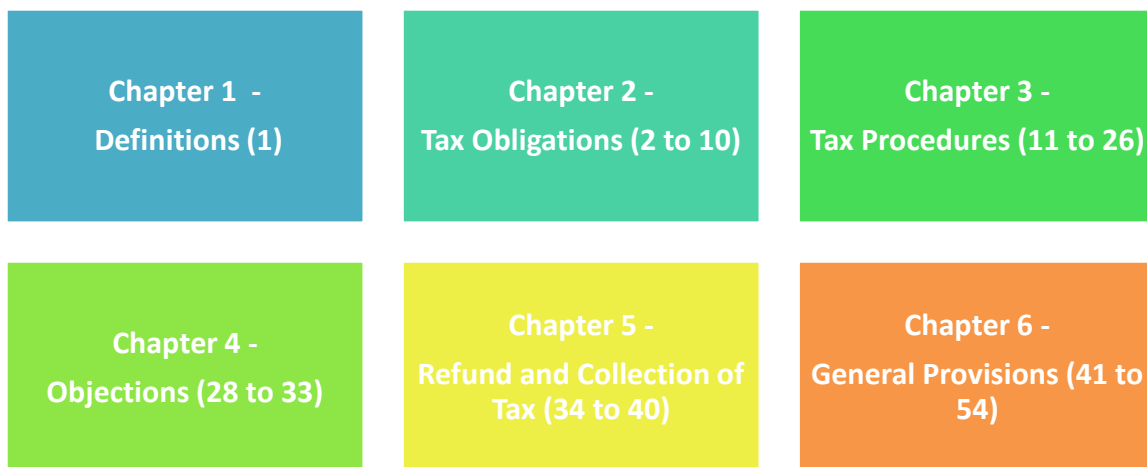


Chart highlighting various provisions Federal Law No. (7) of 2017 on Tax Procedures (54 Articles)



7. FAQ on VAT (Issued by Ministry of Finance UAE)

1 General Questions¹

1.1 What is Tax?²

Tax is the means by which governments raise revenue to pay for public services. Government revenues from taxation are generally used to pay for things such public hospitals, schools and universities, defence and other important aspects of daily life.

There are many different types of taxes:

- A direct tax is collected by government from the person on whom it is imposed (e.g., income tax, corporate tax).
- An indirect tax is collected for government by an intermediary (e.g. a retail store) from the person that ultimately pays the tax (e.g., VAT, Sales Tax).

1.2 What is VAT?

Value Added Tax (or VAT) is an indirect tax. Occasionally you might also see it referred to as a type of general consumption tax. In a country which has a VAT, it is imposed on most supplies of goods and services that are bought and sold.

¹ Reproduced from <https://www.mof.gov.ae/En/budget/Pages/VATQuestions.aspx>

Disclaimer on Mof.gov.ae – ‘These responses to FAQs are intentionally simplified. If you are seeking more detailed information we recommend that you wait for further policy announcements by the Ministry of Finance (MoF) or take professional advice in the meantime. We have put next to information that is not in the public domain.’

² Author has supplied emphasis, through making **bold** the text, at few FAQs

VAT is one of the most common types of consumption tax found around the world. Over 150 countries have implemented VAT (or its equivalent, Goods and Services Tax), including all 29 European Union (EU) members, Canada, New Zealand, Australia, Singapore and Malaysia.

VAT is charged at each step of the 'supply chain'. Ultimate consumers generally bear the VAT cost while Businesses collect and account for the tax, in a way acting as a tax collector on behalf of the government.

A business pays the government the tax that it collects from the customers while it may also receive a refund from the government on tax that it has paid to its suppliers. The net result is that tax receipts to government reflect the 'value add' throughout the supply chain. To explain how VAT works we have provided a simple, illustrative example below (based on a VAT rate of 5%):



1.3 What is the difference between VAT and Sales Tax?

A sales tax is also a consumption tax, just like VAT. For the general public there may be no observable difference between how the two types of taxes work, but there are some key differences. In many countries, sales taxes are only imposed on transactions involving goods. In addition, sales tax is only imposed on the final sale to the consumer. This contrasts with VAT which is imposed on goods and services and is charged throughout the supply chain, including on the final sale. VAT is also imposed on imports of goods and services so as to ensure that a level playing field is maintained for domestic providers of those same goods and services.

Many countries prefer a VAT over sales taxes for a range of reasons.

Importantly, VAT is considered a more sophisticated approach to taxation

as it makes businesses serve as tax collectors on behalf of the government and cuts down on misreporting and tax evasion.

1.4 Why is the UAE implementing VAT?

The UAE Federal and Emirate governments provide citizens and residents with many different public services – including hospitals, roads, public schools, parks, waste control, and police services. These services are paid for from the government budgets. VAT will provide our country with a new source of income which will contribute to the continued provision of high quality public services into the future. It will also help government move towards its vision of reducing dependence on oil and other hydrocarbons as a source of revenue.

1.5 Why does the UAE need to coordinate VAT implementation with other GCC countries?

The UAE is part of a group of countries which are closely connected through “The Economic Agreement between the GCC States” and “The GCC Customs Union”. The GCC group of nations have historically worked together in designing and implementing new public policies as we recognize that such a collaborative approach is best for the region.

1.6 When will the VAT go into effect and what will be the rates?

VAT will be introduced across the UAE on 1 January 2018 at a standard rate of 5%.

1.7 How will the government collect VAT?

Businesses will be responsible for carefully documenting their business income and costs and associated VAT charges. Registered businesses and traders will charge VAT to all of their customers at the prevailing rate and incur VAT on goods / services that they buy from suppliers. The difference between these sums is reclaimed or paid to the government.

1.8 Will VAT cover all products and services?

VAT, as a general consumption tax, will apply to the majority of transactions of goods and services unless specifically exempted or excepted by law.

1.9 Will the cost of living increase?

The cost of living is likely to increase slightly, but this will vary depending on the individual's lifestyle and spending behaviour. If your spending is mainly on those things which are relieved from VAT, you are unlikely to see any significant increase.

1.10 What measures will the government take to ensure that businesses don't use the VAT implementation as an excuse to increase prices?

VAT is intended to help improve the economic base of the country. Therefore, we will include rules that require businesses to be clear about

how much VAT you are paying for each transaction. You will have the required information to decide whether to buy something or not.

1.11 How can one object to the decisions of the Authority?

Any person will be able to object a decision of the Federal Tax Authority. As a first step, the person shall request the FTA to reconsider its decision. Such request of re-consideration has to be made within 20 business days from the date the person was notified of the original decision of the FTA, and the FTA will have 20 business days from receipt of such application to provide its revised decision.

If the person is not satisfied with the revised decision of the FTA, it will be able to object to the Tax Disputes Resolution Committee which will be set up for these purposes. Objections to the Committee will need to be submitted within 20 business days from the date the person was notified of the FTA's revised decision, and the person must pay all taxes and penalties subject of objection before objecting to the Committee. The Committee will typically be required to give its decision regarding the objection within 20 business days from its receipt.

As a final step, if the person is not satisfied with the decision of the Committee, the person may challenge its decision before the competent court. The **appeal** must be made within **20 business days** from the date of the appellant being notified of the Committee's decision.

2. VAT for Businesses

2.1 Who can or will be able to register for VAT?

A business must register for VAT if their taxable supplies and imports exceed the mandatory registration threshold of **AED 375,000**.

Furthermore, a business may choose to register for VAT **voluntarily** if their supplies and imports are less than the mandatory registration threshold, but exceed the voluntary registration threshold of **AED 187,500**.

Similarly, a business may register voluntarily if their expenses exceed the voluntary registration threshold. This latter opportunity to register voluntarily is designed to enable start-up businesses with no turnover to register for VAT.

2.2 What are the VAT-related responsibilities of businesses?

All businesses in the UAE will **need to record** their financial transactions and ensure that their financial records are accurate and up to date.

Businesses that meet the minimum annual turnover requirement (as evidenced by their financial records) will be required to register for VAT.

Businesses that do not think that they should be VAT registered should maintain their financial records in any event, in case we need to establish whether they should be registered.

VAT-registered businesses generally:

- **must charge** VAT on taxable goods or services they supply;
- **may reclaim** any VAT they've paid on business-related goods or services;
- **keep a range of business records** which will allow the government to check that they have got things right

If you're a VAT-registered business you must report the amount of VAT you've charged and the amount of VAT you've paid to the government on a regular basis. It will be a formal submission and it is likely that the reporting will be made online.

If you've charged more VAT than you've paid, you have to pay the difference to the government. If you've paid more VAT than you've charged, you can reclaim the difference.

2.3 What does a business need to do to prepare for VAT?

Concerned businesses will have time to prepare before VAT will come into effect in January 2018. During that time, businesses will need to meet requirements to fulfil their tax obligations. Businesses could start now so that they will be ready later. To fully comply with VAT, We believe that businesses may need to make some changes to their core operations, their financial management and book-keeping, their technology, and perhaps even their human resource mix (e.g., accountants and tax

advisors). It is essential that businesses try to understand the implications of VAT now and once the legislation is issued **make every effort to align their business model** to government reporting and compliance requirements. We will provide businesses with guidance on how to fully comply with VAT once the legislation is issued. The final responsibility and accountability to comply with law is on the business.

2.4 When are businesses supposed to start registering for VAT?

VAT will come into force on 1 January 2018. Any business that is required to be registered for VAT and charge VAT from 1 January 2018 must be registered prior to that date.

To enable businesses to prepare for introduction of VAT and comply with this registration obligation in time, the electronic registrations will be open for VAT from the **third quarter of 2017** on a voluntary basis and a compulsory basis from the final quarter of 2017 for those that choose not to register earlier. This will ensure that there is no last minute rush from businesses to register for VAT before the deadline.

2.5 When are registered businesses required to file VAT returns?

Taxpayers **must file VAT returns** with the FTA on a regular basis (**quarterly or for a shorter period**, should the FTA decide so) **within 28 days** from the end of the tax period in accordance with the

procedures specified in the VAT legislation. The Tax returns shall be filed online using **eServices**.

2.6 What kind of records are businesses required to maintain, and for how long?

Businesses will be required to keep records which will enable the Federal Tax Authority to identify the details of the business activities and review transactions. The specifics regarding the documents which will be required and the time period for keeping them will be stated in the relevant legislation.

2.7 How long must a taxable person retain VAT invoices for?

Any taxable person must retain VAT invoices issued and received for a minimum of **5 years**.

2.8 How should a business determine the place of supply?

The place of supply will determine whether a supply is made within the UAE (in which case the UAE VAT law will apply), or outside the UAE for VAT purposes.

For a supply of goods, the place of supply should be the location of goods when the supply takes place with special rules for certain categories of supplies (e.g. water and energy, cross border supplies).

For the supply of services, the place of supply should be where the supplier is established with special rules for certain categories of supplies (e.g. cross border supplies between businesses).

2.9 Can businesses offset customs duty against VAT payments?

VAT shall be payable in addition to the custom duties paid by the importer of the goods and cannot be deducted. VAT shall be computed on the value that includes the customs duties.

2.10 How will real estate be treated?

The VAT treatment of real estate will depend on whether it is a commercial or residential property.

Supplies (including sales or leases) of commercial properties will be taxable at the standard VAT rate (i.e 5%).

On the other hand, supplies of **residential properties will generally be exempt** from VAT. This will ensure that VAT would not constitute an irrecoverable cost to persons who buy their own properties. In order to ensure that real estate developers can recover VAT on construction of residential properties, the **first supply of residential properties within 3 years from their completion will be zero-rated.**

2.11 What sectors will be zero rated?

VAT will be charged at 0% in respect of the following main categories of supplies:

- **Exports** of goods and services to outside the GCC;
- International transportation, and related supplies;
- Supplies of certain sea, air and land means of transportation (such as aircrafts and ships);
- Certain investment grade precious metals (e.g. gold, silver, of 99% purity);
- Newly constructed residential properties, that are supplied for the first time within 3 years of their construction ;
- Supply of certain education services, and supply of relevant goods and services;
- Supply of certain Healthcare services, and supply of relevant goods and services.

2.12 What sectors will be exempt?

The following categories of supplies will be exempt from VAT:

- The supply of some financial services (clarified in VAT legislation);
- Residential properties;
- Bare land; and
- Local passenger transport

2.13 Will there be VAT grouping?

Businesses that satisfy certain requirements covered under the Legislation (such as being resident in the UAE and being related/associated parties) will be able to register as a VAT group. For some businesses, VAT grouping will be a useful tool that would simplify accounting for VAT.

2.14 Will there be bad debt relief?

VAT registered businesses will be able to reduce their output tax liability by the amount of VAT that relates to bad debt which has been written off by the VAT registered business. The legislation will include the conditions and limitations concerning the use of this relief.

2.15 Will there be a margin scheme?

To avoid double taxation where **second hand goods** are acquired by a registered person from an unregistered person for the purpose of **resale**, the VAT-registered person will be able to account for VAT on sales of second hand goods with reference to the **difference between the purchase price of the goods and the selling price** of the goods (that is, the profit margin). The VAT which must be accounted for by the registered person will be included in the profit margin. The legislation will include the details of the conditions to be met in order to apply this mechanism.

2.16 How will partial exemption work?

Where a VAT registered person incurs input tax on its business expenses, this input tax can be recovered in full if it relates to a taxable supply made, or intended to be made, by the registered person. In contrast, where the expense relates to a non-taxable supply (e.g. exempt supplies), the registered person may not recover the input tax paid.

In certain situations, an expense may relate to both taxable and non-taxable supplies made by the registered person (such as activities of the banking sector). In these circumstances, the registered person would need to apportion input tax between the taxable and non-taxable (exempt) supplies.

Businesses will be expected to use input tax (ratio of recoverable to total) as a basis for apportionment in the first instance although there will be the facility to use other methods where they are fair and agreed with the Federal Tax Authority.

2.17 What are the cases that would lead to the imposition of penalties?

Penalties will be imposed for non-compliance. Examples of actions and omissions that may give rise to penalties include:

- A person failing to register when required to do so;

- A person failing to submit a tax return or make a payment within the required period;
- A person failing to keep the records required under the issued tax legislation;
- Tax evasion offences where a person performs a deliberate act or omission with the intention of violating the provisions of the issued tax legislation.

2.18 Will there be any special schemes for SMEs?

No special rules are planned for small or medium sized enterprises.

However, the FTA will provide materials and resources available for these entities to assist them in their enquiries.

2.19 Will there be transitional rules?

Special rules will be provided to deal with various situations that may arise in respect of supplies that span the introduction of VAT. For example:

- Where a payment is received in respect of a supply of goods before the introduction of VAT but the goods are actually delivered after the introduction of VAT, this means that VAT will have to be charged on such supplies. Likewise, special rules will apply with regards to supplies of services spanning the introduction of VAT.
- Where a contract is concluded prior to the introduction of VAT in respect of a supply which is wholly or partly made after the

introduction of VAT, and the contract does not contain clauses relating to the VAT treatment of the supply, then consideration for the supply will be treated as **inclusive** of VAT. There will, however, be special provisions to allow suppliers to charge VAT in situations where their recipient is able to recover their VAT but where there is no VAT clause.

2.20 How will insurance be treated?

Generally, insurance (vehicle, medical, etc) will be taxable. **Life insurance**, however, will be treated as an exempt financial service.

2.21 How will financial services be treated?

It is expected that **fee based** financial services will be taxed but **margin based** products are likely to be exempt.

2.22 How will Islamic finance be treated?

Islamic finance products are consistent with the principles of sharia and therefore often operate differently from financial products that are common internationally.

To ensure that there are no inconsistencies between the VAT treatment of standard financial services and Islamic finance products, the treatment of Islamic finance products will be aligned with the treatment of similar standard financial services.

2.23 Can UAE nationals claim VAT?

A scheme will be introduced to allow a UAE national who is not registered for VAT **to reclaim VAT paid** on goods and services relating to **constructing a new residence** which will be **privately used** by the person and his family. This will allow the recovery of VAT on such expenses as contractor's services and building materials.

2.24 How quickly will refunds be released?

Refunds will be made after the receipt of the application and subject to verification checks, with a particular focus on avoiding fraud.

2.25 Will FTA issue rulings or provide tax advice?

In the course of its interaction with taxpayers, the **FTA may provide its views** on various matters in the law. Taxpayers may choose to challenge these views. It should be noted that penalties may be imposed on taxpayers who are found to violate any tax laws and regulations.

2.26 Will it be possible to issue cash receipts instead of VAT invoices?

A supplier registered or required to be registered for VAT **must issue a valid VAT invoice** for the supply. To be considered as a valid VAT invoice, the document must follow a specific format as mentioned in the legislation. In certain situations the supplier may be able to issue a

simplified VAT invoice. The conditions for the VAT invoice and the simplified VAT invoice are mentioned legislation.

