Tax Alert | Public Clarification on the Amended UAE VAT Executive Regulations (VATP040)

March 20, 2025

Introduction

- The UAE Government introduced Cabinet Decision No. 100 of 2024, amending the Executive Regulations of the Federal Decree-Law No. 8 of 2017 on Value Added Tax ('VAT Executive Regulations'). These amendments mark a significant shift in the UAE VAT framework and came into effect on 15 November 2024, unless stated otherwise.
- We previously published a comprehensive Tax Alert on these amendments in October 2024, available here: https://dhruvaconsultants.com/wp-content/uploads/2024/10/Update-UAE-VAT-Executive-Regulations-impacting-fund-management-sector.pdf
- On March 14, 2025, the Federal Tax Authority ('FTA') released a Public Clarification ('VATP040') on these amendments, providing insights into key changes in the VAT Executive Regulations.
- This Tax Alert highlights the key amendments and FTA's guidance and outlines their impact on taxpayers.

Key amendments and clarifications

Article	Particulars	Amendment Summary	Dhruva Comments
1	New definitions for "business days", "standard rate" and "virtual assets"	Definitions of certain terms were updated, including the following: a) The term "Business days" is now in alignment with Federal Decree-Law No. 28 of 2022 on Tax Procedures and its amendments. b) The definition of "Standard rate" was introduced to define the VAT rate as specified in Article 3 of the Decree-Law (i.e., 5%). c) The definition of "Virtual assets" was introduced to align with Article 42 of the Executive Regulations on financial services. Virtual assets include cryptocurrencies (e.g., Bitcoin, Ethereum) and any other digital representations of value that can be digitally traded, converted or used for investment purposes. However, this excludes fiat currency (e.g., UAE Dirhams) or financial securities.	The updates to key definitions incorporate new concepts and enhance clarity of terminology and an alignment of VAT rules. The respect of the definition of "Virtual assets", the exclusion of fiat currency from the definition of 'virtual assets' means that Central Bank Digital Currencies ('CBDCs') will not be considered as virtual assets as they are merely a digital representation of fiat currencies. However, further clarification from the FTA would be welcome in respect of the status of stablecoins.

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2(4)(b)	Disposal of real estate	The Article was amended to confirm that any disposal of real estate that results in the transfer of ownership from one person to another is classified as a supply of goods for VAT purposes.	This amendment clarifies the scope of what qualifies as supply of real estate by including all forms of ownership transfers, not just sales and leases. Furthermore, the replacement of the term "tenancy" with "lease" broadens the scope and removes any confusion between short-term and long-term agreements. Real estate developers, property owners and investors must consider these changes to determine the VAT implications on the disposal of real estate.
3(bis)	Government-to-government supplies	New Article has been added to clarify that grants, disposals, and transfers of ownership or usage rights of government-owned real estate and infrastructure projects between government entities are not considered a supply for VAT purposes, and are outside the scope of VAT. This provision distinguishes between two scenarios: a) Grants or transfers of ownership or disposal of government buildings, real estate assets, and similar projects between Government Entities – are excluded from VAT, effective from 15 November 2024. b) Grants or transfers of the right to use, exploit, or utilize such assets – are excluded from VAT, with retroactive effect from 1 January 2023. The Minister will issue a decision that will define which infrastructure projects, real estate, or other eligible assets qualify for this exception.	Although the VAT exclusion applies from 15 November 2024 for ownership transfers and from 1 January 2023 for usage rights, the Minister has not yet issued a decision defining the qualifying assets. Until further clarification is provided, government should consider continuing to treat such transactions as taxable at 5%. Concerned government entities must closely monitor when the Minister will issue this decision. Once issued, government entities impacted by this amendment may be required to file voluntary disclosures to correct historical VAT returns. Furthermore, government entities must assess whether input tax incurred in relation to such transactions would still be eligible for recovery.
4(4)	Single composite supplies vs multiple supplies	A "single composite supply" is defined under Article 4(3) of the VAT Executive Regulations as a transaction where multiple elements are so closely linked that they form a single, inseparable supply. If different components are integrally connected and cannot be provided separately, they are treated as one unified supply for VAT purposes. The amendment to Article 4(4) clarifies that even if a supply meets the conditions of Article 4(3) above, it will not automatically qualify as a single composite supply unless specific additional conditions are met. *(Continued on next slide)*	The amendment strengthens the provision's wording by explicitly stating that both the conditions of a single supplier and unified pricing must be met for a transaction to qualify as a single composite supply. The Public Clarification also highlights the fact that suppliers cannot artificially combine separate supplies under a single price if the pricing of each component is distinctly identifiable – for example, in contracts, quotes, purchase orders, or tax invoices. *(Continued on next slide)*

