

# Tax Alert

## UAE

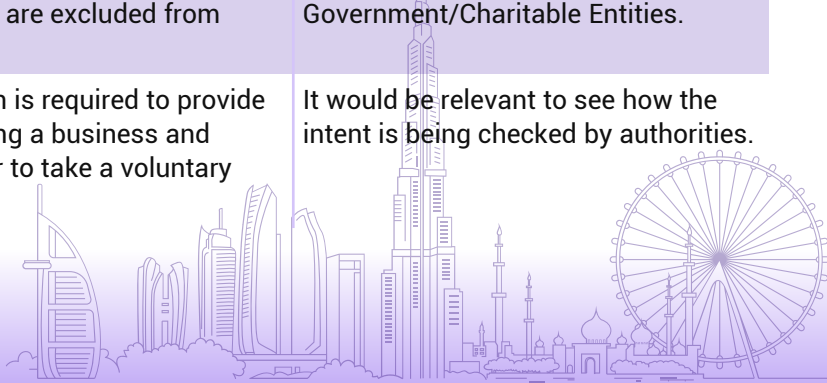


## Summary of significant changes in Executive Regulations of Federal Decree-Law

[Cabinet Decision No. 100 of 2024](#) on the Executive Regulation of Federal Decree-Law No. (8) of 2017 recently issued, which revoked [Cabinet Decision No. 52 of 2017](#) on the Executive Regulation of Federal Law No. (8) of 2017 and its amendments (Old Executive Regulation) have brought about major changes to Executive Regulations in the last seven years.

The Federal Tax Authority has carried out changes considering the business scenario and manner in and around UAE and shall be effective from 15 November 2024. However, few of the regulations shall be effective retrospectively. We have provided a detailed explanation, basis our understanding of the key relevant amendments in the table below:

Article No.	Heading	Amendment	Nexdigm Comments
1	Definitions	There is a change in the definition of Decree-Law, Legal representative and Notification. There are a few additions, like Business Day and Virtual Assets.	The said changes shall provide better clarity to the amendment made in the Executive Regulations.
3	Exception of Supply	<p>a. Granting or transferring the right of ownership or disposal of government buildings, real estate assets, and other similar projects from one government entity to another.</p> <p>b. Granting or transferring the right to use, exploit, or benefit from government buildings, real estate assets, and other similar projects from one government entity to another. This includes any right to use, exploit, or benefit granted or transferred starting from 1 January 2023.</p>	Transfer of real estate and related assets between the government shall not be covered in the scope of VAT. This is a major relief for the real estate development undertaken in the UAE.
5	Exception of Deemed Supply	Deemed supplies between the Government/Charitable entities under AED 250,000 over 12 months are excluded from VAT.	Threshold has now been introduced for transactions between Government/Charitable Entities.
8	Voluntary Registration	As per Article 8, a person is required to provide an intention of conducting a business and making a supply in order to take a voluntary registration.	It would be relevant to see how the intent is being checked by authorities.



