

UAE Introduces VAT Refunds For Businesses

The Federal Tax Authority (FTA) has begun implementing VAT refunds for business visitors, with an application form available on its website.

The FTA has also explained all the procedures with regard to the refund, and published a guide: *VAT Refunds for Business Visitors*.

"Reciprocity is a key condition for the procedure, whereby the authority will collaborate with countries that refund VAT for UAE businesses visiting their territories," said Khalid Ali Al Bustani, FTA Director-General.

"The procedure abides by Federal Decree-Law No. (8) of 2017 on VAT and its Executive Regulations, which call for refunding taxes on supplies or imports made by a person not residing in the UAE or any of the Implementing States, provided they meet the necessary conditions."

The period of each refund claim will be a calendar year. For the 2018 calendar year, the FTA started accepting refund applications as of April 1, 2019. However, in subsequent calendar years, the opening date for refund applications submission will be March 1 of the following year. So, for the period January 1 to December 31, 2019, applications will be accepted as of March 1, 2020.

The minimum claim amount of each application is set at AED2,000, which may consist of a single purchase or multiple purchases. The authority urged potential applicants to hold on to the original tax invoices as they would have to submit them along with their applications while claiming refunds.

Businesses residing in any GCC State that is not considered to be an Implementing State may still apply to reclaim VAT incurred in the UAE under this scheme, the FTA assured, outlining only three situations where VAT cannot be reclaimed:

- If the foreign business in question makes supplies in the UAE, unless the recipient is obliged to account for VAT under the Reverse-Charge Mechanism.
- If the Input Tax in respect of any goods or services is non-recoverable as per VAT legislation, therefore, not recoverable by a Taxable Person in the UAE. and
- If the foreign business is a non-resident tour operator.

The FTA outlined four conditions for the recovery of VAT. These are:

- Foreign businesses must have no place of establishment or fixed establishment in the UAE or any of the VAT-implementing GCC states (as per the terms of the Common VAT Agreement of the States of the Gulf Cooperation Council);

- They must not be registered or a Taxable Person in the UAE;
- They must be registered as an establishment with a competent authority in the jurisdiction in which they are established; and
- They must be from a country that implements VAT and that equally provides VAT refunds for UAE companies in similar circumstances.

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