

VAT

UNITED ARAB EMIRATES

IMPACT ON SUPPLY CHAIN AND LOGISTICS INDUSTRY



CA GOPU RAMA NAIDU
Chairman, KGRN Group of Companies



taking the  next step

DEFINITIONS

What is a supply?

- A supply of goods or services.
- In the UAE.
- For consideration
- By any person registered for VAT or required to be registered for VAT.
- In the course of conducting business.

PLACE OF SUPPLY

Place of supply rules will determine whether a supply is made in the UAE or outside the UAE for VAT purposes:

- If the supply is treated as made outside the UAE: no UAE VAT will be charged
- If the supply is treated as made in the UAE: VAT may be charged

Goods

The place of supply is the location of goods when the supply takes place.

Services

The place of supply is where the supplier has the place of residence.

Domestic Supplies / Services

No movement of goods outside the UAE - UAE standard or zero-rated

Exports to outside the GCC - Goods / Services

Export of goods: place of supply is still the UAE - Zero Rated.

B2B Import into UAE from outside GCC - Goods / Services.

- Place of supply is UAE.
- Recipient accounts for VAT under the reverse charge mechanism.
- Input at UAE.

Goods imported to the UAE & transferred to GCC - Goods / Services.

- Place of supply is UAE when importing into UAE.
- Recipient has to pay import VAT in UAE without using reverse charge mechanism.
- No Input credit at UAE and can be recovered in GCC state where the goods are transferred

B2B Exports to GCC

- Place of supply is the other GCC State. - No UAE VAT.

DATE OF SUPPLY BASIC TAX POINT

- Date of removal of goods.
- Date on which goods made available to customer.
- Date of assembly/ installation
- Date on which performance of service is complete.

- **Over riding Basic tax point** - Receipt of payment or the date of a VAT invoice if earlier than the basic tax point.

- **Continuous supplies & stage payments** - The earlier of receipt of payment, the due date of payment shown on the VAT invoice or the date of the VAT invoice

WHAT RATE IS APPLICABLE FOR SUPPLIES IN THE TRANSPORTATION OF GOODS BUSINESS SECTOR ?

Transport of goods :

The supply of international transportation of passengers and/or goods including ancillary transport services is subject to **zero-rate**.

The supply of local passenger transport services in a qualifying vehicle, qualifying vessel or qualifying aircraft will be **exempt**.

Supply of transportation services - **The place of supply is the country in which the transportation begins.**

VAT LIABILITY: INTERNATIONAL TRANSPORT OF GOODS : – ZERO RATED.

The services, including transport-related services, of transporting goods from a place in the UAE to a place outside the UAE or vice versa.

This includes transport through the UAE where either the origin or the final destination of the goods is outside the UAE.

Services supplied during the supply of transport services e.g. handling the goods.

Insuring, arranging the insurance or arranging the transport of goods.

COMPOSITE SUPPLIES

A composite supply is taxable at the VAT rate applicable to the principal component.

Composite supplies - Means a supply of goods and/or services, where there is more than one component to the supply and taking into account the contract and the wider circumstance of the supply,

If your providing handling service along with storage facility since principal component is storage service handling services also charged at 5%

Principal component means - necessary or essential to the making of the supply.
Supply is of two or more elements so closely linked impossible or artificial to split.

Input Credit - Zero Rated goods/ Services - Available on the inputs used directly related to final goods/Services, where the nexus is proved.

Input Credit - Exempt Services - Not Available.

Input Credit - Capital Assets Scheme.

- Building or a part of a building – 10 years.
- Assets other than a building – 5 years

CALL OFF STOCK & CONSIGNMENT STOCK:

- Call off stock is where goods are already stored at the premises or warehouse of a potential customer, however the ownership remains with the seller until customer takes stock.
- Consignment Stock occurs when goods are sold to a customer but remain at the warehouse of the seller.

VAT LIABILITY:

- VAT is due at the point the recipient of the goods takes possession of the goods.
- If stock has not been 'accepted' by the recipient within 12 months from the date it was placed at the recipient's premises, VAT becomes due on that stock at the 12 month mark.



THANK YOU