



VAT
ON EXPORT OF
GOODS AND SERVICES



I. INTRODUCTION

What is Zero rating?

Zero-rated supplies refers to the taxable supply on which VAT is charged at zero rate.

There is no bar (other than those specifically excluded) on availing or claiming the input credit of taxes paid on the purchases or expenses for making or providing the zero-rated supply.

What does implementing state means?

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

Does UAE recognize any other state as implementing state?

UAE does not recognize any other state as implementing state for the purpose of VAT as of now.

Zero rating for Export of Goods and Services

An export of goods or service as specified in Article (30) and (31) of the Executive Regulation of the Federal Decree-Law No. 8 of 2017 on Value Added Tax ("ER") shall be zero rated supply.



Difference between Zero rating and Exempt Supplies

Table with 2 columns: Zero rate Supplies, Exempt Supplies. Rows compare taxability, registration thresholds, DL articles, and input tax recovery.

Definitions

What is Export?

Goods departing the State or the provision of Services to a Person whose Place of Establishment or Fixed Establishment is outside the State, including Direct and Indirect Export.

What is Direct Export?

An Export of Goods to a destination outside of the Implementing States, where the supplier is responsible for arranging transport or appointing an agent to do so on his behalf.

What is Indirect Export?

An Export of Goods to a destination outside of the Implementing States, where the overseas customer is responsible for arranging the

collection of the Goods from the supplier in the State and who exports the Goods himself, or has appointed an agent to do so on his behalf.

What is 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.

What is 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.

Who is Overseas Customer?

A Recipient of Goods who does not have a Place of Establishment or Fixed Establishment in the State, does not reside in the State, and does not have a Tax Registration Number.

Who all are the persons considered as Outside the State in case of export of Services?

A person can be considered as being outside the UAE where they only have a short-term presence in the UAE of less than a month and the presence is not effectively connected with the supply.

2. EXPORT OF GOODS

What is export of goods?

The goods are physically moved from the State to outside the implementing states or are put into a customs suspension regime either by the supplier or under an arrangement agreed by the supplier and the overseas customer within 90 days of the date of the supply.

Is there any extension for the 90-day period?

The 90-day period can be extended by the Authority in either of the two following situations wherein the supplier has applied in writing to the Authority:

- Circumstances beyond the control of the Supplier and the Recipient of Goods have prevented, or will prevent, the Export of the Goods within 90 days of the date of supply.

- Due to the nature of the supply, it is not practicable for the supplier to Export the Goods, or a class of the Goods, within 90 days of the date of supply.

What shall be done if the goods are not exported within 90-day period or the extended period from the date of supply as mentioned by the Authority?

The registrant shall pay the applicable tax for the supply of goods at the expiration of the time limit. The value shall be considered as excluding the tax and shall calculate accordingly. The zero-rated sale shall be reversed at the same point.

Whether tax is applicable if the goods has not been exported within the time limit due to the reason that it has been destroyed or ceased to exist in circumstances beyond the control of both the supplier and the Recipient of the Goods?

It shall not be subject to standard rate and it does not require the registrant to pay applicable tax.

What is the difference between direct and indirect export?

If the supplier is responsible for exporting the goods or putting to customs regime it shall be termed as direct export. If the overseas customer is responsible for arranging the collection of goods and exports himself it shall be termed as indirect export.

What documents are required to zero rate the direct export?

Official and commercial evidence for export or customs suspension has to be retained by the supplier.

What conditions are to be met to zero rate the indirect export?

The following conditions are to be met:

- The goods shall not be used or altered in the time between supply and Export or customs suspension, except to the extent necessary to prepare the Goods for Export or customs suspension.
- The Overseas Customer obtains official and commercial evidence of Export or customs suspension in accordance with GCC Common Customs Law, and provides the supplier with a copy of this.
- The Goods do not leave the State in the possession of a passenger or crew member of an aircraft or ship except if the supplier has obtained and retained evidence, such as the details of the boarding pass of the passenger, that the passenger intends to leave for a destination outside the Implementing States in case the goods are intended to leave the State in the possession of the passenger.

What all documents are considered as official evidence?

- a) Customs declaration issued by the customs department
- b) Exit certificate issued by the customs department

What all must be verified in customs declaration?

- a) The value stated in the customs declaration is same as the invoice value
- b) The reference is given to airway bill or bill of lading and the invoice
- c) Exporter name is the supplier name in case of direct export.
- d) Date of declaration is within 90 days from the date of supply.
- e) The stamp from the local Emirate Authority.

What all must be identified in both official and commercial evidence?

- a) The supplier
- b) The consignor
- c) The goods
- d) The value
- e) The export destination
- f) The mode of transport and route of the export movement.

What all documents are specified as commercial documents?