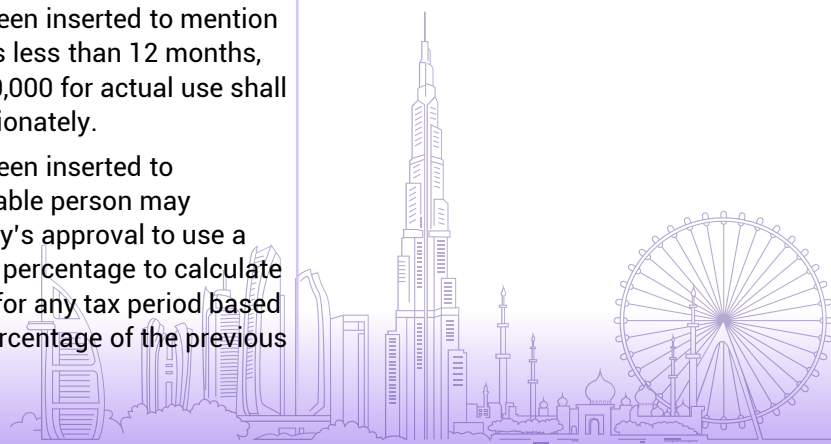
Article No.	Heading	Amendment	Nexdigm Comments
14	Tax Deregistration	Article 14(9) has been introduced to state compliance with all required provisions of law, including the obligation to submit another tax registration request when the requirements for tax registration are met.	The person will be liable to pay his past obligation under Decree Law even if his  Tax registration has been canceled. Furthermore, there are procedural changes that need to be adhered to once a deregistration application is made.
14 (bis)	Tax Deregistration to Protect the Integrity of the Tax System	The said Article has been newly introduced, which states that the Authority may deregister a person if their registration prejudices the integrity of the Tax System in a specific situation and ensures overall compliances required for said person.	Tax persons have to be compliant once tax registration has been obtained.
29	Profit Margin Scheme	Clause 5 has been added to specify that "purchase price" includes, in addition to the price of the goods, any costs and fees incurred to purchase the goods.	Additional clarity is provided regarding the calculation of profit margin and subsequent VAT thereon.
30	Zero rating the export of goods	This Article highlights the conditions for zero-rating export of goods.  The amendment elaborates documentary evidence required to be retained by the exporter in case of Direct as well as Indirect Export of Goods as any of the following: <ul style="list-style-type: none"> <li>• Customs declaration and commercial evidence proving the export. The term "commercial evidence" refers to documents issued by shipping or air freight agents or carriers proving the transportation and departure of goods from the State, including air waybills, sea waybills, or consignment notes.</li> <li>• Shipping certificate and official evidence proving the export. The term "official evidence" refers to an export certificate issued by the customs authorities in the State, or a clearance certificate issued by those authorities or competent authorities in the destination country confirming the goods' departure from the State.</li> <li>• "Shipping certificate" refers to a certificate issued by shipping or air freight agents or carriers equivalent to commercial evidence if not available.</li> <li>• Customs declaration proving the customs suspension if the goods are under customs suspension.</li> </ul>	Exporters would have greater clarity regarding the specifications of export evidence to be maintained.



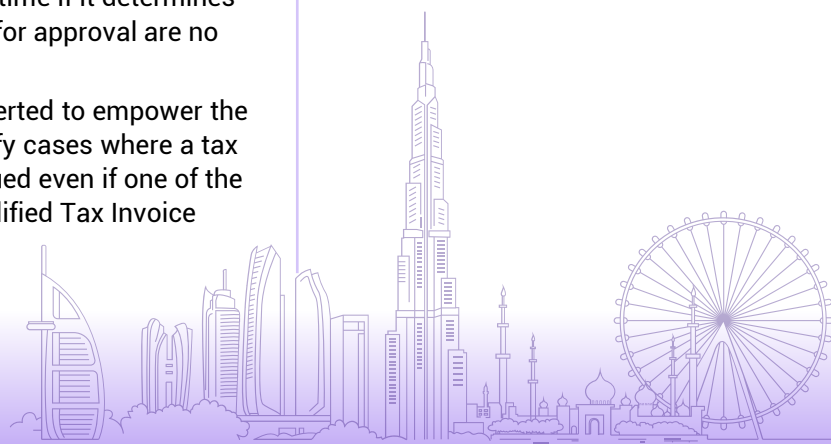
Article No.	Heading	Amendment	Nexdigm Comments
31	Zero-rating the Export of Services	<p>This Article highlights the conditions for zero-rating export of services.</p> <p>Clause 1(a) of said Article has been amended to specifically exclude services for which the place of supply falls in the UAE mainland/Designated Zone as per the special Place of Supply provisions covered under Clauses 3 to 8 of Article 30 and Article 31 of the Decree-Law.</p>	The scope of zero-rated export of service has been restricted.
33	Zero-rating international transportation services for Passengers and Goods	Article 33(1)(d) has been amended to stipulate that the supply of transporting goods from one place in the State to another place in the State and the transport-related services shall be zero-rated only if the same supplier supplies the services.	Additional conditions are imposed for zero-rating international transportation services.
34 and 35	Zero-rating certain Means of Transport and Zero-rating Goods and Services in Connection with Means of Transport	<p>Article 34 has been amended to cover the import of means of transport under zero-rate of VAT subject to the specified conditions.</p> <p>The zero VAT rate under Article 35 is extended to the import of goods, except fuel or other oil or gas products, in the course of operating, repairing, maintaining, or converting the means of transport, subject to specified conditions.</p> <p>Furthermore, the zero-rated services that are supplied directly in connection with the means of transport referred to in Article 34 for the purposes of operating, repairing, maintaining or converting the means of transport have been elaborated as any of the following:</p> <ul style="list-style-type: none"> <li>• The services of repairing the means of transport if carried out on board of the means of transport.</li> <li>• The services of maintaining the means of transport if carried out on board of the means of transport, including the services of inspection and testing of the means of transport, its parts and equipment, cleaning, repainting, and other similar services.</li> <li>• The services of converting the means of transport provided that, after the completion of the conversion process, the means of transport continue to satisfy the cases stipulated in Article 34.</li> </ul>	The clarifications enable businesses involved in the supply of means of transport and related services to better grasp the VAT applicability on their supplies.