Article	Particulars	Amendment Summary	Dhruva Comments
4(4)	Single composite supplies vs multiple supplies *(cont'd)*	Specifically, the amendment requires that all components **must** be provided by a single supplier, and price of the different components must not be separately identified or charged in order to qualify as a single composite supply. If a supplier charges a single price but itemizes the cost of each component, the supply should be treated as multiple separate supplies for VAT purposes. To illustrate, the FTA has provided the following example: *A retailer sells a mobile phone bundle at a single price, but the contract specifies separate costs for the phone, maintenance, and warranty. As a result, this is classified as multiple supplies, not a single composite supply.* Furthermore, the FTA clarified that if a supplier subcontracts certain components of the supply, but remains contractually responsible to the client, the single supplier condition is still considered met.	As a result of this amendment, businesses must review all contractual documentation and correspondence to assess whether pricing structures align with a single composite supply treatment or require separate VAT treatments.
5	Exceptions related to deemed supply	Certain clauses from Article 5(1) of the VAT Executive Regulations have been removed as they are already covered under Article 12 of the VAT Decree-Law, while others have been retained and incorporated throughout the updated Article 5. It has been clarified that the monetary thresholds for determining whether a supply qualifies as a "deemed supply", as follows: a) Samples or commercial gifts are not deemed supplies if the value per recipient does not exceed AED 500 within a rolling 12-month period. b) If the total output tax on deemed supplies within 12 months does not exceed AED 2,000, VAT on a deemed supply will not apply. VAT on deemed supplies will only apply to the amount in excess of the AED 2,000 threshold. Finally, a new clause for government entities and charities has been added, which provides that if both the supplier and the recipient are government entities or charities, the exception threshold for output tax on deemed supplies within 12 months increases is AED 250,000 per supplier.	The amendment introduces welcome clarity on the approach for determining exceptions to deemed supplies. Notably, if the relevant annual deemed supply limit of AED 2,000 or AED 250,000 in output tax is exceeded, only the excess amount will be treated as a deemed supply. With the implementation of appropriate monitoring mechanisms, this amendment offers businesses an opportunity to reduce their output tax liability on deemed supplies.

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8	Voluntary registration	The FTA has clarified that a natural or legal persons must provide evidence demonstrating that they conduct business in the UAE and intend to make either taxable supplies or supplies outside the UAE that would be taxable if made within the UAE. This requirement applies in addition to meeting the voluntary registration threshold.	This amendment reaffirms current FTA practices, as the FTA has typically taken the approach to verify whether a person is making, or intends to make, taxable supplies or out-of-scope supplies that would be taxable if made in the UAE. This implies that if taxpayers have incurred taxable expenses exceeding the voluntary registration threshold, but there is no intention to make any supplies, then they are not eligible to voluntarily register for VAT. In order to verify this, the FTA may request and review contracts, invoices, and other relevant documents before approving voluntary VAT registrations.
14	Deregistration	The amendment has clarified that the FTA may deregister a registrant from VAT if the registrant initiated a deregistration application and saved it as "draft", but did not complete the process. In addition, the FTA reserves the right to determine the effective date of tax deregistration, which may differ from the date requested in the deregistration application or the date on which the application was submitted. Lastly, the tax deregistration does not absolve a person from complying with the provisions of the VAT legislation, including filing another tax registration application when the registration requirements are met.	Entities should carefully evaluate their deregistration requirements before initiating an application, as saving it in draft within the EmaraTax portal for an extended period may still lead to the FTA proceeding with deregistration if deemed appropriate. Furthermore, VAT obligations may continue even after deregistration, requiring entities to monitor potential VAT registration requirements and re-register if necessary.
15	Tax group deregistration and amendments	The FTA has reaffirmed its authority to remove any member from a tax group if they no longer make taxable supplies. Furthermore, the representative member of a tax group is obliged to inform the FTA when a member of the tax group is no longer eligible to remain in the group and must submit an amendment application to remove the member from the tax group.	The amendment aligns with the recent practices by the FTA, which has been sending correspondence to tax groups instructing them to remove any members that are not making taxable supplies. Therefore, tax groups, and their representative members, must regularly assess the eligibility of members to remain part of the tax group.