- a) Airway bill
- b) Bill of lading
- c) Consignment note
- d) Certificate of shipment



SUPPLIER



CONSIGNOR



GOODS




VALUE




DESTINATION



MODE OF TRANSPORT





2. EXPORT OF GOODS (Continued)

What if there is only either official evidence or commercial evidence?

The export of goods shall not be zero rated if there is only commercial evidence or official evidence. To zero rate the export of goods both official and commercial evidence are mandatory.

Are there any alternative forms of evidence other than the specified official or commercial evidence to prove the export of goods?

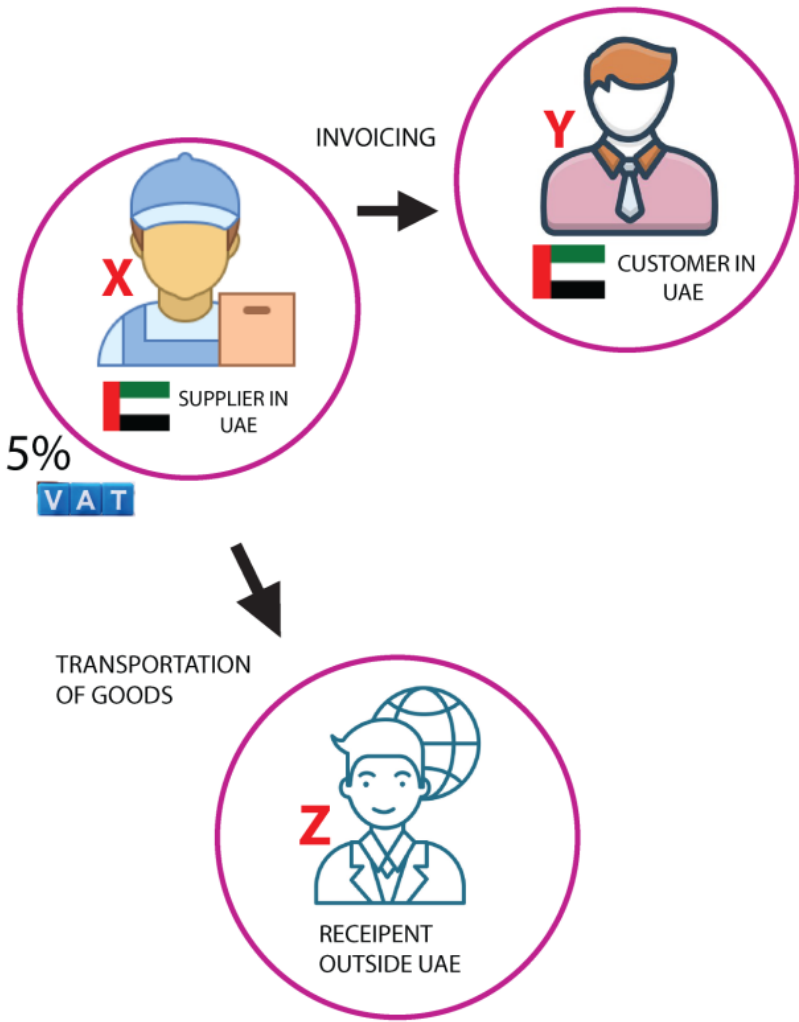
The registrant can request the FTA by providing the actual reasons / circumstances for requesting an approval to allow the use of an alternative form of evidence. The FTA, on reviewing the request, may specify an alternative form of evidence according to the nature of export or according to the nature of the goods being exported. Please refer to VAT Administrative Exceptions User Guide and Form to submit the request.

Does zero rating apply to a registrant who physically export the goods to outside UAE on behalf of customer who is in UAE?

A registrant X, who is in UAE, gets purchase order from Y, who is also in UAE, to supply goods to outside UAE to Z. The taxability on supply of goods by X shall be subject to 5% VAT. It is of the view that an export qualifies as a direct export when the following conditions are satisfied:

- a) The supplier has oversight of the goods and control over the export arrangement;
- b) The goods are exported within 90 days of the date of supply;
- c) The supplier retains official and commercial evidence of export.

Taking the above conditions into consideration it is of the view that where a single movement of goods is supported by two or more underlying transactions, only the final transaction can be zero rated. Despite the fact that X has exported the item under X’s customs code, Y was the owner of the goods and had control over the export arrangement. Therefore, X shall be the agent for party Y for arranging the transportation of goods. Official and commercial documents must establish that party X has acted as an agent by stating in the remarks section.