2.27 Will there be any VAT that businesses are not allowed to claim?

VAT will not be deductible in respect of expenses incurred for making non-taxable supplies. Furthermore, input tax cannot be deducted if it is incurred in respect of specific expenses such as entertainment expenses e.g. employee entertainment.

2.28 Under which conditions will businesses be allowed to claim VAT incurred on expenses?

VAT on expenses that were incurred by a business can be deducted in the following circumstances:

- The business must be a **taxable person** (the end consumer cannot claim any input tax refund).
- VAT should have been **charged correctly** (i.e. unduly charged VAT is not recoverable).
- The business must hold **documentation** showing the VAT paid (e.g. valid tax invoice).
- The goods or services acquired are used or intended to be used for **making taxable supplies**.

- VAT input tax refund can be claimed only on the amount paid or intended to be paid before the expiration of **6 months** after the agreed date for the payment of the supply.

2.29 Will non-residents be required to register for VAT?

Non-residents that make taxable supplies in the UAE will be **required to register** for VAT unless there is any other UAE resident person who is responsible for accounting for VAT on these supplies. This exclusion may apply, for example, where a UAE business is required to account for VAT under a reverse charge mechanism in respect of a purchase from a non-resident.

2.30 Will VAT be paid on imports?

VAT is due on the goods and services purchased from abroad.

In case the **recipient in the State** is a registered person with the Federal Tax Authority for VAT purposes, **VAT would be due on that import using a reverse charge mechanism.**

In case the recipient in the State is a non-registered person for VAT purposes, VAT would be paid on import of goods from a place outside the GCC. Such VAT will typically be required to be paid before the goods are released to the person.

2.31 How will Government Entities be treated for VAT purposes?

Supplies made by government entities will typically be subject to VAT. This will ensure that government entities are not unfairly advantaged as compared to private businesses.

Certain supplies made by government entities will, however, be excluded from the scope of VAT if they are not in competition with the private sector or where the entity is the sole provider of such supplies. It is likely certain government entities will be entitled to VAT refunds – this is designed to avoid budgeting issues and provide a level playing field between outsourced and insourced activities.

For the supplies provided for government entities, the treatment of such supplies shall depend on the same supply and not on the recipient of the supply. Therefore, if the supply is subject to the standard tax rate, the treatment would remain the same even if it is provided to a government entity.

2.32 Will Businesses have to report on their business in each of the Emirates?

It is expected that businesses will need to complete additional information on their VAT returns to report **revenues earned in each Emirate**.

Guidance will be provided to businesses with regards to this.

It is expected that the rules will be relatively straightforward for most businesses and will be based, for example, for B2C transactions, on the location of the transaction (e.g. in a retail environment, the location of the shop).

2.33 Will the goods exempt from customs duties also be exempt from VAT?

Not necessarily. Some goods that are imported may be exempt from customs duties but subject to VAT.

3. VAT for Tourists and Visitors

3.1 Will tourists also pay VAT?

Yes, tourists are a significant source of revenue for the UAE and will pay VAT at the point of sale. Nevertheless, we have set the VAT rate deliberately low so that VAT is a limited burden on all consumers.

3.2 Will visiting businesses be able to reclaim VAT?

It is intended that we will allow foreign businesses to recover the VAT they incur when visiting the UAE. This is important as it encourages them to do business and also, because a lot of other countries have VAT systems, it protects the ability of UAE businesses to recover VAT when visiting other countries (where the rates are a lot higher).

4. UAE VAT Frequently Asked Questions (FAQs)

4.1 How can someone access UAE Tax Law?

Tax Laws and the related Executive Regulations will be published as soon as issued³.

5. Other Questions

5.1 What other taxes is the UAE considering?

As per global best practice, the UAE is exploring other tax options as well. However, these are still being analysed and it is unlikely that they will be introduced in the near future. The UAE is not currently considering personal income taxes, however.

5.2 Will this impact economic growth of the UAE?

Our analysis suggests that it will help the country strengthen its economy by diversifying revenues away from oil and will allow us to fund many public services. This is a sign of a maturing economy.

5.3 Where can I learn more about the UAE's plan to implement VAT?

The government has launched an awareness and education campaigns to educate UAE residents, businesses, and other impacted groups. Our aim is to help everyone understand what VAT is, how it works, and what businesses will need to do to comply with the law.

³ VAT Law is available <https://www.mof.gov.ae/En/lawsAndPolitics/govLaws/Pages/VAT-law.aspx>

As part of its awareness campaign, the Ministry of Finance has launched the first phase of the awareness sessions during the period from March till May 2017. These sessions were held in the different Emirates.

We will also set up a website where you can find information to understand the new tax in detail.

A telephone hotline has been set up so that you can call and speak to one of our employees directly on 600599994.

5.4 Changing my business systems for VAT reporting will cost money. Can the government help?

When VAT is introduced, the government will provide information and education to businesses to help them make the transition. The government will not pay for businesses to buy new technologies or hire tax specialists and accountants. That is the responsibility of each business. We will, however, provide guidance and information to assist you and we are giving businesses time to prepare.

5.5 What are the penalties for not complying with a business's VAT responsibilities?

Everyone is urged to fully comply with their VAT responsibilities. The government is currently in the process of defining the exact fees and penalties for non-compliance.

Administrative penalties for violations will be decided by Cabinet and announced after issuance. There will be further penalties decided by Courts in the case of tax evasion.

8. UAE VAT Law

Authors comments: UAE VAT Act contains eleven Chapters and 85 Articles. Further, there is separate law on Tax Procedures. Also, there are expected to be separate Executive Regulations.

⁴Federal Decree-Law No. (8) of 2017 on Value Added Tax

We, Khalifa bin Zayed Al Nahyan, President of the United Arab Emirates,
Having reviewed the Constitution,

- Federal Law No. (1) of 1972 on the Competencies of the Ministries and Powers of the Ministers and its amendments;
- Federal Law No. (11) of 1981 on the Imposition of a Federal Customs Tax on Imports of Tobacco and its derivatives, and its amendments;
- Federal Law No. (26) of 1981 regarding the Commercial Maritime Law, and its amendments;
- Federal Law No. (5) of 1985 promulgating the Civil Transactions Law, and its amendments;
- Federal Law No. (3) of 1987 promulgating the Penal Law, and its amendments;
- Federal Law No. (10) of 1992 promulgating the Law of Evidence in Civil and Commercial Transactions, and its amendments;

⁴ The Legal text is an unofficial translation of UAE VAT as reproduced from official website of UAE <https://www.mof.gov.ae/En/lawsAndPolitics/govLaws/Pages/CommonExciseTaxAgreement.aspx>
We have provided our comments in **light blue** colour at key Articles

- Federal Law No. (11) of 1992 promulgating the Law on Civil Procedures, and its amendments;
- Federal Law No. (18) of 1993 promulgating the Commercial Transactions Law, and its amendments;
- Federal Law No. (8) of 2004 on Financial Free Zones;
- Federal Law No. (1) of 2006 on Electronic Commerce and Transactions;
- Federal Law No. (2) of 2008 in respect of The National Societies and Associations of Public Welfare;
- Federal Law No. (1) of 2011 on the State's Public Revenues;
- Federal Law No. (8) of 2011 on the Reorganisation of the State Audit Institution;
- Federal Decree-Law No. (8) of 2011 on the Rules of the Preparation of the General Budget and Final Accounts;
- Federal Law No. (4) of 2012 on the Regulation of Competition;
- Federal Law No. (12) of 2014 on the Organisation of the Auditing Profession;
- Federal Law No. (2) of 2015 on Commercial Companies;
- Federal Decree-Law No. (13) of 2016 on the Establishment of the Federal Tax Authority;
- Federal Law No. (7) of 2017 on Tax Procedures; and
- Pursuant to what was presented by the Minister of Finance and approved by the Cabinet,

Have issued the following Decree-Law:

Title One

Definitions

Article (1) Definitions

Authors comments : There are 57 terms defined in this Article.

In the application of the provisions of this Decree-Law, the following words and expressions shall have the meanings assigned against each, unless the context otherwise requires:

State: United Arab Emirates

Authors comments : Federal Decree-Law No. (8) of 2017 on Value Added Tax i.e. VAT Act will be applicable in UAE.

Minister: Minister of Finance

Authority: Federal Tax Authority

Value Added Tax: A tax imposed on the import and supply of Goods and Services at each stage of production and distribution, including the Deemed Supply.

Authors comments : In UAE, the law will be known as VAT as against India wherein it is typically referred as GST.

VAT will be imposed on:

a. Import

b. Supply of goods or services at each stage of production and distribution

c. Including the deemed Supply

The term 'import' is defined at Article 1 to mean '*The arrival of Goods from abroad into the State or receipt of Services from outside the State*'.

What will supply of goods and services etc is covered through Article 5 to 10. Scenarios of 'deemed supply' is covered under Article 11.

Tax: Value Added Tax (VAT).

GCC States: all countries that are full members of The Cooperation Council for the Arab States of the Gulf pursuant to its Charter.

Authors comments : There are 6 members State in the Cooperation Council for the Arab States of the Gulf (CCASG) or Gulf Cooperation Council (GCC). These members have signed GCC Unified Agreement on VAT. This agreement is expected to align the VAT laws in GCC though GCC State retain their flexibility in VAT laws.

Implementing States: The GCC States that are implementing a Tax law pursuant to an issued legislation.

Goods: Physical property that can be supplied including real estate, water, and all forms of energy as specified in the Executive Regulation of this Decree-Law.

Authors comments : Goods are defined as:

- a. Physical property that can be supplied
- b. Including real estate, water, and all forms of energy as specified in the Executive Regulation of this Decree-Law

Thus, physical property such as say TV, phone etc will qualify as goods.

Additionally, goods include even real estate, water and all forms of energy as specified in Executive Regulation.

Services: Anything that can be supplied other than Goods.

Authors comments : Services are defined as anything other than goods.

This is a very wide definition and eventually cover everything that does not qualify as goods.

Import: The arrival of Goods from abroad into the State or receipt of Services from outside the State.

Authors comments: Import is defined as arrival of goods from abroad or receipt of services from outside the State.

Concerned Goods: Goods that have been imported, and would not be exempt if supplied in the State.

Authors comments: The definition of 'concerned goods' is relevant from the perspective of reverse charge (Article 48).

Concerned Services: Services that have been imported, where the place of supply is in the State, and would not be exempt if supplied in the State.

Authors comments : The definition of 'concerned services' is relevant from the perspective of reverse charge (Article 48).

Person: A natural or legal person.

Taxable Person: Any Person registered or obligated to register for Tax purposes under this Decree-Law.

Authors comments : Tax is imposed on supply made by 'taxable person' (Article 2) and responsibility to pay VAT is, *inter-alia*, cast on 'taxable person' (Article 4).

Taxpayer: Any person obligated to pay Tax in the State under this Decree-Law, whether a Taxable Person or end consumer.

Tax Registration: A procedure according to which the Taxable Person or his Legal Representative registers for Tax purposes at the Authority.

Tax Registration Number (TRN): A unique number issued by the Authority for each Person registered for Tax purposes.

Registrant: The Taxable Person who has been issued with a TRN.

Recipient of Goods: Person to whom Goods are supplied or imported.

Authors comments : The term 'recipient of goods' is relevant for date of supply (Article 25), place of supply (Article 27), reverse charge (Article

48) etc.

Recipient of Services: Person to whom Services are supplied or imported.

Authors comments : The term 'recipient of services' is relevant for date of supply (Article 25), place of supply (Article 27), reverse charge (Article 48) etc.

Importer: With respect to importing Goods, it is the Person whose name is listed as the importer of the Goods on the date of Import for customs clearance purposes. With respect to Services, it is the Recipient of these Services.

Authors comments : The responsibility to pay VAT in respect of concerned goods is cast on 'importer' (Article 4).

Taxable Trader: A Taxable Person in the Implementing States, whose main activity is the distribution of water and all types of energy as specified in the Executive Regulation of this Decree-Law.

Authors comments : The term 'taxable trader' is relevant for place of supply (Article 28).

Tax Return: Information and data specified for Tax purposes and submitted by a Taxable Person in accordance with a form prepared by the Authority.

Consideration: All that is received or expected to be received for the supply of Goods or Services, whether in money or other acceptable forms of payment.

Authors comments : As per Article 1, a taxable supply is a supply of goods or services for a 'consideration' while conducting Business in the State. Further, Article 34 which deals with valuation refer to consideration. Thus, effectively VAT is payable on consideration.

Business: Any activity conducted regularly, on an ongoing basis and independently by any Person, in any location, such as industrial, commercial, agricultural, professional, service or excavation activities or anything related to the use of tangible or intangible properties.

Authors comments : As per Article 1, a taxable supply is a supply of goods or services for a consideration while conducting 'Business' in the State. Further, for 'place of establishment' and 'fixed establishment' the term 'business' is relevant.

Exempt Supply: A supply of Goods or Services for Consideration while conducting Business in the State, where no Tax is due and no Input Tax may be recovered, except according to the provisions of this Decree Law.

Authors comments : Exempt supply would mean supply on which no tax is due and no input tax credit is available. Taxable supply is defined to exclude exempt supply.

Taxable Supply: A supply of Goods or Services for a Consideration by a Person conducting Business in the State, and does not include Exempt Supply.

Authors comments : The term taxable supply is important as VAT is imposed on 'taxable supply' and is defined as:

- a. Supply of goods or services
- b. For a consideration
- c. By a person conducting business in the State
- d. And does not include Exempt Supply

Deemed Supply: Anything considered as a supply and treated as a Taxable Supply according to the instances stipulated in this Decree-Law.

Authors comments : What qualifies as a 'deemed supply' is covered under Article 11 and there are four scenarios of deemed supply covered therein such as use of business asset for non-business purposes etc.

Input Tax: Tax paid by a Person or due from him when Goods or Services are supplied to him, or when conducting an Import.

Authors comments : The provisions pertaining to input tax are covered under Article 52 to 56.

Output Tax: Tax charged on a Taxable Supply and any supply considered as a Taxable Supply.

Recoverable Tax: Amounts that were paid and may be returned by the Authority to the Taxpayer pursuant to the provisions of this Decree-Law.

Due Tax: Tax that is calculated and charged pursuant to this Decree-Law.

Payable Tax: Tax that is due for payment to the Authority.

Tax Period: A specific period of time for which the Payable Tax shall be calculated and paid.

Tax Invoice: A written or electronic document in which the occurrence of a Taxable Supply is recorded with details pertaining to it.

Tax Credit Note: A written or electronic document in which the occurrence of any amendment to a Taxable Supply that reduces or cancels the same is recorded and the details pertaining to it.

Government Entities: Federal and local ministries, government departments, government agencies, authorities and public institutions in the State.

Charities: Societies and associations of public welfare not aiming to make a profit that are listed within a Cabinet Decision issued at the suggestion of the Minister.

Mandatory Registration Threshold: An amount specified in the Executive Regulation of this Decree Law; if exceeded by the value of Taxable Supplies or is anticipated to be exceeded, the supplier shall apply for Tax Registration.

Voluntary Registration Threshold: An amount specified in the Executive Regulation of this Decree Law; if exceeded by the value of

Taxable Supplies or taxable expenses or is anticipated to be exceeded, the supplier may apply for Tax Registration.

Transport-related Services: Shipment, packaging and securing cargo, preparation of Customs documents, container management, loading, unloading, storing and moving of Goods, or any another closely related services or services that are necessary to conduct the transportation services.

Place of Establishment: The place where a Business is legally established in a country pursuant to the decision of its establishment, or in which significant management decisions are taken and central management functions are conducted.

Authors comments : [Article 32 deals with Place of Establishment.](#)

Fixed Establishment: Any fixed place of business, other than the Place of Establishment, in which the Person conducts his business regularly or permanently and where sufficient human and technology resources exist to enable the Person to supply or acquire Goods or Services, including the Person's branches.

Place of Residence: The place where a Person has a Place of Establishment or Fixed Establishment, in accordance with the provisions of this Decree-Law.

Non-Resident: Any person who does not own a Place of Establishment or Fixed Establishment in the State and usually does not reside in the State.

Related Parties: Two or more Persons who not separated on the economic, financial or regulatory level, where one can control the others either by Law, or through the acquisition of shares or voting rights.

Customs Legislation: Federal and local legislation that regulate customs in the State.

Designated Zone: Any area specified by a Cabinet Decision issued at the suggestion of the Minister, as a Designated Zone for the purpose of this Decree-Law.

Export: Goods departing the State or the provision of Services to a Person whose Place of Establishment or Fixed Establishment is outside the State.

