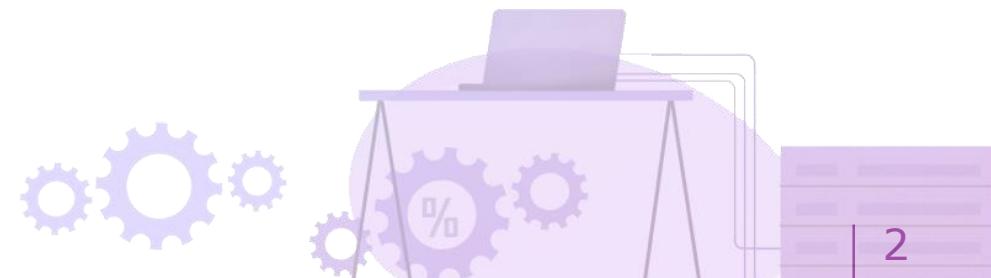


Overview of the Cabinet Decision No. 100 of 2024 on the VAT Executive Regulation

Updated VAT Executive Regulation can be accessed [here](#)



- ✓ On 6th September 2024 the FTA issued a Cabinet Decision No. 100 of 2024, which significantly changed the existing VAT Executive Regulation to the UAE VAT Law.
- ✓ The Cabinet Decision is effective **from 15th November 2024**, however some of the amendments have **a retroactive effect and apply starting from 1st January 2018**.
- ✓ The Cabinet Decision added two new articles and revised thirty-three of the current provisions in the Executive Regulation. The extent of these changes is considerable, affecting almost half of the articles.
- ✓ Further we analyze the key amendments and their potential impact on the UAE taxpayers.



- ✓ **Virtual Assets** - digital representation of value that can be digitally traded or converted and can be used for investment purposes, and **does not include digital representations of fiat currencies or financial securities** (*new definition introduced*). This should cover non-fungible tokens (NFTs) and other digital assets (e.g. cryptocurrencies).
- ✓ The following arrangements are **VAT exempt supplies** (*Art.42 (2) (k-n), (3)*):
 - The transfer of ownership of Virtual Assets;
 - The conversion of Virtual Assets;
 - Keeping and managing Virtual Assets and enabling control thereof;
 - Agreeing to do or arranging any of the activities specified above (except advising thereon).
- ✓ Applies retroactively from **1st January 2018**.



Taxpayers trading in crypto assets and currencies are advised to consider if they have accounted for VAT since 1 January 2018 and take appropriate action, including to assess whether they have the right to recover input tax.

- ✓ **Management of Investment Funds** – services provided by the fund manager independently for a consideration, to funds licensed by a competent authority in the State, including but not limited to, management of the fund's operations, management of investments for or on behalf of the fund, monitoring and improvement of the fund's performance (*Art.42 (2) (j)*).
- ✓ Provision of the management of investment funds is **VAT exempt** (*Art.42 (3)*).
- ✓ Applies from **15th November 2024**.



Funds and fund managers are urged to reassess their operations. Under the new rules, there may be a potential obligation for domestic funds and fund managers to de-register for VAT.

Moreover, this amendment may result in the blockage any input tax incurred by such managers for their business activity.



- ✓ This amendment provides explicit options regarding **the types of evidence that exporters must retain to zero-rate the export of goods** (*Art.30*):
 - 1) a customs declaration and Commercial Evidence (the export certificate or a clearance certificate in the State or a document or clearance certificate of the country of destination), or
 - 2) a Shipping Certificate and Official Evidence (Air/sea/land waybill or air/sea/land manifest), or
 - 3) a customs declaration that proves the suspension arrangement.
- ✓ Absence of the exit certificate from the Emirati custom authorities shouldn't entail an inevitable standard-rating of the export supply. A document from the authorities of the foreign country confirming the receipt of goods may also be acknowledged as a valid document for 0%.
- ✓ Applies from **15th November 2024**.



Businesses engaged in the export of goods are advised to check the documents attesting the export of goods.

0% for Export of Services (1)

- ✓ Transactions that are subject to special place of supply rules will not be able to benefit from zero-rate treatment (even if its recipient is located outside the State) (*Art.31*).
- ✓ The new rule applies from **15th November 2024**.
- ✓ In practice, this amendment may affect the following services:

<i>Services linked to Goods</i>	<ul style="list-style-type: none">• Installation of goods in the UAE for an overseas customer without presence in the State is subject to the 5% VAT under the new rule.
<i>Lease of transport</i>	<ul style="list-style-type: none">• The place of such supplies is where such means of transport were placed at the disposal of the lessee. In practice, this should not be affected by the new rule.
<i>Restaurant, hotel, catering services</i>	<ul style="list-style-type: none">• The place is where these services are actually performed shall be the place of supply. In practice, this should not be affected by the new rule.
<i>Cultural, artistic, sporting, educational services</i>	<ul style="list-style-type: none">• The place is where such services were performed. Where the customer of the services is located overseas, but the service is performed in the UAE, such service is subject to the 5% VAT under the new rule.