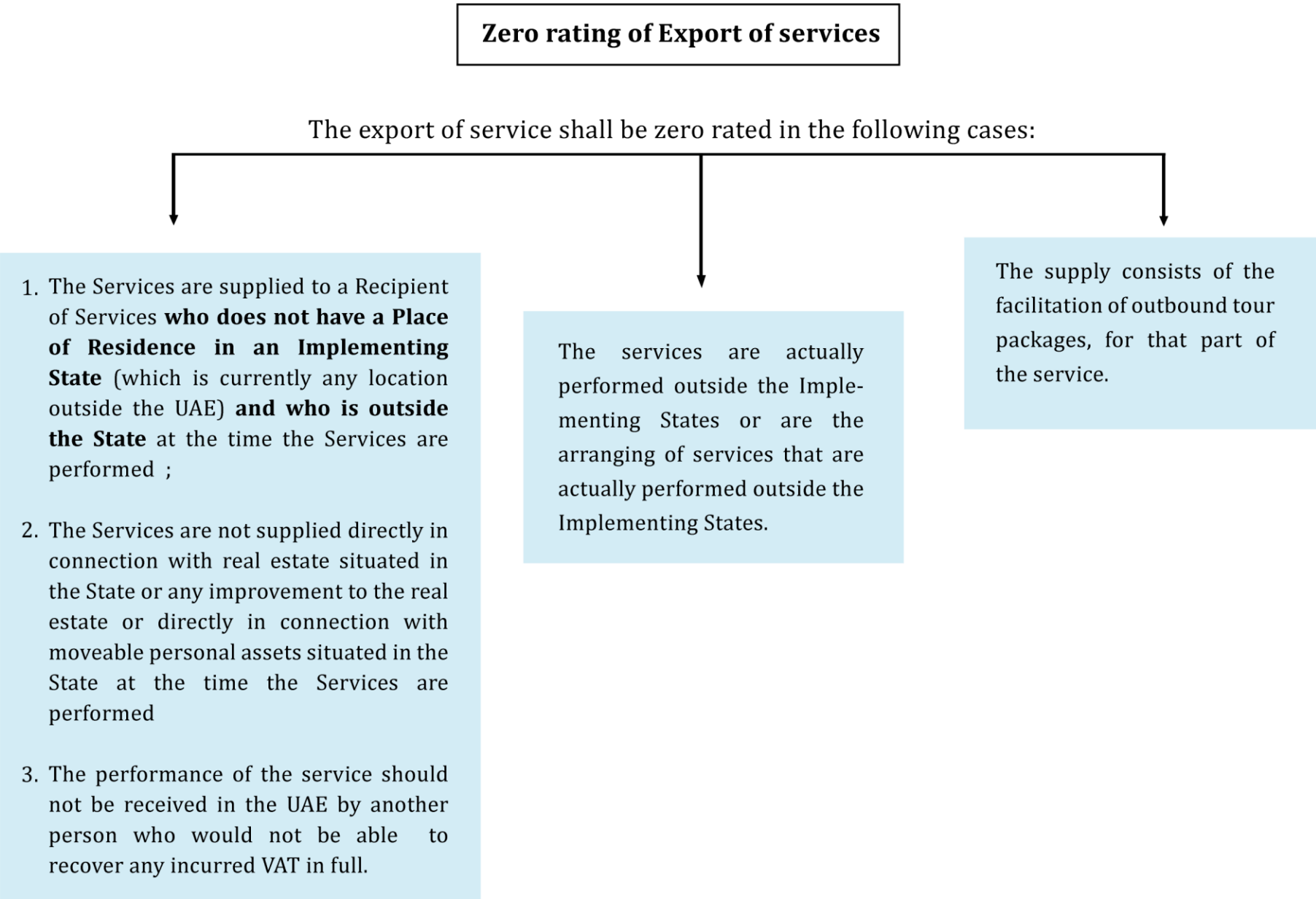
How to treat advance received against export of goods?

Once the advance is received against the export of goods, the amount received has to be treated as zero rated supply since the date of supply shall be the date on which the invoice is issued or the amount is received whichever is earlier. But the goods have to be exported within 90-day from the date of supply i.e. from the advance received. If the goods have not been exported within 90-days then the amount considered as zero rated supply shall be reversed and required to collect applicable tax on the total value.

3. EXPORT OF SERVICES

What is Export of service?

Export of services shall be the provision of services to a person whose place of establishment or fixed establishment is outside the State.



3. EXPORT OF SERVICES (Continued)

How to determine the place of residence of the person who does not have establishment in any country?

The place of residence of the person is the state in which the usual place of residence of that person is located

How to determine the location of the recipient i.e. whether the recipient is outside the UAE at the time the services are performed?

A person can be considered as being outside the UAE where they only have a short-term presence in the UAE of less than a month and the presence is not effectively connected with the supply. The physical presence of the recipient during the period or periods in which the supplier performs services and the recipient consumes them needs to be taken into account. The location of the recipient before or after the services are performed and consumed should not be taken into account for the purposes of this determination.