Authors comments : It can be observed that the term 'export' specifies criteria for export as under:

- a. For goods: Goods departing the State or
- b. For services: Provision of Services to a person whose place of establishment or fixed establishment is outside the State.

Thus, to qualify as export, goods should be departing from UAE whereas to qualify as export of services, it is necessary that services should be provided to a person (i.e. recipient) whose place of establishment or fixed establishment is outside the UAE.

Voucher: Any instrument that gives the right to receive Goods or Services against the value stated thereon or the right to receive a

discount on the price of the Goods or Services. Vouchers do not include postage stamps issued by the Emirates Post Group.

Activities conducted with Sovereign Capacity: Activities conducted by Government Entities in their sole competent capacity, with or without Consideration.

Capital Assets: Business assets designated for long-term use.

Capital Assets Scheme: A scheme whereby the initially recovered Input Tax is adjusted based on the actual use during a specific period.

Administrative Penalties: Amounts imposed upon a Person by the Authority for breaching the provisions of this Decree-Law or Federal Law No. (7) of 2017 on Tax Procedures.

Administrative Penalties Assessment: A decision issued by the Authority concerning to Administrative Penalties due.

Excise Tax: A tax imposed on specific Goods.

Tax Group: Two or more Persons registered with the Authority for Tax purposes as a single taxable person in accordance with the provisions of this Decree-Law.

Title Two

Tax Scope and Rate

Article (2) Scope of Tax

Tax shall be imposed on:

1. Every Taxable Supply and Deemed Supply made by the Taxable Person.

2. Import of Concerned Goods except as specified in the Executive Regulation of this Decree-Law.

Authors comments : This Article deals with scope of VAT. It states that VAT will be imposed on:

- a. Every **Taxable Supply** [defined at Article 1 as '*A supply of Goods or Services for a Consideration by a Person conducting Business in the State, and does not include Exempt Supply*'] and **Deemed Supply** [defined at Article 1 as '*Anything considered as a supply and treated as a Taxable Supply according to the instances stipulated in this Decree-Law*'] made by the **Taxable Person** [defined at Article 1 as '*Any Person registered or obligated to register for Tax purposes under this Decree-Law*'].
- b. **Import** [defined at Article 1 as '*The arrival of Goods from abroad into the State or receipt of Services from outside the State*'] of **Concerned Goods** [defined at Article 1 as '*Goods that have been imported, and would not be exempt if supplied in the State*'] except as specified in the *Executive Regulation of this Decree-Law*]

It can be observed that VAT is imposed on taxable and deemed supply made by the taxable person. Further, import of concerned goods also qualifies as taxable supply.

Article (3) Tax Rate

Without prejudice to the provisions of Title Six of this Decree-Law, a standard rate of 5% shall be imposed on any supply or Import pursuant to Article (2) of this Decree-Law on the value of the supply or Import specified in the provisions of this Decree-Law.

Authors comments: This Article is '*Without prejudice to the provisions of Title Six of this Decree-Law*'. Title Six deals with zero rates and exemptions.

Article 3 provides that a standard rate of 5% is imposable on the value of any supply or import. It can be observed that VAT is proposed at standard rate of 5%. As compared to countries such as India, UK and even EU, where VAT/GST rate is approx. more than 18%, the proposed VAT rate in UAE is much lesser.

A major reason for such reasonable rate of VAT is the fact that till now, GCC countries have large revenue from oil and thus there was no tax in GCC! However, in last one decade, question was being debated in GCC whether reliance should be shifted to non-oil i.e. tax revenues. This question attended prominence after it was being discovered that in years to come revenues from oil and gas may reduce whereas public spending may increase. Thus, to ensure that there is no fiscal deficit, revenue from taxation was explored.

Herein, the most critical thing that went in favour of GCC countries was that there were no taxes itself so there was no question of removal of existing taxes (such as in India multiple taxes had to be replaced).

Article (4) Responsibility for Tax

The Tax imposed shall be the responsibility of the following:

1. A Taxable Person who makes any supply stipulated in Clause (1) of Article (2) of this Decree Law.
2. The Importer of Concerned Goods.
3. The Registrant who acquires Goods as stated in Clause (3) of Article (48) of this Decree-Law.

Authors comments : This article provides that the responsibility to pay tax shall be of the taxable person who makes the supply. In case of imports the responsibility is cast on importer. Further, responsibility is cast on the Registrants who acquires goods as stated in 48 (3) [which deals with RCM].

Title Three

Supply

Chapter One

Supply of Goods and Services

Article (5) Supply of Goods

The following shall be considered a supply of Goods:

1. Transfer of ownership of the Goods or the right to use them to another Person according to what is specified in the Executive Regulation of this Decree-Law.
2. Entry into a contract between two parties entailing the transfer of Goods at a later time, pursuant to the conditions specified in the Executive Regulation of this Decree-Law.

Authors comments : VAT is imposed on supply of goods. In this regard, this article provides what shall be considered as supply of goods. The Article states that transfer of ownership in goods or the right to use them will qualify as supply of goods. Further, entering into a contract for that the responsibility to pay tax transfer of goods at a later time will also qualify as supply.

Article (6) Supply of Services

A supply of Services shall be every supply that is not considered a supply of Goods, including any provision of Services specified in the Executive Regulation of this Decree-Law.

Authors comments: VAT is imposed on supply of services. In this regard, this article provides that every supply that is not considered a supply of goods, including any provision of services shall be considered as supply of services. It may be noted that the term 'supply of services' is defined in exclusion of the term 'supply of services' and thus the definition is very wide.

Article (7) Supply in Special Cases

As an exception to what is stated in Articles (5) and (6) of this Decree-Law, the following shall not be considered a supply:

1. The sale or issuance of any Voucher unless the received Consideration exceeds its advertised monetary value, as specified in the Executive Regulation of this Decree-Law.
2. The transfer of whole or an independent part of a Business from a Person to a Taxable Person for the purposes of continuing the Business that was transferred.

Authors comments: Article 7 states following shall not be considered as supply of goods or services:

1. The sale or issuance of any Voucher unless the received Consideration exceeds its advertised monetary value
2. The transfer of whole or an independent part of a Business from a Person to a Taxable Person for the purposes of continuing the Business that was transferred.

Article (8) Supply of more than one component

The Executive Regulation of this Decree-Law shall specify the conditions for treating a supply made of more than one component for one price, whether such components are Goods or Services or both.

Authors comments: In certain cases, goods and services are supplied together with one another. For example transportation of goods services with sale of say LED TV. In this regard, Article 8 states that the Executive

Regulation shall specify the conditions for treating a supply made of more than one component for one price, whether such components are goods or services or both.

Article (9) Supply via Agent

1. The Supply of **Goods and Services** through an agent acting in the name of and on behalf of a principal is considered to be a supply by the principal and for his benefit.
2. The Supply of Goods and Services through an agent acting in his name is considered to be a direct supply by the agent and for his benefit.

Authors comments: Article 9 states that supply of goods and services through and agent acting in the name and **on behalf of** principle will be considered as supply by the **principle**. Further, supply of goods and services through and agent acting in his name will be considered as supply by the **agent**.

Article (10) Supply by Government Entities

1. A Government Entity is regarded as making a supply in the course of business in the following cases:
 - a. If its activities are conducted in a non-sovereign Capacity.
 - b. If its activities are in competition with the private sector.
2. A Cabinet Decision shall be issued at the suggestion of the Minister determining the Government Entities and their activities that are

considered as conducted in a Sovereign Capacity and instances where its activities are considered not in competition with the private sector.

Authors comments: Article 10 states that a Government entity will be considered as making supply in the course of business in two scenarios i.e. if the activities are conducted in non-sovereign capacity or in competition with private sector. Its is also stated that Cabinet Decision shall be issued to clarify more on this aspect.

Chapter Two

Deemed Supply

Article (11) The Cases of Deemed Supply

The following cases shall be considered as Deemed Supply:

1. A supply of Goods or Services, which constituted the whole assets of a Taxable Person or a part thereof, but are **no longer considered to be as such**, provided that the supply was made without Consideration.
2. The **transfer** by a Taxable Person of Goods that constituted a part of his business assets from the State to another Implementing State, or from the Taxable Person's business in an Implementing State to his Business in the State, except in the case where such transfer:
 - a. Is considered as temporary under the Customs Legislation.
 - b. Is made as part of another Taxable Supply of these Goods.
3. A supply of Goods or Services for which Input Tax may be recovered but the Goods or Services were **used**, in part or whole, **for purposes**

other than Business, and such supply shall be considered as deemed only to the extent of the use for non-business purposes.

4. Goods and Services that a Taxable Person owns at the date of Tax **Deregistration**.

Authors comments: Article 11 provides four scenarios which will qualify as deemed supply such as use of business asset for non-business purposes.

Article (12) Exceptions for Deemed Supply

A supply is not considered as deemed in the following cases:

1. If **no Input Tax was recovered** for the related Goods and Services.
2. If the supply is an **Exempt Supply**.
3. If the recovered Input Tax has been adjusted for the Goods and Services pursuant to the **Capital Assets Scheme**.
4. If the value of the supply of the Goods, for each Recipient of Goods within a 12-month period, **does not exceed the amount** specified in the Executive Regulation of this Decree-Law, and the Goods were supplied as **samples or commercial gifts**.
5. If the total Output Tax due for all the **Deemed Supplies per Person** for a 12-month period is **less than the amount specified** in the Executive Regulation of this Decree-Law.

Authors comments: Article 12 provides exception to deemed supply to state that scenarios such as exempt supply or in cases where input tax credit is not availed. Similarly, sample or commercial gifts below threshold or where input tax is adjusted in pursuant to Capital Asset Scheme.

Title Four

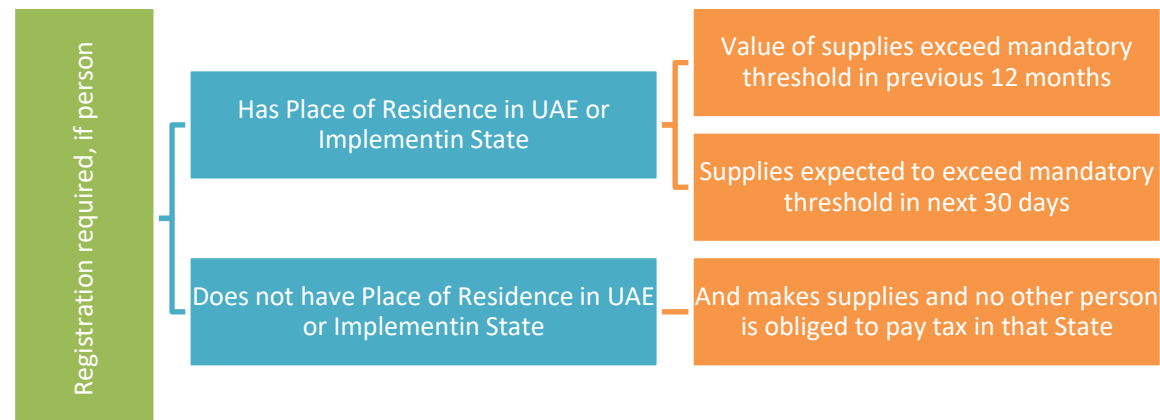
Tax Registration and Deregistration

Article (13) Mandatory Tax Registration

1. Every Person, who has a **Place of Residence in the State** or an Implementing State and is not already registered for Tax, shall register in the following situations:
 - a. Where the total value of all supplies referred to in Article (19) **exceeded the Mandatory Registration** Threshold over the **previous 12-month period**.
 - b. Where it is **anticipated** that the total value of all supplies referred to in Article (19) **will exceed** the Mandatory Registration Threshold in the next thirty **(30) days**.
2. Every Person, who **does not have a Place of Residence** in the State or an Implementing State and is not already registered for Tax, **shall register** for Tax if he makes supplies of Goods or Services, and where no other Person is obligated to pay the Due Tax on these supplies in the State.

3. The Executive Regulation of this Decree-Law shall specify the time limits that a Person has to inform the Authority about his liability to register for Tax and the effective date of Tax Registration.

Authors comments: Article 13 provides as under:



Article (14) Tax Group

1. Two or more persons conducting Businesses may apply for Tax Registration as a Tax Group if all of the following conditions are met:
 - a. Each shall have a Place of Establishment or Fixed Establishment **in the State.**
 - b. The relevant persons shall be **Related** Parties.
 - c. One or more persons conducting business in a partnership shall **control** the others.
2. The Executive Regulation of this Decree-Law will determine the instances where the Authority may reject the application to register a Tax Group.

3. Any Person conducting Business is not allowed to have more than one Tax Registration Number, unless otherwise prescribed in the Executive Regulation.
4. If Related Parties do not apply for Tax Registration as a Tax Group under Clause (1) of this Article, the Authority may assess their relation based on their economic, financial and regulatory practices in business and register them as a Tax Group if their relation was proved thereto according to the controls and Conditions specified by the Executive Regulation of this Decree-Law.
5. The Authority may deregister the Tax Group registration in accordance with this Article as per the conditions specified in the Executive Regulation of this Decree-Law.
6. The Authority may make changes to the Persons registered as a Tax Group by adding or removing Persons as requested by the Taxable Person or in accordance with the instances mentioned in the Executive Regulation.

Authors comments: The VAT laws oblige each company to independently comply with VAT compliances, payments and returns though it may be owned by the same group. Hence, to ease the VAT related compliances and also administrations of VAT, many countries have introduced the concept of 'VAT group' in their VAT legislations.

The concept of 'VAT Groups' is like this. Authorities, on satisfaction of

certain conditions, grants permission to closely held companies to form a 'VAT group' and allows an 'identified member' of this 'VAT group' to take up the responsibility to comply with VAT formalities.

When a 'VAT Group' is formed the output VAT is paid by the 'representative member' and not by the member who makes the taxable supply. Similarly the input credit is available to the 'representative member' rather than the company which acquire the taxable input. Only the representative member files the return. Interestingly, intergroup transactions are not liable to VAT except in certain exceptional cases.

The concept of 'VAT Group' is prevalent in UK, Australia, New Zealand, Singapore etc. However, many countries such as Canada, Brazil, China, France, have refrained from introducing this concept in their VAT regime.

Article (15) Registration Exceptions

1. The Authority may except a Taxable Person from mandatory Tax Registration **upon his request if his supplies are only subject to the zero rate.**
2. Anyone excepted from Tax Registration according to Clause (1) of this Article shall inform the Authority of any changes to his Business that would make him subject to Tax under this Decree Law pursuant to the time limits and procedures determined in the Executive Regulation of this Decree-Law.

3. The Authority shall have the right to collect any Due Tax and Administrative Penalties for the period of exception where that Taxable Person was not entitled to the exception.

Authors comments: Article 15 provides that Authority may permit a Taxable Person to not to obtain Tax Registration, upon his request, if his supplies are only subject to the zero rate.

Article (16) Tax Registration of Governmental Bodies

Government Entities which shall be determined in a Cabinet Decision issued under Clause (2) of Article (10) of this Decree-Law, shall apply for Tax Registration and may not be Deregistered unless by a Cabinet Decision at the suggestion of the Minister.

Authors comments: Specified Government entities are expected to obtain registration if so determined by Cabinet Decision.

Article (17) Voluntary Registration

Any Person who is not obligated to apply for Tax Registration according to this Chapter may apply for Tax Registration in the following cases:

1. If he proves, at the end of any given month, that the **total value of supplies** referred to in Article (19) of this Decree-Law or **the expenses** which are subject to Tax and were incurred during the previous 12-month period, has **exceeded** the Voluntary Registration Threshold.

2. At any time that he **anticipates** that the total value of **supplies** stipulated in Article (19) of this Decree-Law or the **expenses** which are subject to Tax that will be incurred, will exceed the Voluntary Registration Threshold during the coming 30-day period.

Authors comments: This Article provides an alternate mechanism wherein a taxable person may apply for registration i.e. in cases where supplies or expenses have exceeded voluntary threshold in previous 12 months or will exceed in next 30 days.

Article (18) Tax Registration for a Non-Resident

A Non-resident Person may **not take the value** of Goods and Services imported into the State to determine whether he is entitled to apply for Tax Registration **if the calculation of Tax** for such Goods or Services **is the responsibility of the Importer** pursuant to Clause (1) of Article (48) of this Decree-Law.

Authors comments: Non-resident is not required to obtain registration if calculation of tax is responsibility of importer.