0% for Export of Services (2)

<i>Real estate services</i>	<ul style="list-style-type: none">The place is where the real estate itself is located. In practice, this should not be affected by the new rule.
<i>Transport and related services</i>	<ul style="list-style-type: none">The place is where the transportation starts. The new rule affects those services which are not covered by the special rules established by Article 33 (e.g. a local leg of international transportation if it is performed by the same supplier cannot be longer zero-rated)
<i>Electronic and Telecommunication services</i>	<ul style="list-style-type: none">The place is in the UAE to the extent of the use and enjoyment of the supply in the State. The new rule could affect such services.
<i>A detailed analysis of the above services is provided in the article by Andrey Nikonov, which could be accessed here.</i>	



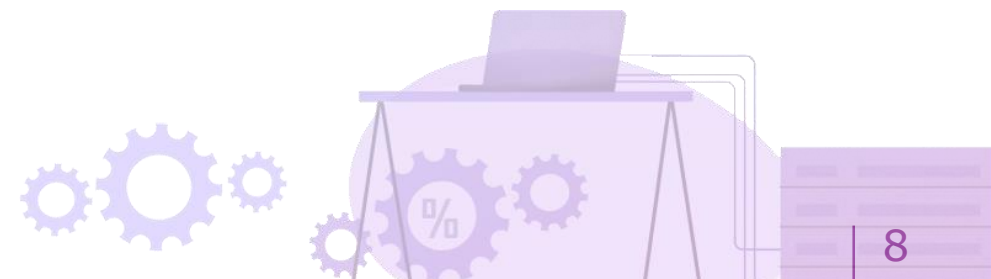
Businesses that supply services such as installation, leasing of transport, cultural and artistic services, and others listed in the regulation are urged to review their VAT treatment practices and adjust their compliance strategies accordingly.

0% for International Transportation Services for Passengers and Goods

- ✓ The new wording requires for 0% that the transport-related services relating to the transportation of goods should be **supplied by the same supplier** (*Art. 33 (1)(d)*).
- ✓ **Services supplied to the recipient** during the supply of transportation services are zero-rated (*Art. 33 (2)(b)*).
- ✓ Applies from **15th November 2024**.



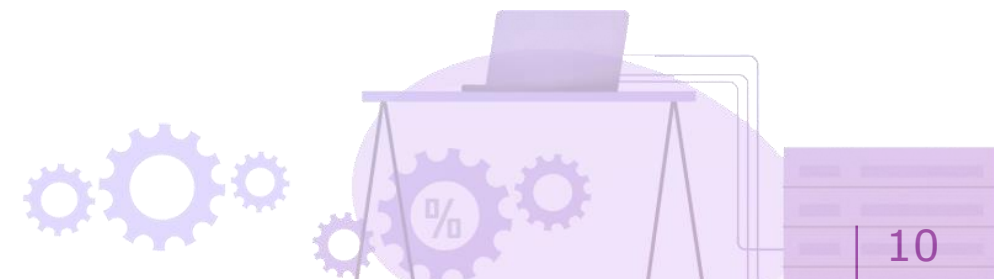
Businesses engaged in the international transportation services are urged to recheck whether the conditions for 0% are still met.



<i>Real estate transactions of Governmental Entities</i>	<ul style="list-style-type: none">• Transactions involving the transfer of government buildings, real estate, and similar assets between government entities are explicitly not treated as supplies (<i>Art. 3 bis (1)</i>).
<i>Tax invoices and credit notes</i>	<ul style="list-style-type: none">• A simplified Tax Invoice cannot be issued in the Reverse Charge Mechanism cases (<i>Art. 59 (5)</i>);• No need to issue separate Tax Invoices if multiple supplies are made to the same person, and those supplies are covered in a summary Tax Invoice (<i>Art. 59 (6)</i>);• A Tax Invoice must be issued within 14 days from the date of the supply (with exceptions) and summary invoices must be delivered within 14 days after the end of the calendar month (<i>Art. 59 (13)</i>);• If more than one Tax Credit Note is issued for the same Tax Invoice, subsequent Tax Credit Notes must reflect adjustments based on the previous notes (<i>Art. 60 (1e)</i>).
<i>Single composite supply without the principal element</i>	<ul style="list-style-type: none">• The supply of two or more equivalent elements, where none can be identified as the principal over the others, should be evaluated from a tax perspective based on the overall nature of the supply (<i>Art.46</i>).

Other amendments (2)

<i>Input tax apportionment rules</i>	<ul style="list-style-type: none">• The limit for the difference in recoverable input tax (AED 250,000) can be prorated if the calculation period is under 12 months. The FTA may require a special apportionment method, and taxpayers can request to use the previous year's recovery ratio (<i>Art.55</i>).
<i>Changes in registration and deregistration process</i>	<ul style="list-style-type: none">• Taxpayers can voluntarily register for VAT if they provide evidence of an intention to make Taxable Supplies or incur Taxable Expenses (<i>Art. 8 (3)</i>).• Tax deregistration does not absolve a person from compliance with the VAT Law, including filing a new registration application if the requirements are met (<i>Art.14 (9)</i>);• Empowers the FTA to deregister the taxpayer to protect the integrity of the tax system (<i>Art.14 bis</i>).
<i>Non-recoverable input tax</i>	<ul style="list-style-type: none">• Enhanced health insurance coverage for employees and their families—including a spouse and up to three children under the age of eighteen—is recoverable (<i>Art.53</i>).



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