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16	Exception from registration	This amendment requires that taxable persons excepted from tax registration must inform the FTA within 10 business days of any business changes that could affect their eligibility for an exception from registration.	Entities that are excepted from registration must continuously evaluate and monitor their supplies and notify FTA within 10 business days if they no longer meet the exception from registration requirements.
29	Profit margin scheme	The amendment clarifies that the purchase price considered for the profit margin scheme should encompass all costs and fees incurred in acquiring the goods, including customs duties, shipping, handling, wrapping, and installation costs charged or recharged by the seller. Additionally, the FTA has highlighted that if a registrant seller has separately charged these additional costs, they should not be included in the purchase price, as the seller would issue a tax invoice. In such cases, the buyer may recover input tax based on the tax invoice issued by the registrant seller.	Businesses using the profit margin scheme should ensure that all costs and fees associated with acquiring goods are factored into the purchase price, unless such costs are separately charged by a registrant seller.
30	Zero-rating the export of goods – documentary requirements	From 15 November 2024 onwards, the following document combinations can serve as sufficient evidence of export of goods for zero-rating purposes: a) A customs declaration **and** commercial evidence proving the export of goods; b) A shipping certificate **and** official evidence proving the export of goods; and c) In case of customs suspension cases, a customs declaration proving that the goods were placed under the applicable customs suspension regime. The amended Article also clarifies which documents constitute "official evidence", "commercial evidence" and "shipping certificates". While the amended legislation gives the FTA the authority to decide not to accept the documents submitted if they do not constitute sufficient evidence of the exit of the goods from the UAE, the Public Clarification provides specific examples to illustrate when the FTA may use this discretion. This includes, where the particulars of the document are not legible or where it lacks the required details (such as details of the supplier, consignor, the nature of the goods, and similar). *(Continued on next slide)*	The Public Clarification has reaffirmed that exit certificates remain mandatory for zero-rating exports prior to 15 November 2024. Given that the absence of exit certificates is a common reason for the FTA to reject zero-rating and impose VAT at 5% during audits, taxpayers should review their historical compliance with this requirement. If these documents are unavailable, taxpayers should explore ways to mitigate potential risks. From 15 November 2024 onwards, exporters of goods will benefit from more flexible documentation requirements. However, they must retain the specific documentation combinations outlined in the legislation, as alternative forms of evidence will not be accepted by the FTA. Finally, exporters must ensure that all documents are legible and contain complete details. The FTA retains the right to reject any documentation that does not adequately demonstrate the export of goods from the UAE.

Article	Particulars	Amendment Summary	Dhruva Comments
30	Zero-rating the export of goods – documentary requirements *(cont'd)*	Importantly, the Public Clarification has confirmed that prior to 15 November 2024, the only accepted official evidence for goods leaving the country is an exit certificate issued by a local emirate's customs department.	
31	Zero-rating the export of services	The conditions for zero-rating the export of services have been amended, as follows: a) The removal of the term "personal" from the phrase "moveable personal assets", clarifying that services directly related to any moveable assets located in the UAE at the time of service cannot be zero-rated. b) The addition of the clause specifying that services considered to take place in the UAE under the place of supply rules in Articles 30(3)-(8) and 31 of the VAT Decree-Law are not eligible for zero-rating under this Article. Furthermore, the term "a month" in Clause (2) of the Article was replaced with "30 days" in Clause 2, meaning that the recipient should not be in the UAE for more than 30 days to still be considered as being outside the UAE for zero-rating purposes. In the Public Clarification, it was further clarified that the 30-day limit refers to the total number of days a non-resident recipient can be present in the UAE within a "rolling 12-month period" to still be considered as being "outside the UAE".	The revision of the term "moveable assets" resolves any ambiguity associated with the previous term "movable personal assets". As was always the understanding, the term refers to any goods, and not just "personal assets", situated in the UAE at the time the services are performed. Furthermore, performance-based and location-based services are not eligible for zero-rating under this Article where the place of supply is in the UAE. However, it should be remembered that where a supply of services cannot be zero-rated under Article 31, taxpayers should always consider whether the services may be zero-rated under some other provision. For example, while transportation services may not be zero-rated under Article 31, they might be zero-rated under Article 33 of the VAT Executive Regulations. Further, since the Public Clarification specifies that a recipient's presence in the UAE should be calculated based on a total of 30 days within the rolling 12-month period, taxpayers must monitor any presence of the recipient – l including its employees or directors, in the case of a legal entity – within this period. If the combined presence in the UAE exceeds 30 days in a 12-month period, the ability to apply zero-rating would be lost. For completeness, it should be noted that while the requirement to monitor presence over a rolling 12-month period is not explicitly stated in the VAT Executive Regulations, this appears to be the interpretation adopted by the FTA. Consequently, there may be cases where services are provided over a period exceeding one year with multiple dates of supply, resulting in some payments qualifying for zero-rating while others do not. *(Continued on next slide)*