Article (19) Calculating the Tax Registration Threshold

To determine whether a Person has exceeded the Mandatory Registration Threshold and the Voluntary Registration Threshold, the following shall be calculated:

1. The value of **Taxable** Goods and Services.

2. The value of **Concerned** Goods and Concerned Services received by the Person unless covered by Clause (1) of this Article.
3. The value of the whole or relevant part of Taxable Supplies that belong to said Person if he has, wholly or partly, acquired a Business from another Person who made the supplies.
4. The value of Taxable Supplies made by Related Parties pursuant to the cases stated in the Executive Regulation of this Decree-Law.

Authors comments: This Article states what needs to be taken into consideration to compute the voluntary threshold.

Article (20) Capital Assets

The supply of Capital Assets belonging to the Person shall **not be taken** into account to determine whether a Person in Business exceeds the Mandatory Registration Threshold or Voluntary Registration Threshold.

Authors comments: This Article states what need not be taken into consideration to compute the voluntary threshold i.e. supply of capital goods.

Article (21) Tax De-Registration Cases

A Registrant shall apply to the Authority for Tax **Deregistration** in any of the following cases:

1. If he stops making Taxable Supplies.
2. If the value of the Taxable Supplies made over a period of (12) consecutive months is less than the Voluntary Registration Threshold

and said Registrant does not meet the condition stipulated in Clause (2) of Article (17) of this Decree-Law.

Authors comments: This Article states that taxpayer can apply for deregistration where business is stopped or value in 12 months is less than threshold.

Article (22) Application for Tax De-Registration

A Registrant may apply to the Authority for Tax Deregistration if the value of his Taxable Supplies during the past (12) months was **less than** the Mandatory Registration **Threshold**.

Article (23) Voluntary Tax De-registration

A Registrant under Article (17) may **not apply** for Tax Deregistration **within (12) months** of the date of Tax Registration.

Article (24) Procedures, Controls and Conditions of Tax Registration and De-registration

The Executive Regulation of this Decree-Law shall determine the procedures, controls and conditions for Tax Registration, Tax deregistration and rejection of applications for Tax Registration and Deregistration as stipulated in this Title.

Title Five

Rules Pertaining to Supplies

Chapter One

Date of Supply

Article (25) Date of Supply

Tax shall be calculated on the date of supply of Goods or Services, which shall be earlier of any of the following dates:

1. The date on which Goods were transferred, if such transfer was under the supervision of the supplier.
2. The date on which the Recipient of Goods took possession of the Goods, if the transfer was not supervised by the supplier.
3. Where goods are supplied with assembly and installation, the date on which the assembly or installation of the Goods was completed.
4. The date on which the Goods are Imported under the Customs Legislation.
5. The date on which the Recipient of Goods accepted the supply, or a date no later than (12) months after the date on which the Goods were transferred or placed under the Recipient of Goods disposal, if the supply was made on a returnable basis.
6. The date on which the Services were completed.
7. The date of receipt of payment or the date on which the Tax Invoice was issued.

Authors comments: The liability to pay VAT will arise at the date of supply as determined in Article 25 and 26 of VAT Law. In this regard, provisions prescribe what will date of supply for goods and services. Article 25 contemplates, seven scenarios and prescribes that date of

supply shall be earliest of them. Similarly, Article 26 (for contractual periodic or consecutive payments etc) contemplates 4 dates of supply prescribes that date of supply shall be earliest of them.

Given that there could be **multiple parameters** in determining 'time' of supply, maintaining reconciliation between revenue as per financials and as per VAT could be a major challenge to meet for businesses.

Article (26) Date of Supply in Special Cases

1. The date of supply of Goods or Services for any **contract** that includes periodic payments or consecutive invoices is the earliest of any of the following dates, provided that it does not exceed one year from the date of the provision of such Goods and Services:
 - a. The date of issuance of any Tax Invoice.
 - b. The date payment is due as shown on the Tax Invoice.
 - c. The date of receipt of payment.
2. The date of supply, in cases where payment is made through **vending machines**, shall be the date on which funds are collected from the machine.
3. The date of Deemed Supply of Goods or Services is the date of their supply, disposal, change of usage or the date of Deregistration, as the case may be.
4. The date of a supply of a voucher is the date of issuance or supply thereafter.

Chapter Two

Place of Supply

Article (27) Place of Supply of Goods

1. The place of supply of Goods shall be **in the State if the supply was made in the State**, and does not include Export from or Import into the State.
2. The place of supply of installed or assembled Goods if exported from or imported into the State shall be:
 - a. In the State if **assembly or installation** of the Goods was done in the State.
 - b. Outside the State if assembly or installation of the Goods was done outside the State.
3. The place of supply of Goods that includes Export or Import shall be as follows:
 - a. **Inside the State** in the following instances:
 - 1) If the supply includes exporting to a place outside the Implementing States.
 - 2) If the Recipient of Goods in an Implementing State is not registered for Tax in the state of destination, and the total exports from the same supplier to this state does not exceed the mandatory registration threshold for said state.
 - 3) The Recipient of Goods does not have a Tax Registration Number in the State, and the total exports from the same

supplier in an Implementing State to the State exceeds the Mandatory Registration Threshold.

b. **Outside the State** in the following instances:

- 1) The supply includes an Export to a customer registered for Tax purposes in one of the Implementing States.
 - 2) The Recipient of Goods is not registered for Tax in the Implementing State to which export is made, and the total exports from the same supplier to this Implementing State exceeds the mandatory registration threshold for said state.
 - 3) The Recipient of Goods does not have a Tax Registration Number and the Goods are Imported from a supplier registered for Tax in any of the Implementing States from which import is made, and the total imports from the same supplier to the State do not exceed the Mandatory Registration Threshold.
4. Goods shall not be treated as exported outside the State and then reimported if such Goods are supplied in the State and this supply required that the Goods exit and then re-enter the State according to the instances specified in the Executive Regulation of this Decree-Law.

Article (28) Place of Supply of Water and Energy

1. The supply of water and all forms of energy specified in the Executive Regulation of this Decree Law through a distribution system, shall be considered as done in the **Place of Residence of the Taxable Trader** in case the distribution was conducted by a Taxable Person

having a Place of Residence in the State to a Taxable Trader having a Place of Residence in an Implementing State.

2. The supply of water and all forms of energy specified in the Executive Regulation of this Decree Law through a distribution system, shall be considered to have occurred at the **place of actual consumption**, if distribution was conducted by a Taxable Person to a Non-Taxable Person.

Article (29) Place of Supply of Services

The place of supply of Services shall be the **Place of Residence of the Supplier**.

Article (30) Place of Supply in Special Cases

As an exception to what is stipulated in Article (29) of this Decree-Law, the place of supply in special cases shall be as follows:

1. Where the Recipient of Services has a **Place of Residence in another Implementing State** and is registered for Tax therein, the place of supply shall be the **Place of Residence of the Recipient** of Services.
2. Where the Recipient of Services is in Business and has a Place of Residence in the State, and the Supplier does not have a Place of Residence in the State, the place of supply shall be in the State.

3. For the Supply of Services related to Goods, such as **installation** of Goods supplied by others, the place shall be where said Services were **performed**.
4. For the Supply of **means of transport to a lessee** who is not a Taxable Person in the State and does not have a TRN in an Implementing State, the place shall be where such means of transport were placed at the disposal of the lessee.
5. For the Supply of **restaurant, hotel**, and food and drink catering Services, the place shall be where such Services are **actually performed**.
6. For the Supply of any **cultural, artistic, sporting**, educational or any similar services, the place shall be where such Services were **performed**.
7. For the Supply of Services related to **real estate** as specified in the Executive Regulation of this Decree-Law, the place of supply shall be where the **real estate is located**.
8. For the Supply of **transportation Services**, the place of supply shall be **where transportation starts**. The Executive Regulation of this Decree-Law shall specify the place of supply for transportation Services if the trip includes more than one stop.

Article (31) Place of Supply of Telecommunication and Electronic Services

1. For **telecommunications and electronic Services** specified in the Executive Regulation of the Decree-Law, the place of supply shall be:
 - a. In the State, **to the extent of the use and enjoyment** of the supply in the State.
 - b. Outside the State, to the extent of the use and enjoyment of the supply outside the State.
2. The actual use and enjoyment of all telecommunications and electronic Services shall be where these Services were **used** regardless of the place of contract or payment.

Chapter Three

Place of Residence

Article (32) Place of Establishment

The Place of Residence of the supplier or Recipient of Services shall be as follows:

1. The state in which the Person's Place of Establishment is located or where he has a Fixed Establishment, provided that he does not have a Place of Establishment or owns a Fixed Establishment in any other state.
2. The state in which the Person's Place of Establishment is located or where he has a Fixed Establishment that is the most closely related to

the supply if he has a Place of Establishment in more than one state or has Fixed Establishments in more than one state.

3. The state in which the usual Place of Residence of the Person is located if he does not have a Place of Establishment or a Fixed Establishment in any state.

Article (33) The Agent

The Place of Residence of an agent shall be regarded as the Place of Residence of the principal in the following two cases:

1. If the agent **regularly exercises the right** of negotiation and enters into agreements in favor of the principal.
2. If the agent **maintains a stock** of Goods to fulfil supply agreements for the principal regularly.

Chapter Four

Value of Supply

Article (34) Value of Supply

The value of supply of Goods or Services for Consideration shall be as follows:

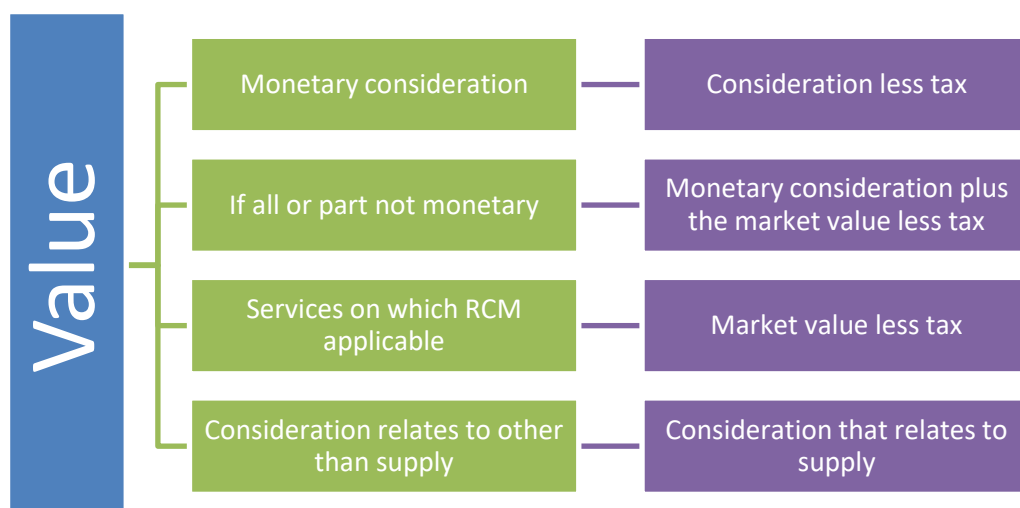
1. If the **entire Consideration is monetary**, the value of the supply shall be the **Consideration less the Tax**.
2. If all or part of the Consideration is **not monetary**, the value of the supply is calculated as the overall **monetary part plus the market**

value of the non-monetary part of the Consideration, and shall **not include the Tax**.

3. For Services received by the Taxable Person who is obligated to calculate the Tax in accordance with Clause (1) of Article (48) of this Decree-Law, the value of the supply shall be equal to the **market value** of the **consideration without** addition of the **Tax** on that supply.
4. If the Consideration is related to matters other than the supply of Goods or Services, the value of the supply shall be equal to the part of the Consideration that is related to such supply **as stated in the Executive Regulation** of this Decree-Law.

The Executive Regulation of this Decree-Law shall **specify the rules** to determine the market value.

Authors comments: Value of supply shall be determined as under:



Article (35) Value of Import

The Import value of Goods consists of:

1. The customs value pursuant to Customs Legislation, including the value of insurance, freight and any customs fees and Excise Tax paid on the Import of the Goods. Tax shall not be included in the Value of the Supply.
2. If it is not possible to determine the value pursuant to Clause (1) of this Article, the value shall be determined based on alternate valuation rules stated in the applicable Customs Legislation..

Authors comments: This Article states that value shall include:

- a. Customs Value
- b. Value of insurance,
- c. Freight and
- d. Any customs fees and
- e. Excise Tax paid on the Import of the Goods

However, tax shall not be included in the value of the supply.

Article (36) Value of Supply for Related Parties

As an exception to Articles (34) and (35) of this Decree-Law, the value of the supply or Import of Goods or Services between Related Parties **shall be considered equal to the market value if** the following conditions are met:

1. The value of the supply is **less than** the market value.

2. If the supply is a Taxable Supply and the **Recipient** of Goods or Recipient of Services **does not have the right to recover the full Tax** that would have been charged to such supply as Input Tax.

Authors comments: This Article states that value of supply or import between related parties shall be considered equal to market value if:

- a. Value is less than market value and
- b. Recipient does not have right to recover full tax

This means in cases of related party transaction, where recipient cannot recover full tax, market value of such supply would be required to be found out.

Article (37) Value of Deemed Supply

As an exception to Articles (34) and (35) of this Decree-Law, the value of the supply in the case of a **Deemed Supply** when the Taxable Person **purchases** Goods or Services to make Taxable Supplies **but does not use** those Goods or Services **for that purpose**, will be equal to the total cost incurred by the Taxable Person to make this Deemed Supply of Goods or Services.

Article (38) Tax-Inclusive Prices

For Taxable Supplies, the **advertised price shall include the Tax.**

Instances where prices do not include the Tax shall be determined by the Executive Regulation of this Decree-Law.

Article (39) Value of Supply in case of Discount or Subsidies

When discounts are made **before or after** the Date of Supply or subsidies provided by the State to the supplier for that supply, the value of the supply shall be **reduced in proportion to such discounts or subsidies.**

The Executive Regulation of this Decree-Law shall specify the conditions and restrictions for calculating the Tax when the discount is made.

Article (40) Value of Supply of Vouchers

The value of supply of a **Voucher** is the difference between the consideration received by the supplier of the Voucher and the advertised monetary value of the Voucher.

Article (41) Value of Supply of Postage Stamps

The value of supply for postage stamps that allow the user to use postal services in the State shall be the amount shown on the stamp.

Article (42) Temporary Transfer of Goods

If Goods are transferred temporarily from the domestic market into a Designated Zone or outside the State for completing the manufacturing or repair in order to re-import them into the State, the value of the supply when re-Imported shall be the value of the Services rendered.

Chapter Five

Profit Margin

Article (43) Charging Tax based on Profit Margin

1. The Registrant **may**, in any Tax Period, calculate and **charge Tax based on the profit margin** earned on the Taxable Supplies as specified in the Executive Regulation of this Decree-Law and not based on the value of these supplies, and shall notify the Authority of the same.
2. The Executive Regulation of this Decree-Law shall specify the conditions to be met for the application of the provisions of this Article.

Title Six

Zero Rates and Exemptions

Chapter One

Zero Rate

Article (44) Supply and Import Taxable at Zero Rate

The supply and Import of Goods and Services specified in this Chapter made by a Taxable Person shall be a Taxable Supply subject to the zero rate.

Article (45) Supply of Goods and Services that is Subject to Zero Rate

The **Zero rate** shall apply to the following Goods and Services:

1. A direct or indirect Export to outside the Implementing States as specified in the Executive A direct or indirect Export to outside the Implementing States as specified in the Executive Regulation of this Decree-Law.
2. International transport of passengers and Goods which starts or ends in the State or passes through its territory, including also services related to such transport.
3. Air passenger transport in the State if it is considered an "international carriage" pursuant to Article (1) of the Warsaw Convention for the Unification of Certain Rules Relating to International Carriage by Air 1929.
4. Supply of air, sea and land means of transport for the transportation of passengers and Goods as specified in the Executive Regulations of this Decree-Law.
5. Supply of Goods and Services related to the supply of the means of transport mentioned in Clause (4) of this Article and which are

designed for the operation, repair, maintenance or conversion of these means of transport.

6. Supply of aircrafts or vessels designated for rescue and assistance by air or sea.
7. Supply of Goods and Services related to the transfer of Goods or passengers aboard land, air or sea means of transport pursuant to Clauses (2) and (3) of this Article, designated for consumption on board; or anything consumed by any means of transport, any installations or addition thereto or any other use during transportation.
8. The supply or Import of investment precious metals. The Executive Regulation of this DecreeLaw shall specify the precious metals and the standards based on which they are classified as being for investment purposes.
9. The first supply of residential buildings within (3) years of its completion, either through sale or lease in whole or in part, according to the controls specified in the Executive Regulation of this Decree-Law.
10. The first supply of buildings specifically designed to be used by Charities through sale or lease according to the controls specified in the Executive Regulation of this Decree-Law.
11. The first supply of buildings converted from non-residential to residential through sale or lease according to the conditions specified in the Executive Regulation of this Decree-Law.
12. The supply of crude oil and natural gas.