Article No.	Heading	Amendment	Nexdigm Comments
42	Tax Treatment of Financial Services	<p>Article 42(2) now includes the following within the definition of financial services:</p> <ol style="list-style-type: none"> <li>1. Managing investment funds independently for a fee, including fund operations, investment management, and performance monitoring.</li> <li>2. Transferring ownership of virtual assets, including cryptocurrencies.</li> <li>3. Converting virtual assets.</li> <li>4. Safeguarding and managing virtual assets and enabling control over them.</li> </ol> <p>Article 42(3) exempts these services. Exemption for the services mentioned in 2<sup>nd</sup> and 3<sup>rd</sup> point above is applicable retrospectively from 1 January 2018.</p>	<p>This is a significant amendment since it now exempts investment management services and transactions pertaining to digital assets, a booming area of investment. The investors shall now be at a benefit owing to tax exemption.</p>
46	Tax on Supplies of More Than One Component	<p>Article 46(1) has now been amended to specify that the tax treatment shall be determined on the basis of the nature of the overall supply in cases where there is no principal component in the composite supply.</p>	<p>This update provides greater clarity on the tax treatment of composite supplies, ensuring that the overall nature of the supply dictates the tax implications.</p>
53	Non-recoverable Input Tax	<p>Article 53(1)(c)(3) has been newly added, which shall allow the claiming of input tax on health insurance, including enhanced health insurance for employees and dependents <b>up to one spouse</b> and three children under the age of 18.</p>	<p>This addition by the Authorities is advantageous to the entities as it allows them to recover VAT on employee benefit expenses.</p>
55	Apportionment of Input Tax	<ol style="list-style-type: none"> <li>1. Article 55(4) has been inserted to specify the end of the tax year in certain scenarios as below: <ol style="list-style-type: none"> <li>a. If the taxable person cancels their tax registration, the tax year ends on the last day they are registered.</li> <li>b. If a member joins a tax group, the tax year ends on the last day before joining the group.</li> <li>c. If a member leaves a tax group, the tax year ends on the last day they are still a member of the group.</li> </ol> </li> <li>2. Article 55(6) has been amended to refer to Article 57 of Decree-Law, i.e., supply made by government entities for input tax apportionment.</li> <li>3. Article 55(12) has been inserted to mention that if the tax year is less than 12 months, the limit of AED 2,50,000 for actual use shall be adjusted proportionately.</li> <li>4. Article 55(16) has been inserted to prescribe that a taxable person may request the Authority's approval to use a specified deduction percentage to calculate allowable input tax for any tax period based on the deduction percentage of the previous year.</li> </ol>	<p>The mechanism of calculating allowable input tax based on a fixed percentage is useful for businesses with somewhat consistent expenses and shall provide relief by way of relinquishing the need to calculate recurrently.</p>