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<tr><th>Article</th><th>Particulars</th><th>Amendment Summary</th><th>Dhruva Comments</th></tr>
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<td>31</td>
<td>Zero-rating the export of services (cont'd)</td>
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Overall, this amendment and the clarification may have a significant impact for supplies made to large international customers and may potentially limit the ability to zero-rate exports of services.
The table below provides a summary of the intended application of Article 31(2). However, businesses should carefully assess the application of the rules on a case-by-case basis, as factors such as the length of the agreement, installment payments, and other similar considerations may impact the outcome.
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<tr><th>Length of presence in the UAE</th><th>Whether presence in the UAE is effectively connected with the supply</th><th>Potential VAT treatment*</th></tr>
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<tr><td>Less than 30 days</td><td>No</td><td>0% VAT</td></tr>
<tr><td>Less than 30 days</td><td>Yes</td><td>5% VAT</td></tr>
<tr><td>30 days or more</td><td>No</td><td>5% VAT</td></tr>
<tr><td>30 days or more</td><td>Yes</td><td>5% VAT</td></tr>
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*Subject to meeting all other conditions for zero-rating
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<td>33</td>
<td>Zero-rating the international transportation services</td>
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The Article was amended to clarify that domestic transportation of goods within the UAE can only be zero-rated if it is part of an international transportation service that is provided by the same supplier. This rule applies even if such supplier subcontracts the domestic leg of the transportation service, as long as it remains contractually responsible to the client for both the domestic and international transportation of the goods.
Further, the Article was amended to clarify that zero-rating for services supplied during the supply of international transportation services is restricted to services that are supplied to the recipient of such transportation services.
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The application of zero-rating on domestic transportation services as part of an overall international transportation service provided by the same supplier has been a long-standing position applied by the FTA in its private clarifications and audit assessments.
The amendment and the Public Clarification re-affirms this position. It is, therefore, recommended that taxpayers consider reviewing their existing contracts to assess the implications of this amendment.
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34	Zero-rating the qualifying means of transport	In relation to ships, boats or floating structures, the amendment to the Article clarifies that their supply or importation will be zero-rated only if they are specifically designed or adapted for the commercial transportation of passengers or goods. Consequently, if a ship is used for commercial purposes but its primary function is not transporting passengers or goods, it will not qualify for zero-rating under this Article.. For example, vessels used for commercial fishing, drilling ships, or dredgers serve commercial purposes but are not intended for transportation of passengers or goods. Hence, the supply or importation of these vessels does not qualify for zero-rating under this Article.	While this amendment to the Regulations aligns it with the existing provisions of the VAT Decree-Law, these principles have often been overlooked by businesses. Therefore, this amendment is a welcome clarification of the existing rules and removes the ambiguity around zero-rating of the supply or importation of marine vessels.
35	Zero-rating the goods and services in connection with means of transport	The amendment has specified that zero-rating applies to services of repairing or maintaining a qualifying means of transport (as outlined in Article 34) as long as these services are performed on board the transport itself. Further, conversion services on a qualifying means of transport can be zero-rated where the means of transport still remains a qualifying means of transport after the conversion. For example, as stated in the Public Clarification, cleaning a hangar would not qualify for zero-rating, as it is not a service directly connected to the means of transport – even if it might be required for proper maintenance of a qualifying aircraft.	Many businesses have previously taken a broad interpretation of the Article, treating all services related to operating, repairing, maintaining, or converting a qualifying means of transport as zero-rated, even when these services were not performed on board. The recent amendments have narrowed the scope of zero-rating for such services. Taxpayers must now apply zero-rating more strictly and cannot assume that all services related to a qualifying means of transport automatically qualify.
37	Residential buildings	The amendments reconfirm that a hotel apartment, a serviced apartment, or the like, are not regarded as residential building. Consequently, its supply do not qualify for exemption but is subject to 5% VAT if supplied by a taxable person.	Although "hotels" and "serviced apartments" have always been excluded from the definition of a residential building under the VAT legislation, the amendments now explicitly excludes hotel apartments, serviced apartments and the like to remove any ambiguity for taxpayers. Unfortunately, the Public Clarification does not explicitly clarify whether this exclusion is determined solely by the apartment's classification by the relevant land department or if taxpayers must still assess whether additional services are provided along with the accommodation.