13. The supply of educational services and related Goods and Services for **nurseries, preschool**, elementary education, and higher educational institutions owned or funded by Federal or local Government, as specified in the Executive Regulation of this Decree-Law.
14. The supply of **preventive and basic healthcare** Services and related Goods and Services according to what is specified in the Executive Regulation of this Decree-Law.

Chapter Two

Exemptions

Article (46) Supply Exempt from Tax

The following supplies shall be exempt from Tax:

1. **Financial services** that are **specified** in the Executive Regulation of this Decree-Law.
2. Supply of **residential buildings through sale or lease, other than** that which is **zero-rated** according to Clauses (9) and (11) of Article (45) of this Decree-Law.
3. Supply of **bare land**.
4. Supply of **local passenger transport**.

The Executive Regulation of this Decree-Law shall specify the conditions and controls for exempting the supplies mentioned in the preceding clauses of this Article.

Chapter Three

Single and Mixed Supplies

Article (47) Supply of More Than One Component

The Executive Regulation of this Decree-Law will specify the controls to determine the tax treatment of any supply composed of more than one component for a single price, where each component is subject to a different tax treatment.

Chapter Four

Specific Obligations to Account for Tax

Article (48) Reverse Charge

1. If the Taxable Person **imports** Concerned Goods or Concerned Services **for** the purposes of his **Business**, then he shall be **treated as making a Taxable Supply to himself**, and shall be responsible for all applicable Tax obligations and accounting for Due Tax in respect of these supplies.
2. As an exception to Clause (1) of this Article, in case the **final destination** of the Goods when entering the State is **another Implementing State**, the Taxable Person shall pay the Due Tax on Import of Concerned Goods pursuant to the mechanism specified by the Executive Regulation of this Decree-Law.
3. If a Registrant makes a Taxable Supply in the State to another Registrant of any crude or refined oil, unprocessed or processed natural gas, or any hydrocarbons, and the Recipient of these Goods

intends to either resell the purchased Goods as crude or refined oil, unprocessed or processed natural gas, or any hydrocarbons, or use these Goods to produce or distribute any form of energy, the following rules shall apply:

- a. the Registrant making the Supply shall not charge Tax on the value of the supply of the The Registrant making the Supply shall not charge Tax on the value of the supply of the Goods referred to in this paragraph.
 - b. The Recipient of the Goods shall calculate the Tax on the value of the Goods supplied thereto and shall be responsible for all applicable Tax obligations and for calculating the Due Tax in respect of such supplies.
4. The provisions of Clause (3) of this Article shall not apply in any of the following situations:
- a. Where, before the Date of Supply, the Recipient of Goods has not provided a written confirmation to the supplier that his acquisition of the Goods is for the purpose of resale.
 - b. Where, before the Date of Supply, the Recipient of Goods has not provided a written confirmation to the supplier that he is a Registrant and the supplier has not verified the Tax Registration of the Recipient of Goods by means approved by the Authority.
 - c. Where the Taxable Supply would be subject to Tax at the rate of 0% in accordance with Clause (1) of Article (45) of this Decree-Law.

- d. Where the Taxable Supply includes a supply of Goods or Services other than the Goods referred to in Clause (3) of this Article.
5. Where a Recipient of Goods of any crude or refined oil, unprocessed or processed natural gas, or any hydrocarbons confirms in writing to the supplier that he is a Registrant for the purposes of applying Clause (3) of this Article, the following shall apply:
 - a. The supplier shall not be liable for calculating the Tax in relation to the supply unless he was aware or supposed to be aware, that the Recipient was not a Registrant at the Date of Supply.
 - b. The Recipient shall be liable for the calculation of any Due Tax in respect of the supply.
 6. If the supplier mentioned in paragraph (a) of Clause (5) of this Article is supposed to be aware that the Recipient of Goods was not registered at the Date of Supply, the supplier and the Recipient of Goods shall be jointly and severally liable for any Due Tax and relevant penalties in respect of the supply.
 7. The Executive Regulation of this Decree-Law shall specify:
 - a. Conditions and instances where the mechanism in Clause (1) of this Article applies.
 - b. Additional obligations related to record keeping for Tax calculated according to the mechanism in Clause (1) of this Article.

Article (49) Import of Concerned Goods

A person not registered for Tax shall pay Due Tax on Import of Concerned Goods from outside the Implementing States on the date of Import pursuant to the payment mechanism specified by the Executive Regulation of this Decree-Law.

Chapter Five

Designated Zones

Article (50) Designated Zone

A “**Designated Zone**” that meets the conditions specified in the Executive Regulation of this Decree-Law shall be treated as being outside the State.

Article (51) Transfer of Goods in Designated Zones

1. Goods may be **transferred from one** Designated Zone **to another Designated Zone without any Tax** becoming due.
2. The Executive Regulation of this Decree-Law shall specify the procedures and conditions for the transfer of Goods from and to a Designated Zone as well as the method of keeping, storing and processing such Goods therein.

Article (52) Exceptions for Designated Zone

As an exception to Article (50) of this Decree-Law, the Executive Regulation of this Decree-Law shall specify the conditions under which the

Business conducted within the Designated Zones will be regarded as being conducted in the State.

Title Seven

Calculation of Due Tax

Chapter One

Article (53) Due Tax for a Tax Period

The Payable Tax for any Tax Period shall be calculated as being equal to the total Output Tax payable pursuant to this Decree-Law and which has been done in the Tax Period less the total Recoverable Tax by said Taxable Person over the same Tax Period.

Article (54) Recoverable Input Tax

1. The Input Tax that is recoverable by a Taxable Person for any Tax Period is the total of Input Tax paid for Goods and Services which are used or intended to be used for making any of the following:
 - a. Taxable Supplies.
 - b. Supplies that are made outside the State which would have been Taxable Supplies had they been made in the State.
 - c. Supplies specified in the Executive Regulation of this Decree-Law that are made outside the State, which would have been treated as exempt had they been made inside the State.
2. Where Goods are imported by a Taxable Person through another Implementing State and the intended final destination of those Goods

was the State at the time of Import, then the Taxable Person shall be entitled to treat the Tax paid in respect of Import of Goods into the Implementing State as Recoverable Tax subject to conditions specified in the Executive Regulation of this Decree Law.

3. Where Goods were acquired by a Taxable Person in another Implementing State and then moved into the State, the Taxable Person shall be entitled to treat the Tax paid in respect of the Goods in the Implementing State as Recoverable Tax subject to the conditions specified in the Executive Regulation of this Decree-Law.
4. A Taxable Person shall not be entitled to recover any Input Tax in respect of Tax paid in accordance with Clause (2) of Article (48) of this Decree-Law.
5. The Executive Regulation of this Decree-Law shall specify the instances where Input Tax is excepted from being recovered.

Article (55) Recovery of Recoverable Input Tax in the Tax Period

1. Taking into consideration the provisions of Article (56) of this Decree-Law, the Recoverable Input Tax may be deducted through the Tax Return relating to the first Tax Period in which the following conditions have been satisfied:
 - a. The Taxable Person receives and keeps the Tax Invoice as per the provisions of this Decree-Law, provided that the Tax Invoice includes the details of the supply related to such Input Tax, or keeps any other document pursuant to Clause (3) of Article (65) of

this Decree-Law in relation to the Supply or Import on which Input Tax was paid.

- b. The Taxable Person pays the Consideration for the Supply or any part thereof, as specified in the Executive Regulation of this Decree-Law.
2. If the Taxable Person entitled to recover the Input Tax fails to do so during the Tax Period in which the conditions stated in Clause (1) of this Article have been satisfied, he may include the Recoverable Tax in the Tax Return for the subsequent Tax Period.

Article (56) Input Tax Paid before Tax Registration

1. A Registrant **may recover Recoverable Tax** incurred before Tax Registration on the Tax Return submitted **for the first Tax Period** following Tax Registration, which has been paid for any of the following:
 - a. Supply of Goods and Services made to him prior to the date of Tax Registration.
 - b. Import of Goods by him prior to the date of Tax Registration.

Provided that these Goods and Services were used to make supplies that give the right to Input Tax recovery upon Tax Registration.

2. As an exception to the provisions of Clause (1) of this Article, Input Tax may not be recovered in any of the following instances:
 - a. The receipt of Goods and Services for purposes other than making Taxable Supplies.

- b. Input Tax related to the part of the Capital Assets that depreciated before the date of Tax Registration.
- c. If the Services were received more than five years prior to the date of Tax Registration.
- d. Where a Person has moved the Goods to another Implementing State prior to the Tax Registration in the State.

Article (57) Recovery of Tax by Government Entities and Charities

A Cabinet Decision shall be issued at the suggestion of the Minister determining the Government Entities and Charities entitled to recover the full amount of Input Tax paid by them, except for:

1. Tax excluded from recovery as specified in the Executive Regulation of this Decree-Law.
2. Tax paid for Goods and Services used to perform exempt supplies.

Chapter Two

Apportionment and Adjustment of Input Tax

Article (58) Calculating the Input Tax that may be Recovered

The Executive Regulation of this Decree-Law shall specify the method in which the Input Tax that may be recovered is calculated, if Input Tax is paid for Goods or Services during a specific Tax Period to make supplies that allow recovery under Article (54) and others that do not allow recovery, or for activities conducted that are not in the course of doing the Business.

Article (59) Conditions and Mechanism of Input Tax Adjustment

The Executive Regulation of this Decree-Law shall specify the **conditions and mechanism for adjusting Input Tax** in the following cases:

1. If the Taxable Person **attributes** the Input Tax, either fully or partially, to make Taxable Supplies, but **changed the use**, or the intended use, of those Goods or Services prior to making the Taxable Supplies.
2. If the Taxable Person attributes the Input Tax, either fully or partially, to make Exempt Supplies, or **for activities that do not fall within the conduct of Business**, but changed the use or the intended use of the those Goods or Services related to the Input Tax prior to making **Exempt Supplies**.

Chapter Three

Capital Assets Scheme

Article (60) Capital Assets Scheme

1. If a Capital Asset is supplied or imported by a Taxable Person, the latter shall assess the period of use of such asset and make the necessary adjustments to the Input Tax paid pursuant to the Capital Assets Scheme.
2. A Taxable Person shall keep the records related to Capital Assets for at least ten years.
3. The Executive Regulation of this Decree-Law shall specify the following:

- a. Capital Assets subject to the provisions of this Decree-Law and their estimated useful life.
- b. The method of adjusting Capital Assets and the periods for which adjustments should be made.
- c. Instances where the period for keeping records of Capital Asset records is extended.

Chapter Four

Adjustment of Tax after the Supply Date

Article (61) Instances and Conditions for Output Tax Adjustments

1. A Registrant shall adjust Output Tax after the date of supply in any of the following instances:
 - a. If the supply was **cancelled**.
 - b. If the Tax treatment of the supply has **changed** due to a change in the nature of the supply.
 - c. If the previously agreed **Consideration** for the supply was **altered** for any reason.
 - d. If the Recipient of Goods or Recipient of Services **returned** them to the Registrant in full or in part and the Consideration was returned in full or in part.
 - e. If the Tax was charged in **error**.
2. Paragraph (e) of Clause (1) of this Article shall not apply where the place of supply was treated by the supplier at the Date of Supply as being subject to Clause (1) of Article (27), but, as a result of a

movement of the Goods, it turned out that it should have been treated as a supply under paragraph (b)(1) of Clause (3) of the same.

3. In order to adjust the Output Tax any of the following conditions shall be met:
 - a. If the Output Tax amount charged on the supply stated in the Tax Invoice does not match the Tax that should actually be charged on the supply as a result of any of the events mentioned in Clause (1) of this Article.
 - b. If the Registrant submits a Tax Return for the Tax Period during which the supply occurred and an amount was incorrectly calculated as being the amount of Output Tax due for this supply as the result of any of the events mentioned in Clause (1) of this Article.

Article (62) Mechanism for Output Tax Adjustment

The Output Tax shall be adjusted according to the following:

1. If the Output Tax due for the supply exceeds the Output Tax calculated by the Registrant, the Registrant shall issue a new Tax Invoice for the additional amount of Tax and calculate the additional Tax due for the Tax Period during which such an increase was identified.
2. If the Output Tax calculated by the Registrant exceeds the Output Tax which should have been charged on the supply, the Registrant shall issue a Tax Credit Note according to the provisions of this Decree-Law.

Article (63) Adjustment due to the Issuance of Tax Credit Notes

Without prejudice to Clause (2) of Article (62) of this Decree-Law, if the Registrant issues a Tax Credit Note to correct Output Tax charged to the Recipient of Goods or Recipient of Services, the Tax stated in the Tax Credit Note shall be considered as:

1. A reduction of the Output Tax for the Registrant of this Tax Credit Note.
2. A reduction of the Input Tax by the Recipient of Goods or Recipient of Services for the Tax Period during which the Tax Credit Note was received.

Article (64) Adjustment for Bad Debts

1. A Registrant supplier **may reduce the Output Tax** in a current Tax Period to adjust the Output Tax paid for any previous Tax Period **if all of the following conditions are met:**
 - a. Goods and Services have been supplied and the Due Tax has been charged and paid.
 - b. Consideration for the supply has been written off in full or part as a bad debt in the accounts of the supplier.
 - c. More than six (6) months has passed from the date of the supply.
 - d. The Registrant supplier has notified the Recipient of Goods and the Recipient of Services of the amount of Consideration for the supply that has been written off.

2. The registered Recipient of Goods or Recipient of Services shall reduce the Recoverable Input Tax for the current Tax Period related to a supply received during any previous Tax Period where the Consideration has not been paid and all of the following conditions are met:
 - a. The registered supplier reduced the Output Tax as stated in Clause (1) of this Article and the Recipient of Goods and the Recipient of Services has received a notification from the supplier of the Consideration being written off.
 - b. The Recipient of Goods and Recipient of Services received the Goods and Services and the relevant Input Tax was deducted.
 - c. The Consideration was not paid in full or in part for the supply for over (6) six months.
3. The reduction stated in Clause (1) and (2) shall be equal to the Tax related to the Consideration which has been written off according to paragraph (b) of Clause (1) of this Article.

Chapter Five

Tax Invoices

Article (65) Conditions and Requirements for Issuing Tax Invoices

1. A Registrant making a Taxable Supply **shall issue an original Tax Invoice** and deliver it to the Recipient of Goods or Recipient of Services.

2. A Registrant making a **Deemed Supply** shall **issue an original** Tax Invoice and deliver it to a Recipient of Goods or Recipient of Services if available or keep it in his records if there is no Recipient of Goods or Recipient of Services.
3. The Executive Regulation of this Decree-Law shall **specify** the following:
 - a. **Data to be included** in the Tax Invoice.
 - b. The **conditions** and procedures required to issue an electronic Tax Invoice.
 - c. **Instances** where the Registrant is **not required to issue** and deliver a Tax Invoice to the Recipient of Goods or the Recipient of Services.
 - d. Instances where other documents may be issued in place of the Tax Invoice as well as the conditions thereof and the data to be included therein.
 - e. Instances where **another Person may issue** a Tax Invoice on behalf of the registered supplier.
4. Any Person who receives an amount as Tax pursuant to any document issued by him shall pay this amount to the Authority even if it is not due.

Article (66) Document of Supplies to an Implementing States

Without prejudice to Article (65) of this Decree-Law, each Registrant who supplies Goods or Services considered as supplied in any of the

Implementing States, shall provide the Recipient of Goods and Recipient of Services with a document that includes all the information that must be included in the Tax Invoice and any other information as specified in the Executive Regulation of this Decree-Law, provided that this document is not labelled "Tax Invoice" and does not include any Tax charged.

Article (67) Date of Issuance of Tax Invoice

The Registrant shall issue a Tax Invoice within **14 days** as of the date of supply as stated in Article (25) of this Decree-Law.

Article (68) Rounding on Tax Invoices

For the purpose of stating the Tax due on a Tax Invoice, the Executive Regulation of this Decree-Law shall specify the **method of calculation** and stating the total amount to be paid if the Tax is **less than one fils of a UAE Dirham**.

Article (69) Currency Used on Tax Invoices

If the supply is in a currency other than the UAE Dirham, then for the purposes of the Tax Invoice, the amount stated in the Tax Invoice shall be **converted into the UAE Dirham** according to the exchange rate approved by the Central Bank at the date of supply.