Article No.	Heading	Amendment	Nexdigm Comments
58	Adjustments under the Capital Assets Scheme	Article 58(17) has been inserted to clarify that the first tax year for a self-developed capital asset shall be the year in which the asset is first used.	The FTA has now clarified the first year for accounting VAT on a particular class of asset. This understanding can potentially reduce the amount of tax payable or increase the amount of tax refundable, providing a financial advantage.
59	Tax invoices	<ol style="list-style-type: none"> <li>1. Article 59(5) has been amended to state that a simplified tax invoice can be issued instead of a tax invoice in cases where tax is payable under the reverse charge mechanism except where liability is as per Article 48 of the Decree-Law.</li> <li>2. Article 59(11) has been amended and the following conditions are posed: <ol style="list-style-type: none"> <li>a. The agent keeps sufficient records to identify the principal's name, address, and TRN.</li> <li>b. The principal keeps sufficient records to identify the agent's name, address, and TRN.</li> </ol> </li> <li>3. Article 59(13) has been inserted to define the timeline for the issuance of tax invoices. It mandates the registrant to issue the tax invoice within 14 days from the date of supply. However, the exceptions to this provision are: <ol style="list-style-type: none"> <li>a. In the case of a Simplified Tax Invoice, the invoice shall be issued on the date of supply.</li> <li>b. In the case of Continuous Supply, as per provisions of Article 59(6), the registrant must issue and deliver a Summary Tax Invoice to the recipient or customer within 14 days from the end of the calendar month, including the date of supply for those supplies.</li> <li>c. Any other cases specified by the Authority.</li> </ol> </li> <li>4. Article 59(14) is inserted, which states "If the Authority grants approval under paragraph 7 of this article, it may withdraw the approval at any time if it determines that the conditions for approval are no longer met."</li> <li>5. Article 59(15) is inserted to empower the Authorities to specify cases where a tax invoice shall be issued even if one of the conditions for Simplified Tax Invoice applies.</li> </ol>	<ul style="list-style-type: none"> <li>• Conditions attached to Clause 11 are to ensure transparency and accountability in transactions where an agent acts on behalf of a principal.</li> <li>• To comply with the provisions of Article 59(13) can present several challenges for businesses. A potential challenge can be difficulty in verifying the details of a large volume of transactions and issuing invoices within the 14-day timeframe.</li> </ul>





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60	Tax Credit Note	<p>Article 60(1)(e) has been amended to state that an additional tax credit note in relation to an invoice shall mention taxable value after adjustment of the initial credit note.</p> <p>Article 60(6) has been amended to state that credit note issued by the agent correlates with details maintained by the principal.</p>	Details have to be correctly maintained to ensure that documentation has been kept.
69	Foreign Governments	A condition is inserted into existing Article 69(2)(d), now referred to as Article 69(3), outlining the timeline for submitting a tax refund request. The claim is to be filed within 36 months from the date the tax was incurred by the official or within any other period specified by an international treaty or agreement in force in the State.	Understanding the timeline for refund requests is important for financial planning. Officials can anticipate when they might receive refunds and plan their finances accordingly.

## Our Comments

The amendments to Executive Regulations will come into effect from 15 November 2024 onwards and provide the changes that are required to be undertaken in the businesses that are functioning at present.

Basis the above, the business shall be required to conduct a detailed impact assessment as the amendments would impact:

- Existing contracts – which will need to be amended;
- Policy changes – Like changes in the manner of raising invoices and credit note;

- Revisiting the tax position already undertaken;
- Maintenance of requisite documentation and records.

Accordingly, to avoid any penal consequences, businesses are advised to ensure that changes in the underlying documentation and processes are carried out in time before the law comes into force.

Furthermore, it is expected that there could be changes that could be introduced in Decree-Law or Public Clarification shall be issued to provide clarity on various changes that have been introduced.



# About Nexdigm

Nexdigm is an employee-owned, privately held, independent global organization that helps companies across geographies meet the needs of a dynamic business environment. Our focus on problem-solving, supported by our multifunctional expertise enables us to provide customized solutions for our clients.

We provide integrated, digitally driven solutions encompassing Business and Professional Services, that help companies navigate challenges across all stages of their life-cycle. Through our direct operations in the USA, Poland, UAE, and India, we serve a diverse range of clients, spanning multinationals, listed companies, privately-owned companies, and family-owned businesses from over 50 countries.

Our multidisciplinary teams serve a wide range of industries, with a specific focus on healthcare, food processing, and banking and financial services. Over the last decade, we have built and leveraged capabilities across key global markets to provide transnational support to numerous clients.

From inception, our founders have propagated a culture that values professional standards and personalized service. An emphasis on collaboration and ethical conduct drives us to serve our clients with integrity while delivering high quality, innovative results. We act as partners to our clients, and take a proactive stance in understanding their needs and constraints, to provide integrated solutions. Quality at Nexdigm is of utmost importance, and we are ISO/IEC 27001 certified for information security and ISO 9001 certified for quality management.

We have been recognized over the years by global organizations, like the International Accounting Bulletin and Euro Money Publications, World Commerce and Contracting, Everest Group Peak Matrix® Assessment 2022, for Procurement Outsourcing (PO) and Finance and Accounting Outsourcing (FAO), ISG Provider Lens™ Quadrant 2023 for Procurement BPO and Transformation Services and Global Sourcing Association (GSA) UK.

**Nexdigm** resonates with our plunge into a new paradigm of business; it is our commitment to **Think Next**.

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