

UAE

Frequently Asked Questions – Logistics

➤ **What is Domestic transportation services?**

It is an activity of transporting passengers or goods from a place in UAE to another place in UAE.

➤ **What is International transportation services?**

International transportation services include the following:

- Transporting passengers or goods from a place in UAE to a place outside UAE (outbound transportation)
- Transporting passengers or goods from a place outside UAE to a place inside UAE (inbound transportation)
- Domestic transportation of passengers undertaken as a part of a supply of an international transport of those passengers if either or both the first place of departure, or the final place of destination, is outside the State
- Domestic transportation of goods undertaken as a part or for the purpose, of the supply of Services of transporting Goods either from a place in the State to a place outside the State or from a place outside the State to a place in the State
- Shipment/ voyage which passes through the territory of UAE (transshipment).

➤ **What is the meaning of 'Transport-related services'?**

Transport related services means services which are closely related to transportation or services that are necessary to conduct the transportation activities. It includes shipment, packaging and securing cargo, preparation of Customs documents, container management, loading, unloading, storing and moving of Goods.



➤ **How 'Place of Supply' is determined in case of transportation and transport-related services?**

Place of the supply of transportation services is the place where the transportation service commences.

The place of supply of transport-related services shall be the same as the place of supply of the transportation service to which they relate, i.e. place of commencement of transportation.

➤ **What is the VAT treatment for transportation services?**

Particulars	VAT treatment
Domestic goods transportation	Taxable at 5%
Domestic passenger transportation	Exempt
International transportation of passengers and goods	Zero rated
Transport-related services for International transportation	Zero rated

➤ **What is the VAT treatment for 'means of transport'?**

Means of transport designates the vehicles which are used for providing transportation services. Following means of transport are zero-rated:

- A supply of an aircraft that is designed or adapted to be used for commercial transportation of passengers or Goods and which is not designed or adapted for recreation, pleasure or sports
- A supply of a ship, boat or floating structure that is designed or adapted for use for commercial purposes and which is not designed or adapted for recreation, pleasure or sports.
- A supply of bus or train that is designed or adapted to be used for public transportation of (10) or more passengers

➤ **What is the VAT treatment of goods or services supplied in relation means of transport?**

Supply of goods (except specified petroleum products) and services for operating, repairing, maintaining or converting means of transport shall be zero-rated, subject to certain conditions.

Also, services which are directly supplied in connection with parts and equipment of a means of transport for repairing and maintaining those parts and equipment shall be zero-rated in any of the following situations:

- The services are carried out on board of the means of transport
- The part or equipment is removed for repair or maintenance, and is subsequently replaced in the same means of transport
- The part or equipment is removed for repair or maintenance, and is subsequently held in stock for the future use as spares in the same means of transport or another means of transport.
- The part or equipment cannot be repaired and is exchanged for an identical part or equipment



➤ **What is the VAT treatment for goods and services supplied during transportation services?**

The supply of following goods and services shall be zero-rated, if they are supplied in relation to international transportation or which are supplied outside UAE:

- The Goods which are supplied for use or consumption or sale by or on an aircraft or a ship
- The Services supplied during the supply of transportation services
- The Service of insuring, or the arranging of the insurance, or the arranging of the transport of passengers or Goods

➤ **Is VAT paid on expenses in relation to provision of transportation and transport-related services eligible as input tax?**

VAT paid on goods or services procured for providing transport and transport-related services is eligible as input credit except for domestic transportation of passengers since the same is exempt under VAT.

➤ **Can a Logistics service provider claim refund of input VAT on procuring goods/services for providing transportation services?**

If the output VAT liability of a service provider is less than the VAT paid on expenses, then the balance input VAT can be carried forward to the next tax period or can be claimed as refund from the Federal Tax Authority (FTA).



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