Chapter Six

Tax Credit Notes

Article (70) Conditions and Requirements for Issuing Tax Credit

Note

1. The Registrant shall issue an original Tax Credit Note when a reduction of Output Tax occurs in relation to any supply made by him according to Clause (2) of Article (62) of this Decree-Law and deliver the same to the Recipient of Goods or Recipient of Services.
2. When making a Deemed Supply, the Registrant shall issue an original Tax Credit Note when a reduction occurs to the Output Tax in relation to such supply according to Article (61) of this Decree-Law and shall keep the same in his records.
3. The Executive Regulation of this Decree-Law shall specify the following:
 - a. Basic data that should be included in the Tax Credit Note in instances where the Taxable Person is required to issue this Note.
 - b. The conditions and procedures required for the issuance of an electronic Tax Credit Note.
 - c. Instances where the Registrant is not required to issue and deliver a Tax Credit Note to the Recipient of Goods or the Recipient of Services.
 - d. Instances where other documents may be issued in place of the Tax Credit Note as well as conditions for the issuance of such document and the data to be included therein.
 - e.

- f. Instances where another Person may issue a Tax Credit Note on behalf of the registered supplier.

Title Eight

Tax Period, Tax Returns, Payment and Reclaiming of Tax

Chapter One

Tax Period

Article (71) Duration of Tax Period

The **Executive Regulation** of this Decree-Law shall **specify the Tax Period** for which the Taxable Person shall calculate and pay Tax as well as the exceptional circumstances in which the Authority may amend the Tax Period.

Chapter Two

Tax Returns and Tax Payment

Article (72) Submission of Tax Returns

1. The Taxable Person shall submit the Tax Return to the Authority at the **end of each Tax Period** within the time limits and according to the procedures specified in the Executive Regulation of this Decree-Law declaring all supplies made and received during that Tax Period.
2. A Cabinet Decision shall be issued upon the recommendation of the Minister, determining the Government Entities that may submit simplified Tax Returns to the Authority.

Article (73) Payment of Tax

The Executive Regulation of this Decree-Law shall **specify the time limits** and procedures for payment of Tax stated as payable in the Tax Return according to the provisions of this Decree-Law.

Chapter Three

Carrying forward the Excess of Recoverable Tax and Tax Recovery

Article (74) Excess Recoverable Tax

1. With the exception of what will be stipulated in the Executive Regulation of this Decree-Law, the Taxable Person shall **carry forward any excess of Recoverable Tax** to the subsequent Tax Periods and offset such excess against Payable Tax or any Administrative Penalties imposed under this Decree-Law or Federal Law No. (7) of 2017 on **Tax Procedures** in subsequent Tax Periods until such excess is fully utilised, **in the following cases**:
 - a. If the Taxable Person's Recoverable Input Tax set forth in this Decree-Law exceeds the Output Tax payable for the same Tax Period.
 - b. If the Tax paid to the Authority by the Taxable Person exceeds the Payable Tax according to the provisions of this Decree-Law, other than in the instance mentioned in paragraph (a) of Clause (1) of this Article.

2. If there remains any **excess** for any Tax Period **after being carried forward for a period of time**, the Taxable Person may apply to the Authority to **reclaim the remaining excess**. The Executive Regulation of this Decree-Law shall specify the time limits, procedures and mechanisms of returning any remaining excess to the Taxable Person.

Chapter Four

Other Provisions on Recovery of Tax

Article (75) Tax Recovery in Special Cases

The Authority may according to the conditions, restrictions and procedures specified in the Executive Regulations of this Decree-Law, return Tax paid for any supply received by or Import carried out by anyone of the following:

1. A citizen of the State in respect of the Goods and Services related to the construction of a new residence that is not part of the Person's Business.
2. A Non-Resident, who is not a Resident of an Implementing State and conducts a Business and is not a Taxable Person.
3. A Non-Resident, for Goods supplied to him in the State and that will be exported.
4. Foreign governments, international organisations, diplomatic bodies and missions according to treaties that the State is a party to.

5. Any Persons or classes listed in a Cabinet Decision issued at the suggestion of the Minister.

Title Nine

Violations and Penalties

Article (76) Administrative Penalties Assessment

Without prejudice to the provisions of Federal Law No. (7) of 2017 on Tax Procedures, the Authority shall issue an Administrative Penalty

Assessment to the Person and notify the Person of the same **within five**

(5) business days as of the date of issuance in any of the following

cases:

1. Failure by the Taxable Person to display prices inclusive of Tax according to Article (38) of this Decree-Law.
2. Failure by the Taxable Person to notify the Authority of applying Tax based on the margin according to Article (43) of this Decree-Law.
3. Failure to comply with the conditions and procedures related to keeping the Goods in a Designated Zone or moving them to another Designated Zone.
4. Failure by the Taxable Person to issue the Tax invoice or an alternative document when making any Supply.
5. Failure by the Taxable Person to issue a Tax Credit Note or an alternative document.

6. Failure by the Taxable Person to comply with the conditions and procedures regarding the issuance of electronic Tax Invoices and electronic Tax Credit Notes.

Article (77) Tax Evasion

If it is proven that a Person who is not a Registrant acquires Goods referred to in Clause (3) of Article 48 of this Decree-Law, claiming that he is a Registrant, he shall be considered as having committed Tax Evasion and shall be subject to the penalties provided for in Federal Law No. (7) of 2017 on Tax Procedures.

Title Ten

General Provisions

Article (78) Record-keeping

1. Without prejudice to the provisions related to record-keeping stated in any other law, the Taxable Person shall keep the following records:
 - a. Records of all supplies and Imports of Goods and Services.
 - b. All Tax Invoices and alternative documents related to receiving Goods or Services.
 - c. All Tax Credit Notes and alternative documents received.
 - d. All Tax Invoices and alternative documents issued.
 - e. All Tax Credit Notes and alternative documents issued.
 - f. Records of Goods and Services that have been disposed of or used for matters not related to Business, showing Taxes paid for the same.

- g. Records of Goods and Services purchased and for which the Input Tax was not deducted.
 - h. Records of exported Goods and Services.
 - i. Records of adjustments or corrections made to accounts or Tax Invoices.
 - j. Records of any Taxable Supplies made or received in accordance with Clause (3) of Article 48 of this Decree-Law, including any declarations provided or received in respect of those Taxable Supplies.
 - k. A Tax Record that includes the following information:
 - 1) Due Tax on Taxable Supplies.
 - 2) Due Tax on Taxable Supplies pursuant to the mechanism in Clause (1) of Article (48) of this Decree-Law.
 - 3) Due Tax after the error correction or adjustment.
 - 4) Recoverable Tax for supplies or Imports.
 - 5) Recoverable Tax after the error correction or adjustment.
2. The Executive Regulation of this Decree-Law shall specify the following:
- a. Time limits, restrictions and conditions for keeping the records listed in Clause (1) of this Article.
 - b. Restrictions and procedures regarding the maintenance of the confidentiality of the records that may be accessed by the Authority in the case of Government Entities mentioned under Clause (2) of Article (72) of this Decree-Law.

Articles (79) Stating the Tax Registration Number

The Taxable Person or any other Person authorised in writing by him shall state the Tax Registration Number on each Tax Return, notification, Tax Invoice, Tax Credit Note, and any other document related to Tax or correspondence as required under this Decree-Law or said Federal Law No. (7) of 2017 on Tax Procedures.

Title Eleven

Closing Provisions

Article (80) Transitional Rules

1. If the supplier receives Consideration or part thereof or issues an invoice for Goods or Services before the Decree-Law comes into effect, the date of supply shall be the same as the effective date of the Decree-Law in the following instances if they occur after the effective date of the Decree Law:
 - a. Transfer of Goods under the supervision of the supplier.
 - b. Placing the Goods at the recipient's disposal.
 - c. The completion of assembly or installation of the Goods.
 - d. The issuance of the customs declaration.
 - e. The acceptance by the Recipient of Goods of the supply.
2. If a contract has been concluded prior to the enforcement of this Decree-Law, regarding a supply to be wholly or partly made after the effective date of this Decree-Law, but such contract does not contain

clauses related to Tax on the supply, it shall be treated as per the following:

- a. The Consideration shall be considered inclusive of Tax if chargeable according to this Decree-Law.
 - b. Tax shall be calculated on the supply regardless of whether it has been taken into account when determining the Consideration for the supply.
3. The Executive Regulation of this Decree-Law shall set forth special provisions related to the implementation of this Decree-Law where a contract has been concluded before the effective date of the Decree-Law but the supply under the contract is wholly or partly made after the effective date of this Decree-Law.

Article (81) Revenue Sharing

Tax revenues and Administrative Penalties set forth in the provisions of this Decree-Law shall be subject to **sharing between the Federal Government and the Emirates Governments** based on the provisions of Federal Decree-Law No. (13) of 2016 On the Establishment of the Federal Tax Authority.

Article (82) Executive Regulation

The **Cabinet shall issue the Executive Regulation** of this Decree-Law at the suggestion of the Minister.

Article (83) [Tax Procedure Law]

In case of absence of a special provision in this Decree-Law, the provisions of Federal Law No. (7) of 2017 on **Tax Procedures** shall be applied.

Article (84) Cancellation of Conflicting Provisions

Any text or provisions contrary to or inconsistent with the provisions of this Decree-Law shall be abrogated.

Article (85) Effective Date of this Decree-Law and its Application

This Decree-Law shall be published in the Official Gazette and shall **come into effect as of January 1, 2018.**

Khalifa bin Zayed Al Nahyan President of the United Arab Emirates

Issued by us at the Presidential Palace in Abu Dhabi On: 1 /12/1438 H.

Corresponding to: 23/ 8 /2017

9. Law on Tax Procedures

Federal Law No. (7) of 2017 on Tax Procedures

We, Khalifa bin Zayed Al Nahyan – President of the United Arab Emirates,

Having reviewed the Constitution,

- Federal Law No. (1) of 1972 on the Competencies of the Ministries and Powers of the Ministers and its amendments,
- Federal Law No. (5) of 1975 on Commercial Records,
- Federal Law No. (11) of 1981 on the Imposition of a Federal Customs Tax on Imports of Tobacco and its derivatives and its amendments,
- Federal Law No. (5) of 1985 promulgating the Civil Transactions Law and its amendments,
- Federal Law No. (3) of 1987 promulgating the Penal Law and its amendments,
- Federal Law No. (10) of 1992 promulgating the Law of Evidence in Civil and Commercial Transactions and its amendments,
- Federal Law No. (11) of 1992 promulgating the Law on Civil Procedures and its amendments,
- Federal Law No. (35) of 1992 promulgating the Penal Procedures Law and its amendments,
- Federal Law No. (18) of 1993 promulgating the Commercial Transactions Law,

- Federal Law No. (17) of 2004 on the combat of Commercial Concealment,
- Federal Law No. (1) of 2006 on Electronic Transactions and Trading,
- Federal Decree-Law No. (11) of 2008 on Human Resources in the Federal Government and its amendments,
- Federal Law No. (1) of 2011 on the State's Public Revenues,
- Federal Law No. (6) of 2012 on the Organization of the Translation Profession,
- Federal Law No. (12) of 2014 on the Organisation of the Auditing Profession,
- Federal Law No. (2) of 2015 on Commercial Companies;
- Federal Decree-Law No. (9) of 2016 on Bankruptcy,
- Federal Decree-Law No. (13) of 2016 on the Establishment of the Federal Tax Authority,
- Pursuant to the presentation of the Minister of Finance and the approval of the Cabinet, Federal National Council and Federal Supreme Council,

We hereby issue the following Law:

Chapter One

Definitions and Scope of Application of the Law

Article (1) Definitions

In the application of the provisions of this law, the following words and phrases shall have the meanings set out against each of them, unless the context otherwise requires:

State: United Arab Emirates

Minister: Minister of Finance.

Authority: Federal Tax Authority.

Director General: Director General of the Authority.

Committee: Tax Disputes Resolution Committee.

Competent Court: the federal court within whose jurisdiction the Authority's Head Office or Branch is located.

Tax: any federal tax administered, collected and enforced by the Authority.

Tax Law: any federal law pursuant to which a Federal Tax is imposed.

Person: a natural or legal person.

Business: any activity conducted in an ongoing, regular and independent manner by any Person and in any location, such as industrial, commercial, agricultural, professional, vocational or service activity, drilling activities or anything related to the use of material or non-material property.

Taxable Person: a Person who is subject to Tax under the provisions of the relevant Tax Law.

Taxpayer: any Person who is obligated to pay Tax in the State under the Tax Law whether a Taxable Person or an end consumer.

Tax Return: information and data specified for Tax purposes, submitted by a Taxable Person in accordance with the form prepared by the Authority.

Tax Period: a specified period of time in respect of which Payable Tax must be calculated and paid.

Tax Registration: a procedure by which a Taxable Person or his Legal Representative registers for Tax purposes with the Authority.

Tax Registration No. (TRN): a unique number issued by the Authority for each Person registered for Tax purposes.

Registrant: a Taxable Person holding a TRN.

Legal Representative: the manager of a company or a guardian or custodian of a minor or incapacitated person, or the bankruptcy trustee appointed by court for a company that is in bankruptcy, or any other Person appointed legally to represent another Person.

Due Tax: Tax that is calculated and charged under the provisions of any Tax Law.

Payable Tax: Tax that has become due for payment to the Authority.

Administrative Penalties: monetary amounts imposed on a Person by the Authority for breaching provisions of this Law or the Tax Law.

Refundable Tax: amounts that have been paid and that the Authority can refund in whole or in part to the Taxpayer pursuant to the relevant Tax Law, require to use for the payment of amounts due or

Administrative Penalties or require to carry forward to future Tax Periods depending on the nature of the refund, according to the Tax Law.

Tax Assessment: a decision issued by the Authority relating to Payable Tax or Refundable Tax.

Administrative Penalties Assessment: a decision issued by the Authority concerning Administrative Penalties due.

Notification: notification to the concerned Person or his Tax Agent or Legal Representative of decisions issued by the Authority through the means stated in this Law and its Executive Regulations.

Voluntary Disclosure: a form prepared by the Authority pursuant to which the Taxpayer notifies the Authority of an error or omission in the Tax Return, Tax Assessment or Tax refund application in accordance with the provisions of the Tax Law.

Register: the Register of Tax Agents.

Tax Agent: any Person registered with the Authority in the Register, who is appointed on behalf of another Person to represent him before the Authority and assist him in the fulfilment of his Tax obligations and the exercise of his associated tax rights.

Tax Audit: a procedure undertaken by the Authority to inspect the commercial records or any information or data related to a Person carrying on Business.

Tax Auditor: any member of the Authority's staff appointed as a Tax Auditor.

Tax Evasion: the use of illegal means resulting in lowering the amount of tax due, non-payment of the tax due or a refund of tax that he does not have the right to have refunded under any Tax Law.

Article (2) Scope of Application of the Law

The provisions of this Law apply to tax procedures related to the administration, collection and enforcement of Tax by the Authority.

Article (3) Objectives of the Law

This Law aims to achieve the following:

1. regulation of the rights and obligations between the Authority and the Taxpayer and any other Person dealing with the Authority;
2. regulation of the common procedures and rules applicable to all Tax Laws in the State.

Chapter Two

Tax Obligations

Part One

Keeping of Accounting Records and Commercial Books

Article (4) Record Keeping

Any Person conducting any Business must keep Accounting Records and Commercial Books of his Business and any Tax related information as determined by Tax Law and maintain the same according to the controls that will be specified by the Executive Regulations of this Law.

Article (5) Language

1. Each Person must submit the Tax Return, data, information, records and documents related to Tax that he is required to submit to the Authority in **Arabic** as determined by the provisions of the Tax Law.
2. The Authority may accept data, information, records, and documents related to Tax in any other language, provided that the Person provides the Authority with a **translated** copy of any of them into Arabic at his expense and responsibility if so requested, and in accordance with the Executive Regulations to this Law.

Part Two

Tax Registration

Article (6) Tax Registration, Tax De-registration and Amendments of Data related to Tax Registration

1. A non-registered Taxable Person or any other Person who has the right to register must apply for registration under the relevant provisions of the Tax Law.
2. A Registrant must:
 - a. Include his TRN in all correspondence and transactions with the Authority or with others in accordance with the provisions of the Tax Law.
 - b. Inform the Authority, in the form prepared by it, of the occurrence of any circumstance that might require the amendment of

information related to his Tax record kept by the Authority, within 20 business days from the occurrence of such circumstance.

- c. Apply for de-registration in accordance with the relevant provisions of the Tax Law.
3. The Executive Regulations of this Law will specify the procedures for Tax Registration, de-registration, and amending Tax registration data with the Authority.
4. Government bodies that licence businesses shall notify the Authority within a time limit of (20) business days from the date of issuing any licence of the fact and according to the provisions of the Executive Regulations of this Law.

Article (7) The Legal Representative

Any Person appointed as a Legal Representative of a Taxable Person or his funds or his inheritance must inform the Authority within 20 business days from the date of the appointment, and according to the procedures that will be specified in the Executive Regulations of this Law.

