



THE AMENDMENT OF VAT LAW

Federal Decree-Law
No. (18) 2022



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A Short Glimpse

Federal Decree-Law No. (18) 2022 amending certain provisions of the Federal Decree-Law No. 8 2017 on Value Added Tax (the VAT Law) has been issued by H.H. Sheikh Mohamed Bin Zayed Al Nahyan, the President of the UAE, on 26 September 2022. The amendments will be effective starting from January 1 2023.

Listed below are some of the major amendments introduced in reference to the Federal DecreeLaw No. (18), 2022 on Value Added Tax.

If all of the supplies are either Zero rated or no longer provide any supplies other than Zero rated supplies, then the registered persons making taxable supplies are permitted to apply for an exception from VAT registration.

A fourteen-day period is to be established in order to issue a tax credit note to settle output tax in accordance with the time period set for issuing tax invoices.

The Federal Tax Authority carries the authorization to actively de-register registered individuals in certain cases, if found necessary.

Comprehensive Analysis

1. Definitions - Certain relevant changes are made in reference to VAT law key terms which includes Relevant Charitable Activities, Pure Hydrocarbons, Tax Evasion, Tax Audit, Tax Assessment, Voluntary Disclosures, and Tax Procedures Law along with other minor language changes.

Although almost all of these definitions can be derived from tax procedures law, but this particular amendment allows them to be used effectively in the amended articles of the VAT law.

2. Other Out-of-Scope Transactions - The new clause allows the Executive Regulations to specify any other transactions (excluding the supply of vouchers and the transfer of a business) that should be deemed outside the scope of VAT.

3. VAT Registration Exceptions - In accordance to the new amendment, registered taxable individuals can now apply for registration exceptions.

4. Cases of Tax de-registration - The de-registration of taxable individuals cannot counter the FTA's right to claim tax dues or penalties. It also grants FTA the authority to de-register any registered person in case where the taxable individual's registrations for VAT may result in any kind of harm to the tax system.

5. Place of Supply of Goods - The new amendment has added a fourth scenario in regard to the place of supply inside the UAE where continuous supply applies and the transfer of the ownership of goods has been made inside the UAE.

6. Place of Supply in special cases - The article now states that the place of supply for transport-related services regardless of being provided separately from transportation services will be determined from where the transportation starts.

7. Special Date of Supply - One of the events to determine the date of supply is the date on which one year has passed from the date on which the goods and services are provided.

8. Place of Residency - It has been previously stated that the place of residence of the agent shall be determined by the place of residence of the principal. The wordings have been now altered and further clarification has been provided on the subject.

9. Value of Supply - Article 36, on the subject of special anti-avoidance regulation relating to the value of supply or import of goods and services between related parties, shall now overrule Article 37 (value of deemed supply). Furthermore, it verifies that where a deemed supply takes place between related parties the value of supply shall be determined by market value.

10. Goods and Services subject to Zero Rate - The amendment of the VAT law now includes importation of goods and services that shall be zero rated including import of rescue aircrafts or vessels, import of crude oil or natural gas and import of means of transportation.

11. Reverse Charge - The applicability of the reverse charge mechanism on the supply of any form of hydrocarbons has now been altered to only pure hydrocarbons.

12. Recovery of input VAT - An addition of requirements for the taxable individual to recover VAT paid or declared on the importation of goods and services has been made.

13. Recovery of input VAT by Government Entities and Charitable Organizations - The government entities can recover the entire input VAT that is incurred for sovereign activities. Furthermore, charitable organizations can recover input VAT that is incurred for the purpose of its applicable charitable activities.

14. Conditions and Timeline in order to issue a Tax Invoice - Irrespective of a person receiving the VAT amount or a tax invoice being issued in respect of VAT, such amount is to be paid to the FTA. A tax invoice is to be issued within 14 days of the date of supply.

15. Output VAT Adjustment - In case of a scenario involving the application of an incorrect tax statement, the taxable individual can now issue a tax credit note to adjust the output tax.



Statute of Limitations

The tax authority has placed forward a new article in regard to the statute of limitations via the amendment of VAT law, which states the following –

The tax authority may not conduct a tax audit after the expiration of a time period of five years from the end of the relevant tax period (Certain exceptions are to be kept in mind).

The tax authority may conduct a tax audit even after five years from the end of the relevant tax period if the taxable individual is duly notified before the expiration of the

The tax authority may conduct a tax audit even after five years from the end of the relevant tax period if the audit or assessment relates to a voluntary disclosure submitted during the fifth year till the end of the tax period (given that the tax audit is done or issued in the timeframe of one year from the date of voluntary disclosure submission).

The article also specifies the permission of a separate cabinet decision in amendment of the referred period.

It is to be taken into account that voluntary disclosures shall not be allowed to be submitted after five years from the end of the applicable tax period.

The tax authority holds the power to conduct a tax audit in situations of tax evasions or non-tax registrations within fifteen years from the end of the specific tax period during which the tax evasion occurred or from the date on which the taxable individual was bound to complete the tax registration.



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A black and white photograph of five business professionals (three men and two women) in a meeting room. They are gathered around a table, looking at a laptop. The scene is dimly lit, with light coming from windows in the background.

THANK YOU