

UAE issues updated guidance on VAT refunds for business visitors

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Executive summary

In September 2019, the United Arab Emirates (UAE) Federal Tax Authority (FTA) issued an updated guide on Value Added Tax (VAT) refunds for business visitors (the Guide). The Guide provides information on: (i) the eligibility of overseas businesses and business visitors to obtain refunds of VAT incurred in the UAE; (ii) the information required to be submitted with the claim; (iii) deadlines to submit the form; and (iv) a list of countries eligible for the scheme that operate reciprocal agreements. Businesses with no place of establishment in the UAE or another Gulf Cooperation Council (GCC) State and who are not registered for VAT in the UAE, should check their eligibility to recover input VAT incurred in the UAE.

Detailed discussion

Background

In line with article 67 of the Cabinet Decision No. (52) of 2017 on the Executive Regulations of the Federal Decree-Law No (8) of 2017 on Value Added Tax (UAE VAT Regulations) relating to the implementation of a Business Refund Scheme, the FTA has issued updated guidance to provide additional information on the eligibility to apply for a refund, the required information to be submitted, deadlines, and a list of countries eligible for the refund based on existing reciprocal agreements.

Eligibility to apply for a VAT refund

Foreign businesses that meet all of the following conditions are eligible to apply for a VAT refund:

- ▶ They have no place of establishment or fixed establishment in the UAE or an Implementing State¹
- ▶ They are not a taxable person in the UAE
- ▶ They are not carrying on business in the UAE
- ▶ They are carrying on a business and are registered as an establishment with a competent authority in the jurisdiction in which they are established

A VAT refund cannot be applied for if any of the following conditions are met:

- ▶ The foreign business makes supplies in the UAE (unless the recipient is obliged to account for VAT under the reverse charge mechanism)
- ▶ The input tax incurred on the goods or services is non-recoverable by a taxable person according to the UAE VAT legislation
- ▶ The foreign business is from a country that does not provide VAT refunds to UAE entities under similar circumstances
- ▶ The foreign business is a nonresident tour operator

Time period for claiming the refund

The period covered by a refund claim is 12-calendar months (except in the case of applicants resident in GCC States, which are not implementing States). The minimum amount of VAT to be claimed is AED2,000 (app. US\$544).

Information required from the business to complete the refund application

- ▶ Proof of incorporation in its country of establishment (such as certificate of incorporation/registration with the competent authority)
- ▶ VAT registration certificate with the competent Tax Administration
- ▶ If the applicant is undertaking exempt or non-business activities in its country of establishment, which do not give the right to fully recover any input tax, the applicant will need to provide a letter, or alternative evidence, from its Tax Administration which would indicate the level of input tax it is eligible to recover on expenses
- ▶ The relevant tax invoices with proof of payment of the VAT that is being claimed; Original hard copies of all invoices must be sent with the application

- ▶ A copy of the passport of the authorized signatory
- ▶ Proof of authority of the authorized signatory

Original hard copies of tax invoices, proof of payment as well as original hard copies of certificate of incorporation and the VAT registration certificate should be submitted. All submitted documents should be in Arabic or English.

Completing the refund form

The applicant is required to create a taxable person account on the FTA e-services portal and to complete the refund form available on the Business Visitor Refunds dashboard.

Once the refund form has been submitted, the applicant must post the form quoted with the reference number (which will be provided by the FTA) along with, the original hardcopies of the tax invoices, proof of payment, certificate of establishment, and tax registration certificate and to the FTA in a prepaid envelope with the name of the applicant mentioned on it. The applicant must submit the hard copies within one month of submitting the refund form online. The address of the FTA is:

Federal Tax Authority
P.O. Box 2440
Dubai
UAE

The FTA will process the application within four months of receiving the hard copies of the required documents. If the claim is approved, the FTA will issue the refund within 10 business days and the refund will be in UAE Dirhams.

Time period for submitting the application

For claims in respect of the 2018 calendar year, the refund application may be made from 2 April 2019. The opening date for refund applications in subsequent calendar years will be 1 March. For example, for the period 1 January 2019 to 31 December 2019, applications will be accepted from 1 March 2020.

The FTA will only process refund applications up to six months from the date when the business can first make a claim (i.e., six months from 2 April 2019 for 2018 calendar year, six months from 1 March 2020 for the 2019 calendar year and respectively for all future years).

Please note that the calendar year condition (i.e., the period of the claim shall be one calendar year) does not apply in the case of applicants which are resident in any GCC State that is not considered to be an Implementing State.

List of counties eligible for the VAT refunds for business visitors treated as having reciprocal agreements

The approved list of countries with reciprocal arrangements includes: Austria, Bahrain, Belgium, Denmark, Finland, France, Germany, Iceland, Isle of Man, Kuwait, Lebanon,² Luxembourg, Namibia,³ Netherlands, New Zealand, Norway, Oman, Qatar, Saudi Arabia, South Africa,⁴ Sweden, Switzerland, United Kingdom and Zimbabwe.

This pre-approved list is not necessarily exhaustive and other countries may inquire as to eligibility through their respective country Ministry of Finance.

Endnotes

1. An “implementing state” is another GCC State designated as such by the UAE. There are currently no other GCC States that are so designated.
2. In certain limited circumstances.
3. Ibid.
4. Ibid.

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EYG no. 004520-19Gbl

1508-1600216 NY
ED None

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