Part Three

Tax Obligations

Article (8) Tax Return Preparation and Submission

1. Each Taxable Person shall:
 - a) Prepare the Tax Return for each Tax Period for each Tax within the time limit of registration in accordance with the Tax Law.

- b) Submit the Tax Return to the Authority in accordance with the provisions of this Law and the Tax Law.
 - c) Settle any Payable Tax as specified in the Tax Return or any Tax Assessment within the time frames specified in this Law and the Tax Law.
2. Any incomplete Return submitted to the Authority shall be treated as not having been accepted by it if it does not include the basic information determined by the Tax Law.
 3. Each Taxable Person is responsible for the accuracy of the information and data in the Tax Return and in all his correspondence with the Authority.
 4. Each Taxpayer shall settle any Administrative Penalties prescribed within the period of time specified in this Law and the Tax Law.

Article (9) Specifying Payable Tax when Settling

1. A Taxable Person must, when paying any amount to the Authority, specify the type of Tax and the relevant Tax Period to which the amount relates; the Authority shall allocate the payment accordingly.
2. If a Taxable Person makes any payment without specifying the type of Tax or the Tax Period, the Authority shall have the right to allocate the full amount or part thereof according to the mechanism that will be specified in the Executive Regulations of this Law.
3. If a Taxable Person pays more than the Payable Tax amount, the Authority shall have the right to allocate the difference to a later Tax

Period, unless such Taxable Person submits a refund application in accordance with the provisions of this Law.

4. If a Taxable Person pays less than the Payable Tax amount, the provisions of Chapter Three, Part Four of this Law shall apply.

Part Four

Voluntary Disclosure

Article (10) Voluntary Disclosure

1. If a Taxable Person becomes aware that a Tax Return submitted by him to the Authority or a Tax Assessment sent to him by the Authority is incorrect, resulting in a calculation of Payable Tax according to the Tax Law being less than it should have been, the Taxable Person must in that event apply to correct such Tax Return by submitting a Voluntary Disclosure within the time limit specified in the Executive Regulations of this Law.
2. If a Taxpayer becomes aware that a Tax refund application that he has submitted to the Authority is incorrect, resulting in a calculation of a refund to which he is entitled according to the Tax Law being more than it should have been, he must in that event apply to rectify the Tax refund application by submitting a Voluntary Disclosure within the time limit specified in the Executive Regulations of this Law.
3. If a Taxable Person becomes aware that a Tax Return submitted by him to the Authority or a Tax Assessment sent to him by the Authority are incorrect, resulting in the calculation of Payable Tax

according to the Tax Law being more than it should have been, he may in that event apply to rectify such a Tax Return by submitting a Voluntary Disclosure.

4. If a Taxpayer becomes aware that a Tax refund application that he has submitted to the Authority is incorrect, resulting in the calculation of a refund amount to which he is entitled according to the Tax Law being less than the it should have been, he may in that event apply to rectify the Tax refund application by submitting a Voluntary Disclosure.

Chapter Three

Tax Procedures

Part One

Notification

Article (11) Methods of Notification

1. The Authority shall notify a Person of any decisions or procedures through the address stated in the correspondence between the Authority and that Person.
2. The Authority shall notify a Taxable Person through the address stated in the Tax Return, unless the Authority is informed of a change in address by the Taxable Person, his Legal Representative or his Agent.
3. In all cases, a Person shall be treated as having been notified of any decision and as having received any correspondence if it appears that

the Authority has sent the notification and correspondence according to the provisions of sections (1) and (2) of this Article.

4. The Executive Regulations of this Law shall specify the means used for Notifications and correspondence.

Part Two

Tax Agent

Article (12) Register of Tax Agents

A Register of Tax Agents shall be established at the Authority. For each Tax Agent there will be a file in which all matters related to his professional conduct shall be lodged.

Article (13) Tax Agents Registration

It is not permitted for any Person to practise the profession of a Tax Agent in the State unless he is listed in the Register and licensed for this purpose by the Ministry of Economy and the competent local authority.

Article (14) Conditions of Registration in the Register

1. Anyone listed in the Register must satisfy the following conditions:
 - a. be of good conduct and behaviour and never have been convicted of a crime or misdemeanour prejudicial to honour or honesty, notwithstanding that he may have been rehabilitated.

- b. hold an accredited qualification from a recognised university or institute showing his specialisation and practical experience as specified in the Executive Regulations of this Law.
 - c. be medically fit to perform the duties of the profession.
 - d. hold professional indemnity insurance.
2. A Tax Agent must notify the Authority of any period during which he ceases to practise his profession as a Tax Agent if he is hindered from practicing, and he can request to resume his practice when such hindrance ceases to exist.
3. The Executive Regulations of this Law shall specify the procedures for listing a Tax Agent in the Register and the rights and obligations of the Tax Agent before the Authority and the Person.

Article (15) Appointment of a Tax Agent

1. A Person may appoint a Tax Agent to act in his name and on his behalf with regard to his tax affairs with the Authority without prejudice to that Person's responsibility to the Authority.
2. It is not permitted for the Authority to deal with any Tax Agent regarding any Person if such Person informs the Authority that his agency engagement has ended or that the Tax Agent has been dismissed.

Article (16) Person's Records with the Tax Agent

1. The Tax Agent must, upon the Authority's request, provide it with all the information, documents, records and data required for any Person represented by the Tax Agent.
2. The Authority may review the records of any Person available with his Tax Agent and may rely on them for the purposes of a Tax Audit, even after the expiry of the agency engagement or the dismissal of the Tax Agent.

Part Three

Tax Audits

Article (17) The right of the Authority to perform a Tax Audit

1. The Authority may perform a Tax Audit on any Person to ascertain the extent of that Person's compliance with the provisions of this Law and the Tax Law.
2. The Authority may perform the Tax Audit at its office or the place of business of the Person subject to the Tax Audit or any other place where such Person carries on Business, stores goods or keeps records.
3. If the Authority decides to perform a Tax Audit at the place of Business of the Person subject to the Tax Audit or any other place where such Person carries on his Business, stores goods or keeps records, the Authority must inform him at least five business days prior to the Tax Audit.

4. By way of exception to section (3) of this Article, the Tax Auditor has the right of entry to any place where the Person subject to the Tax Audit carries on his Business, stores goods, or keeps records, and as the case may be it will be temporarily closed in order to perform the Tax Audit for within a time limit not exceeding 72 hours without prior notice in any of the following cases:
 - a. if the Authority has serious grounds to believe that the Person subject to the Tax Audit is participating or involved in Tax Evasion whether related to this Person or another Person;
 - b. if the Authority has serious grounds to believe that not temporarily closing the place where the Tax Audit is conducted will hinder the conduct of the Tax Audit;
 - c. if the Person who has been given advance notice of the Tax Audit under section (3) of this Article attempts to hinder the Tax Auditor's access to the place where the Tax Audit is to be performed.
5. In all cases stated in section (4) of this Article, the Tax Auditor must obtain the prior written consent of the Director General; and if the place to be accessed is a place of residence then a permit from the Public Prosecutor must also be obtained.
6. Places closed under this Article must be reopened upon the expiration of 72 hours, unless the Authority obtains a permit from the Public Prosecutor to extend the closure time limit for a similar period prior to the expiry of the preceding 72 hours.

7. A criminal case can be initiated only upon an application from the Director General.
8. The Executive Regulations of this Law shall specify the necessary procedures related to the Tax Audit.

Article (18) The Right of the Authority to Access the Original Records or Copies Thereof During a Tax Audit

While conducting a Tax Audit, the Tax Auditor may obtain original records or copies thereof, or take samples of the stock, equipment or other assets from the place at which the Person subject to the Tax Audit carries on his business or which are in his possession, or may seize them in accordance with the rules that shall be specified in the Executive Regulations of this Law.

Article (19) Timing of the Tax Audit

A Tax Audit will be conducted during the official working hours of the Authority. In cases of necessity, a Tax Audit may be exceptionally conducted outside such hours by decision of the Director General.

Article (20) New Information Surfacing after a Tax Audit

The Authority may audit any issue previously audited if new information surfaces that might impact the outcome of the Tax Audit, provided that the Tax Audit procedures shall apply in accordance with the provisions of this Law and its Executive Regulations.

Article (21) Cooperation during the Tax Audit

Any Person subject to a Tax Audit, his Tax Agent or Legal Representative must facilitate and offer assistance to the Tax Auditor to enable him to perform his duties.

Article (22) The Audited Person's Rights

The audited Person has the right to:

1. request the Tax Auditors to show their job identification cards.
2. obtain a copy of the Tax Audit Notification.
3. attend the Tax Audit which take place outside the Authority.
4. Obtain copies of any original paper or digital documents seized or obtained by the Authority during the Tax Audit, according to what is specified in the Executive Regulations of this Law.

Article (23) Notification of the Tax Audit Results

1. The Authority must inform the Person subject to Tax Audit of the final results of the Tax Audit within the time limit and according to the procedures specified in the Executive Regulations of this Law.
2. The Person subject to the Tax Audit may view or obtain the documents and data on which the Authority based its assessment of Due Tax according to the provisions specified in the Executive Regulations of this Law.

Part Four

Tax Assessments and Administrative Penalties Assessment

Article (24) Tax Assessments

1. The Authority shall issue a Tax Assessment to determine Payable Tax and notify the Taxable Person within five business days of its issuance, in any of the following cases:
 - a. the Taxable Person failing to apply for registration within the timeframe specified by the Tax Law.
 - b. the Registrant failing to submit a Tax Return within the timeframe specified by the Tax Law.
 - c. the Registrant failing to settle the Payable Tax stated as such on the Tax Return that was submitted within the time limit specified by the Tax Law.
 - d. the Taxable Person submitting an incorrect Tax Return.
 - e. the Registrant failing to account for Tax on behalf of another Person when he is obligated to do so under the Tax Law.
 - f. there being a shortfall in Payable Tax as a result of a Person's Tax Evasion, or as a result of a Tax Evasion in which such Person was involved.
2. The Authority shall issue an estimated Tax Assessment if it has not been possible to determine the amount of Tax deemed to be Payable Tax or the Refundable Tax that has not been due to be refunded, as the case may be.
3. The Authority may amend an estimated Tax Assessment based on new information that surface after the issue of the estimated Tax

Assessment. It must notify the concerned Person of these amendments within (5) five business days from the date of amendment.

4. The Executive Regulations of this Law shall specify the information or data that must be included in the Tax Assessment.

Article (25) Administrative Penalties Assessment

1. The Authority shall issue an Administrative Penalties Assessment for a Person and notify him within (5) five business days for any of the following violations:
 - a. the Person carrying on a Business failing to keep the required records and other information specified in this Law and the Tax Law.
 - b. the Person carrying on Business failing to submit the data, records and documents related to Tax in Arabic to the Authority when requested.
 - c. the Taxable Person failing to submit a registration application within the timeframe specified in the Tax Law.
 - d. the Registrant failing to submit a deregistration application within the timeframe specified in the Tax Law.
 - e. the Registrant failing to inform the Authority of any circumstance that requires the adjustment of the information pertaining to his tax record kept by the Authority.

- f. the Person appointed as a Legal Representative for the Taxable Person failing to inform the Authority of his appointment within the specified timeframe, in which case the penalties will be due from the Legal Representative's own funds.
- g. the Person appointed as a Legal Representative for the Taxable Person failing to file a Tax Return within the specified timeframe, in which case the penalties will be due from the Legal Representative's own funds.
- h. the Registrant failing to submit the Tax Return within the timeframe specified in the Tax Law.
- i. the Taxable Person failing to settle the Payable Tax stated in the submitted Tax Return or Tax Assessment he was notified of, within the timeframe specified in the Tax Law.
- j. the Registrant submitting an incorrect Tax Return.
- k. the Person voluntarily disclosing errors in the Tax Return, Tax Assessment or Refund Application pursuant to Article 10 (1) and (2) of this Law.
- l. the Taxable Person failing to voluntarily disclose errors in the Tax Return, Tax Assessment or Refund Application pursuant to Article 10 (1) and (2) of this Law before being notified that he will be subject to a Tax Audit.
- m. the Person carrying on a Business failing to offer the facilitation and assistance to the Tax Auditor in violation of the provisions of Article (21) of this Law.

- n. the Registrant failing to calculate Tax on behalf of another Person when the registered Taxable Person is obligated to do so under the Tax Law.
 - o. any other violation for which a resolution is issued by the Cabinet.
2. The Executive Regulations of this Law shall specify the information and data that must be included in the Administrative Penalties Assessment.
 3. The Cabinet shall issue a resolution that specifies the Administrative Penalties for each of the violations listed in section (1) of this Article. Such Administrative Penalties shall be no less than 500 Dirhams for any violation and shall not exceed three times the amount of Tax in respect of which the Administrative Penalty was levied.
 4. The imposition of any Administrative Penalty pursuant to the provisions of this Law or any other law shall not exempt any Person of his liability to settle the Due Tax in accordance with the provisions of this Law or the Tax Law.

Part Five

Penalties

Article (26) Tax Evasion Penalties

1. Without prejudice to any more severe penalty applicable under any other law, a prison sentence and monetary penalty not exceeding five times the amount of evaded Tax or either of the two, shall be imposed on:

- a. a Taxable Person who deliberately fails to settle any Payable Tax or Administrative Penalties.
 - b. a Taxable Person who deliberately understates the actual value of his Business or fails to consolidate his related Businesses with the intent of remaining below the required registration threshold.
 - c. a Person who charges and collects amounts from his clients claiming them to be Tax without being registered.
 - d. a Person who deliberately provides false information and data and incorrect documents to the Authority.
 - e. a Person who deliberately conceals or destroys documents or other material that he is required to keep and provide to the Authority.
 - f. a Person who deliberately steals, mis-uses or causes the destruction of documents or other materials that are in the possession of the Authority.
 - g. a Person who prevents or hinders the Authority's employees from performing their duties.
 - h. a Person who deliberately decreases the Payable Tax through Tax Evasion or conspiring to evade Tax.
2. The imposition of a penalty under the provisions of this Law or any other Law shall not exempt any Person from the liability to pay any Payable Tax or Administrative Penalties under the provisions of this Law or any Tax Law.

3. The competent court shall impose Tax Evasion penalties against any Person who is proven to have been directly involved or instrumental in Tax Evasion pursuant to Federal Law No. (3) of 1987 referred to.
4. Without prejudice to section (2) of this Article, any Person who is proven to have been directly involved or instrumental in Tax Evasion pursuant to section (3) of this Article shall be jointly and severally liable with the Person whom he has assisted, to pay the Payable Tax and Administrative Penalties pursuant to this Law or any other Tax Law.

Chapter Four

Objections

Part One

Application for Reconsideration

Article (27) Procedures for Application for Reconsideration

1. Any Person may submit a request to the Authority to reconsider any of its decisions issued in connection with him in whole or in part provided that reasons are included, within 20 business days from him being notified of the decision.
2. The Authority shall review a request for reconsideration if it has fulfilled the requirements and issue its decision with reasons within 20 business days from receipt of such application. The Authority must inform the applicant of its decision within five business days of issuing the decision.

Part Two

Objections to the Committee

Article (28) Tax Disputes Resolution Committee

1. One or more permanent committee shall be formed known as the “Tax Disputes Resolution Committee”, chaired by a member of the judicial authority and two expert members being persons registered on the register of Tax experts to be appointed by a decision by the Minister of Justice in coordination with the Minister.
2. A decision shall be issued by the Cabinet regarding the Committee’s code of practice rules, the remuneration of its members, and the procedures it shall follow.

Article (29) Jurisdictions of the Committee

The Committee shall have jurisdiction to:

1. decide in respect of objections submitted regarding the Authority’s decisions on reconsiderations requests.
2. decide in respect of reconsideration requests submitted to the Authority where the Authority has not made a decision according to the provisions of this Law.
3. any other jurisdictions entrusted to the Committee by the Cabinet.

Article (30) Procedures for Submitting Objections

1. An objection regarding the Authority's decisions on a reconsideration request shall be submitted within 20 business days from the date of Notification.
2. An objection submitted to the Committee shall not be accepted in the following instances:
 - a. if a reconsideration request has not been previously submitted to the Authority.
 - b. if the Tax and Penalties subject of the objection have not been settled.

Article (31) Procedures of the Committee

The Committee shall review the objection submitted and make a decision within 20 business days from receipt of the objection.

1. The Committee may extend the time for making its decision for no more than additional 20 business days after the end of the time limit specified in section (1) of this Article if it sees that there are reasonable grounds for that extension in order to make a decision regarding the objection.
2. The Authority shall inform the Person submitting the objection of its decision within five business days of its issuance.
3. The Committee's decision on the objection shall be treated as final if the total amount of the Tax and Administrative Penalties due is not more than 100,000 Dirhams.