What is the place of residence of the recipient of services who has a head office (i.e. a place of establishment) outside the UAE and a branch (i.e. a fixed establishment) in the UAE?

If the services provided by the UAE supplier relate solely to the activities of the head office and do not involve the UAE branch the place of residence is the country where the head office is located.

If the services will be used solely for the purposes of the branch then the branch is the establishment most closely related to the supply and therefore the place of residence of the recipient shall be UAE.

If the services are received, to some degree, by both the head office and branch then the place of residence shall be determined by factors to find most closely related establishment as stated above.

Where will be the location of the recipient if a UK-resident company employs a UAE law firm to represent it during an ongoing litigation before the UAE courts and one of the company’s employees comes to the UAE for a conference not related to the ongoing litigation, during the course of the litigation?

The location of recipient shall be outside the UAE.

Where will be the location of the recipient if a UAE investment fund provides fund management services to a US-based company wherein the company has a UAE branch which is not related to the supply being made by the investment fund and the US establishment sends a staff member to the UAE for 3 weeks to provide training to the employees of the UAE branch?

The location of recipient shall be outside UAE.

Where will be the location of the recipient when a Canadian resident natural person engages a UAE company for assistance with due diligence on a company he is interested in investing and during the process he comes to the UAE on a week-long holiday and does not visit the UAE company or meet with its employees?

The location of recipient shall be outside UAE

A UAE registrant “X” provides overhauling or maintenance services in a vessel (non-qualifying) located in UAE to a recipient “Y” who does not have place of residence in UAE and is outside the state at the time services are performed. What is the rate of tax to be charged for the services provided?

The service provided by X to Y is related to goods (vessel) i.e. movable asset which is located in the state. Therefore the supply of service to a vessel located in UAE is charged at 5% provided that the vessel is not a qualifying vessel.



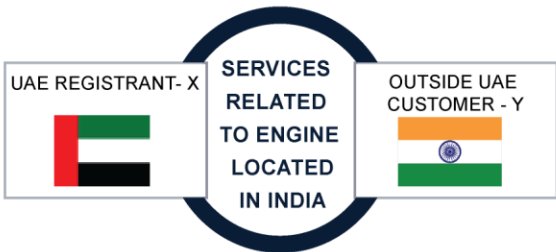
PROVIDE
MAINTENANCE
SERVICE TO
VESSEL IN UAE



3. EXPORT OF SERVICES (Continued)

A UAE registrant “X” provides services related to engine located at India to a recipient “Y” who does not have place of residence in UAE and is outside the state at the time services are performed. What is the rate of tax to be charged for the services provided?

The place of supply for the services provided is in India i.e. not in UAE. Therefor the supply is out of scope.



The company “X” which is a UAE registrant engaged in organizing conferences and seminars received sponsorship fees for advertising materials during the conference held in UAE from “Y” who does not have a place of residence in UAE and is outside UAE during the services being performed. What is the rate of tax to be charged for the sponsorship fees?

In the above service the service is not directly in connection with real estate or goods located in the UAE and the performance of the service is not received in the UAE by another person who is not able to recover any incurred VAT in full. The people attending the event in the UAE are able to view the marketing/advertising material does not imply that they are actually receiving the service. Therefore, the above service is subject to zero rate.

of the registration thresholds. In order to assist businesses in determining where a supply takes place, the VAT legislation provides a number of “place of supply” rules. These rules are different for goods and services, and may vary depending on a set of specific facts. The VAT incurred for the business need not be apportioned and unclaimed proportionate to the out of scope supplies.

4. GENERAL QUERIES

Is it mandatory to issue tax invoice for zero rate supplies?

If there are or will be sufficient records available to establish the particulars of a supply, a Taxable Person is not required to issue a Tax Invoice for the supply where the supply is a wholly zero-rated supply.

Is there any exception for tax registration if the taxable person deals only with zero rated supply?

The taxable person shall apply for an exception from tax registration on the basis that all of his supplies are zero rated in a manner and by means specified by the Authority. The Authority shall review the exception from registration application and either accept the exception from Tax Registration or notify the Taxable Person that his application is rejected.

What to be done if the person excepted from tax registration makes any supplies or Imports of Goods or Services that are subject to Tax at the standard rate?

A Person shall notify the Authority within not more than 10 business days of making the supply or import which is taxable at the standard rate. Where the Person ceases to satisfy the requirement of being excepted from Tax Registration, he shall be required to register for Tax.

What is Out of scope supplies?

For a supply to be within the scope of the UAE VAT regime, the supply needs to take place in the UAE. If a supply takes place outside the UAE, the supply is treated as outside the scope of UAE VAT and therefore UAE VAT will not apply. Furthermore, such an out of scope supply would not count for the purposes



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