

UAE clarifies VAT recovery for Expo 2020

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Executive summary

The United Arab Emirates (UAE) Federal Tax Authority (FTA) has published a Cabinet decision¹ that will permit official participants of Expo 2020 Dubai (Expo 2020) to claim a refund of value added tax (VAT) on operating expenses they incur while participating in the Expo, even if they are not UAE VAT registered. In comparison, official participants that will make taxable supplies related to Expo 2020 will need to seek any refund of VAT by registering for UAE VAT and submitting their periodic VAT returns to the FTA.

Detailed discussion

Background

Expo 2020 is a registered exhibition scheduled to take place in Dubai from 20 October 2020 to 10 April 2021.

Official participants of Expo 2020 include countries and intergovernmental organizations that have received and accepted the official invitation from the UAE to participate in Expo 2020 as an exhibitor. Official participants should be able to claim a VAT refund on the import or supply of goods and services directly connected with Expo 2020.

The FTA has issued the following publications regarding this decision:

- ▶ Cabinet Decision No. (1) of 2019 on the *Refund of Value Added Tax Paid on Goods and Services Connected with Expo 2020 Dubai*, dated 6 January 2019 (Decision).
- ▶ User Guide for Official Participants, published on 21 March 2019 (Guide).

Refund eligibility

Operating expenses recoverable by all official participants

The Decision distinguishes between operating expenses incurred in relation to the official participants' office and expenses incurred in relation to the exhibition and presentation space. All official participants, whether registered for UAE VAT or not, will be eligible to claim a VAT refund on:

1. Supplies relating to the operations of the official participants' office, provided that the value of each good or service is not less than AED200.
2. Imports of goods for the personal use of the official participant's appointed representative, staff and beneficiaries. Such goods cannot be sold for consideration or free of charge without prior approval from the FTA and payment of tax due.

If the Bureau Expo 2020 Dubai (Bureau) grants a Certificate of Refund Entitlement to the official participants, the official participants may also claim input tax on supplies relating to:

- ▶ The construction and dismantlement of the exhibition space
- ▶ The operations and presentations within the exhibition space

Only VAT-registered official participants

In addition to operating expenses, VAT-registered official participants may be able to recover input tax incurred on making taxable supplies. At this stage, the Guide does not elaborate on the nature and extent of the taxable supplies on which the official participants will be able to recover input tax. However, if the taxable supplies exceed the mandatory registration threshold of AED375,000, the official participants will be obliged to register for VAT.

Refund procedure and entitlement

If the official participant is not VAT registered, the claim for refund of the operating expenses must be submitted to the Bureau. The Bureau will audit the claim and if approved, the FTA should refund VAT directly to the official participant.

Where the official participant is UAE VAT registered, the official participant must reclaim VAT on operating as well as commercial activities through its VAT return submitted directly to the FTA.

Implications

Official participants seeking to recover VAT charged in relation to Expo 2020 operating expenses will not be obliged to register for VAT.

Official participants making taxable supplies may be able to recover input VAT related to commercial activities under the general VAT rules for input tax recovery, if the official participants register for VAT with the FTA.

By clarifying the tax treatment applicable only to the official participants, the Decision does not provide information on treatment of other entities, such as state- or private-owned companies seeking to participate at Expo 2020. In the absence of further guidance, the standard VAT rules are presumed to apply to all other entities.

Endnote

1. The Cabinet decision was published in March 2019.

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