4. In no case may Tax disputes may be brought before the Competent Court if an objection has not been first submitted to the Committee.

Article (32) Enforcement the Committee's Decision

Final decisions issued by the Committee regarding disputes which do not exceed 100,000 Dirhams shall be treated as executory instruments pursuant to this Law, while final decisions of disputes exceeding 100,000 Dirhams shall be treated as executory instruments if they are not challenged before the Competent Court within 20 business days from the date of rejection of the objection and shall be enforced through the execution judge at the Competent Court pursuant to the Civil Procedures Law in the State.

Part Three

Challenges before Courts

Article (33) Challenge Procedures before Courts

1. Without prejudice to the provisions of Article (32) of this Law, the Authority and a Person may challenge any of the Committee's decisions before the Competent Court within 20 business days from the objector being notified of the Committee's decision.
2. Challenges may be made to the Competent Court in the following instances:
 - a. There being an objection to the whole or part of the decision of the Committee.

- b. A decision not having been issued by the Committee regarding an objection submitted to it in accordance with the provisions of this Law.

Chapter Five

Refund and Collection of Tax

Part One

Refund of Tax

Article (34) Application for Tax Refunds

A Taxpayer may apply for a refund of any Tax he has paid if he is entitled to a refund under the Tax Law and it appears that the amount he has paid is in excess of the Payable Tax and Administrative Penalties, pursuant to the procedures specified in the Executive Regulations of this Law.

Article (35) Tax Refund Procedures

1. The Authority shall set-off the amount applied to be refunded against any other Payable Tax or Administrative Penalties due from the Taxpayer who has applied for the refund pursuant to the Tax Return or Tax Assessment issued by the Authority before refunding any amount relating to a particular tax.
2. The Authority may decline to refund the amounts mentioned in section (1) of this Article if it finds that there are other disputed Tax amounts that are due in relation to that Person or according to a decision of the Competent Court.

3. The Authority shall issue a Tax refund under this Article pursuant to the procedures and provisions specified in the Executive Regulations of this Law.

Part Two

Tax Collection

Article (36) Collection of Payable Tax and Administrative Penalties

If a Taxable Person fails to settle any Payable Tax or Administrative Penalties within the specified timeframe under this Law and the Tax Law, the following measures shall be taken:

1. the Authority shall send the Taxable Person a notice to pay Payable Tax and Administrative Penalties within 20 business days of the date of Notification.
2. If the Taxable Person fails to make payment after the being notified pursuant to section (1) of this Article, the Director General shall issue a decision obligating the Taxable Person to settle the Payable Tax and Administrative Penalties which shall be communicated to him within five business days from the issuance of the decision accompanied by the Tax Assessment and Administrative Penalties Assessments.
3. The decision of the Director General regarding the Tax Assessment and Administrative Penalties Assessments shall be treated as an executory instrument for the purposes of enforcement through the execution judge at the Competent Court.

Part Three

Settlement and Collection of Tax and Administrative Penalties in Special Cases

Article (37) Obligations of the Legal Representative

The Legal Representative must continue to submit the required Tax Returns to the Authority on behalf of the Taxable Person.

Article (38) Responsibility of Settlement in the Case of a Partnership

If multiple Persons participate in a Business that does not have independent legal personality, each of them shall be jointly and severally liable towards the Authority for any Payable Tax and Administrative Penalties related to such Business.

Article (39) Tax and Administrative Penalties Settlement in Special Cases

1. In cases of death, Payable Tax shall be paid as follows:
 - a. for Payable Tax due from a natural Person prior to the date of death, payment shall be made from the value of the elements of the inheritance or income arising thereof prior to distribution among the heirs or legatees.
 - b. if it transpires after the distribution of the inheritance that there is Payable Tax still outstanding, recourse shall be had against the heirs and legatees for payment of such outstanding tax, unless a

Clearance Certificate has been obtained from the Authority for the inheritance representative or any of the heirs.

2. Payable Tax and Administrative Penalties due from a Taxable Person of missing capacity, or who is absent or missing, or a person without a known place of residence, or the like, shall be paid by their Legal Representative from the funds and assets of the Taxable Person.
3. Payable Tax and Administrative Penalties due from a Taxable Person who is an incapacitated person shall be paid by their Legal Representative from the funds and assets of the Taxable Person.

Article (40) Settlement of Tax in Bankruptcy Case

1. The appointed Trustee shall communicate with the Authority to notify him of the Due Tax or of its intention to perform a Tax Audit for the specified Tax Period or Tax Periods.
2. The Authority shall notify the Trustee of the amount of Due Tax or of the Tax Audit within 20 business days after being notified by the Trustee.
3. The Trustee may object or appeal the estimate of the Authority or settle the Due Tax.
4. The Executive Regulations shall specify the procedures of communicating with the Authority, objection, appeal and settlement of Due Tax.

Chapter Six

General Provisions

Part One

Confidentiality

Article (41) Professional Confidentiality

1. Employees of the Authority must not disclose information that they have obtained or to which they have had access to in their capacity as employees or by reason of such capacity while during their employment, save as specified or defined in accordance with the Executive Regulations of this Law.
2. In all cases provided for in section (1) of this Article, disclosure may be made only with the approval of officers authorised by the Authority's board of directors, in accordance with the Executive Regulations of this Law.
3. Employees of the Authority shall, after cessation of their employment, continue to maintain professional confidentiality, and shall not disclose information that they have obtained or to which they have had access to in their capacity as employees or by reason of such capacity, unless otherwise requested by the judicial authorities and in accordance with the Executive Regulations of this Law.
4. Any person who has obtained information pursuant to the provisions of this Law shall not disclose or use the information for any purposes other than those for which the information was obtained, without prejudice to the obligation arising from judiciary.

5. The Authority's board of directors shall issue the regulations and instructions regulating internal procedures to protect confidentiality of information within the Authority, and the obligations of the Tax Agent in this regard.

Part Two

Timeframes and Lapse of Time

Article (42) Statute of Limitation

1. Except in cases of proven Tax Evasion or non-registration for Tax purposes, the Authority may not conduct a Tax Assessment after the expiration of five years from the end of the relevant Tax Period.
2. In case Tax Evasion is proven, the Authority may conduct a Tax Assessment within 15 years from the end of the Tax Period in which the Tax Evasion occurred.
3. In cases of non-registration for Tax purposes, the Authority may conduct a Tax Assessment within 15 years from the date on which the Taxable Person should have registered.

Article (43) The Authority's Right to Claim

Payable Tax and Administrative Penalties of which the Taxable Person has been notified do not lapse with time and the Authority may claim them at any time.

Article (44) Time Limit for Tax Obligations

In case a period of time is not specified for the performance of any obligations or other procedure in this Law or the Tax Law, the Authority shall grant the Taxable Person a period appropriate to the nature of the obligation or procedure of not less than five business days and not exceeding 40 business days from the date of the event resulting in the arising obligation or the conduct of the procedure.

Article (45) Calculation of Timeframes

In all events, the following rules shall be observed when calculating time limit:

1. The day of notification or the day of occurrence of the event by reason of which the time limit began shall not form part of it.
2. If the last day of the time limit coincides with a public holiday, the time limit shall be extended to the first business day thereafter.

Article (46) Reduction of or Exemption from Administrative Penalties

If the Authority imposes an Administrative Penalty on any Person for a violation of the provisions of this Law or the Tax Law, the Authority may reduce or exempt the Person from such Administrative Penalty if the Person produces evidence justifying the reason for his failure to comply, pursuant to the provisions specified in the Executive Regulations of this Law.

Article (47) Calendar

Time limits and due dates provided for in this Law and the Tax Law shall be calculated according to the Gregorian calendar.

Part Three

Closing Provisions

Article (48) Proof of Accuracy of Data

The burden of proving the accuracy of the Tax Return falls upon the Taxable Person, and the burden of proving cases of Tax Evasion falls upon the Authority.

Article (49) Conflict of Interest

All Authority staff members are prohibited from performing or participating in any tax procedures related to any Person in the following cases:

1. The member of staff and that Person being related up to the fourth degree.
2. There being a common interest between the member of staff and Person or between any of their relatives up to the third degree.
3. The Director General deciding that the member of staff should not perform any tax procedures related to that Person owing to a case of conflict of interest.

Article (50) Judicial Officers

The Director General and Tax Auditors appointed by a decision from the Minister of Justice in agreement with the Minister shall have the capacity of Judicial Officers in recording violations of the provisions of this Law, the Tax Law or decisions issued in implementation thereof.

Article (51) Authority Fees

The Cabinet shall, according to a suggestion by the Minister, issue a decision specifying the fees due in implementation of the provisions of this Law and its Executive Regulations.

Article (52) Repeal of Conflicting Provisions

All provisions contrary to or in conflict with the provisions of this Law are repealed.

Article (53) Executive Regulations

The Cabinet shall, according to a suggestion by the Minister, issue the Executive Regulations of this Law within 6 months of the issuance of this Law.

Article (54) Publication and Coming into Force of this Law

This Law shall be published in the Official Gazette and shall come into force 30 days from the date of publication.

Khalifa bin Zayed Al Nahyan

President of the United Arab Emirates

Issued by us at the Presidential Palace in Abu Dhabi

On: 16 Ramadan 1438H

Corresponding to: 11 June 2017

10. GST - International Scenario

Internationally, VAT/ GST was first introduced in France and now more than 150 countries have introduced VAT/ GST. Most of the countries, depending on their own socio-economic formation, have introduced National level VAT/ GST or Dual VAT/ GST. We have discussed below key features of VAT prevalent in some of the countries.

United Kingdom⁵

Particulars	Details
Name	Value Added Tax
Date of introduction	01.04.1973
Scope	<ul style="list-style-type: none"> ▪ Supply of goods or services made in UK ▪ Intra-community procurements from EU members ▪ Importation of goods and services
Standard Rate	20 %
Reduced rate	5 % and exempt and zero rated
Threshold exemption limit	£ 73,000
Liability arises on	<p>Accrual Basis: On raising of invoice or receipt of consideration or supply (of goods or services), whichever is earlier.</p> <p>Cash basis (if turnover is below £1.35 million): On receipt of consideration</p>
Payment	Usually quarterly returns. However, small business can opt for annual returns filing.
Export	Exports are 'Zero' rated.
Exempt services	1. Medical and education

⁵ Source www.hmrc.gov.uk

2. Finance, insurance, postal services

Innovative concept To ease the VAT administration, the assessee is informed at the time of registration itself as to which of the three quarterly cycle it should follow for filling the VAT returns.

Canada⁶

Particulars	Details
Name	Federal Goods and Service Tax & Harmonized Sales Tax
Date of introduction	GST 01.01.1991 & HST 01.04.1997
Scope	Taxable supplies of goods and services
Standard Rate	GST 5% and HST varies from 0% to 15%
Reduced rates	Exempt and Zero rated
Threshold exemption limit	Canadian \$ 30,000
Liability arises on	On accrual (date of invoice, date of issue of invoice) or receipt of consideration, whichever is earlier.
VAT returns and payments	Depending on the turnover, tax needs to be deposited either monthly, quarterly or annually.
Reverse charge mechanism	Reverse charge applies to importation of services and intangible properties.
Export	Exports are 'Zero' rated.
Exempt services	<ol style="list-style-type: none"> 1. Supply of real estate 2. Financial Services and residential renting 3. Supplies by charities 4. Health, education services
Innovative concept	A group concern can supply to another group concern at zero rate

⁶ Source cra-arc.gc.ca

Australia⁷

Particulars	Details
Name	Goods and Service Tax
Date of introduction	01.07.2000
Scope	<ul style="list-style-type: none"> ▪ Taxable supplies of goods and services made which are connected with Australia and made for a consideration by a registered (or required to be registered) person in the course of business enterprises ▪ Importation of goods
Standard Rate	10 %
Reduced rate	0 %
Threshold exemption limit	\$ 75,000
Liability arises on	<p>Accrual basis: On raising of invoice or receipt of consideration, whichever is earlier.</p> <p>Cash basis [an option available to assessee having turnover below \$ 2 million]: On receipt of consideration.</p>
Payment	Depending on the turnover, the tax needs to be deposited either monthly, quarterly or annually.
Due date for payment	Tax needs to be deposited on 21 st day following the end of the month/quarter/year.
Reverse charge mechanism	Reverse charge applies to supplies made by non-residents
Export	Exports are 'Zero' rated.
Exempt services	<p>1. Government supplies such as water services, drainage services etc.</p> <p>2. Health, education, religious supplies Financial Services and</p>

⁷ Source www.ato.gov.au

	residential renting
	3.Vegetable, fruit, meat
Innovative concept	'Group registration' wherein a single consolidated return for the group can be filed.

Republic of China⁸

Particulars	Details
Name	Value Added Tax
Date of introduction ⁹	01.01.1994
Scope	<ul style="list-style-type: none"> ▪ Taxable supplies of goods and services for consideration in China by a taxable person in the course or furtherance of a business ▪ Importation of goods <p>The scope of VAT in China is particularly on 'goods'. At present, only two services (viz. Repair services & Service of supply of goods as per customers requirement) attract VAT.</p>
Standard Rate	17 %
Reduced rates	13%, 6%, 4%, 3 % and 0%
Liability arises on	On raising of invoice or receipt of consideration, whichever is earlier. However, in case of payments in installments, the relevant date when the installment is due.
Payment	Depending on the turnover if it is monthly or quarterly then payment within 15 days from end of the month or quarter
Due date for VAT return	Within 15 days from end of the month/ quarterly
Export	Exports are 'zero' rated.
Exempt services	1. Agricultural products and fertilizers

⁸ Source Chinatax.gov.cn

⁹ Recently, China introduced Shanghai VAT Pilot Project

2. Contraceptives, Second hand goods (by individuals)

Innovative concept Small businesses can pay VAT @ 3% (however input tax credit would not be available).

New Zealand¹⁰

Particulars	Details
Name	Goods and Service Tax
Date of introduction	01.10.1986
Scope	<ul style="list-style-type: none"> ▪ Supply of goods or services made in New Zealand by a registered person ▪ Importation of goods
Standard Rate	15 %
Reduced rate	Zero rated and exempt
Threshold exemption limit	NZ\$ 60,000
Liability arises on	On raising of invoice or receipt of consideration, whichever is earlier.
Returns	Depending on the turnover it is either monthly, bi-monthly or six-monthly
Due date for returns and payment	On 28 th day following the end of the month or bi-month or six-month. However, different date for the certain periods.
Reverse charge mechanism	Reverse charge applies to supply of services made by non-residents.
Export	Exports are 'zero' rated.
Exempt services	<ol style="list-style-type: none"> 1. Real estate 2. Financial services 3. Residential rental

¹⁰ Source ird.govt.nz

Innovative concept	The headline price in advertisement and stores must be always GST-inclusive except when supplies are to whole-sale clients.
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Singapore¹¹

Particulars	Details
Name	Goods and Service Tax
Date of introduction	01.04.1994
Scope	<ul style="list-style-type: none"> ▪ Supplies of goods and services in Singapore by a taxable person in the course or furtherance of a business ▪ Importation of goods
Standard Rate	7 %
Reduced rate	Zero rated and exempt
Threshold exemption limit	Singapore \$ 1 million
Liability arises on	On raising of invoice or receipt of consideration or supply (of goods or services), whichever is earlier.
Returns	Usually quarterly returns. However, business can opt for monthly returns.
Due date for returns and payment	Last day of the month following the end of the month or quarter.
Reverse charge mechanism	Reverse charge applies to supply of services
Export	Exports are 'zero' rated.
Exempt services	Real estate, Financial services, Residential rental
Innovative	Divisional registration wherein if an assessee has several

¹¹ Source iras.gov.sg

concept divisions he may register the said divisions separately. Each such division should submit its own return. The supplies between the divisions are ignored for GST purposes.

European Union

Particulars	Details
Name	Value Added Tax
Territory	Of the 27 states the prominent states are: United Kingdom, France, Germany, Sweden, Spain, Italy, Ireland, Poland, Austria, Belgium, Denmark, Netherland, Portugal, Hungary. EU is a 'single market' meaning the goods and services can move freely in cross border trade between member states.
Scope	<p>Supplies to Taxable persons: VAT is payable by the taxable person on acquisition (i.e. purchaser) at the rate applicable in his (acquirer's) country</p> <p>Supplies to non-taxable persons: VAT is payable by supplier (i.e. seller)</p>
Standard Rate	Minimum 15 %
Reduced rates	5 % and 0 %
For threshold exemption limit, payment, etc	Refer specific country