Article	Particulars	Amendment Summary	Dhruva Comments
41	Zero-rating of healthcare services	The amendment confirms that both the supply and import of the concerned goods, such as pharmaceutical products, medical equipment and any other goods that are supplied in the course of supplying a zero-rated healthcare service, may qualify for zero-rating.	While the regulations was previously silent on whether zero-rating also applies to the import of the specified goods, this amendment is only an application of the existing provisions of the VAT Decree-Law. This amendment removes any ambiguity by explicitly confirming that both the supply and import of the specified goods qualify for zero-rating.
42	Fund management services	Management of investment funds by an independent fund manager to funds licensed by the relevant UAE competent authority will be treated as an exempt financial service. The Public Clarification confirmed that where the conditions for exemption of fund management services are not met (i.e., if the fund is not licensed by a competent authority in the UAE), such services will be treated as taxable at 5%. Further, the Public Clarification emphasized that fund managers should assess their VAT registration status and determine whether they remain eligible for registration or need to apply for deregistration.	The amendments to Article 42 of the VAT Executive Regulations reverse the previous position that services related to the management of investment funds should be treated as standard-rated supplies. Effective 15 November 2024, fund management services provided to funds licensed by a competent authority in the UAE will be classified as exempt financial services. *a) On licensing requirements* - Unfortunately, the Public Clarification does not provide further clarity on the types of licenses that meet the criteria of being "licensed by a competent authority in the UAE." While the answer is often straightforward, in borderline cases, it may be necessary to approach the FTA for confirmation on specific licenses. *b) On transitional rules* - The Public Clarification does not provide guidance on the transitional application of the exemption for fund management services—for example, in cases of advance invoicing or payment for services performed after 15 November 2024. As such, taxpayers should carefully assess the nature of services and billing arrangements to determine whether they can issue a tax credit for services performed after this date.

Article	Particulars	Amendment Summary	Dhruva Comments
42	Virtual assets	Effective retrospectively from 1 January 2018, the transfer and conversion of virtual assets, such as trading cryptocurrencies on an exchange, is an exempt financial service. Effective retrospectively from 15 November 2024, the service of keeping and managing virtual assets is also classified as a financial service. Where the services are provided for an explicit fee, commission or similar charge, the services will be taxable; otherwise, they will be exempt. As discussed above in relation to the definition of "virtual assets", digital representation of fiat currency (such as UAE Dirhams) would not be considered as virtual assets for VAT purposes.	The retrospective application of the exemption for the transfer and conversion of virtual assets may have significant ramifications for businesses, given the lack of clarity before the amendment. As a result, businesses should assess the impact of these changes and determine whether voluntary disclosures or credit notes may be necessary. It is essential to note that businesses using cryptocurrencies as a payment for goods or services (in-kind consideration), may have to treat such transfer as an exempt supply. Consequently, this would impact the eligibility of such payers to recover input tax on related expenses. In respect of the definition of "virtual asset", since the digital representation of fiat currency does not fall within the definition, CBDCs should not be considered a virtual asset. However, the question still remains whether stablecoins would qualify as virtual assets for VAT purposes. While stablecoins are designed to maintain a stable value by pegging to stable assets such as fiat currencies, they are not, strictly speaking, digital representations of fiat currency. Therefore, stablecoins are likely to be classified as virtual assets for VAT purposes.
46	Single composite supplies with no principal component	The legislation was amended to clarify that where a single composite supply is made which does not contain a principal component, the tax treatment is based on the general nature of the supply as a whole.	Prior to the amendment, this Article focused on the VAT treatment of single composite supplies with a principal component, where the tax treatment followed that of the principal component. However, it did not account for situations involving two or more closely related elements without a principal component. The revised provision now addresses this point by requiring suppliers to evaluate the overall nature of the supply. This amendment may be relevant for taxpayers who are engaged in providing service and/or goods as a package, such as tourism packages, event packages, and medical service packages.

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52	Input tax recovery in respect of exempt supplies	The amendment to this Article, which replaces the word "or "with "and", is intended to align it with Article 31(2) of the VAT Executive Regulations. As a result, a person is considered to be outside the UAE if their presence in the UAE is for less than one month and the person is not effectively connected to the supply of services.	This does not introduce any change in the tax treatment but rather serves to align the provisions for determining whether a non-resident person has presence in the UAE.
53(1)(c)	Recoverability of input tax on health insurance	The Public Clarification clarifies that the amendment allows employers to recover VAT on health insurance for employees and their families, whether provided voluntarily or by legal obligation, directly or through an insurer. Such recoverability is limited to a husband, one wife, and up to three children younger than 18 years. Further, the FTA clarified that this amendment is applicable only for VAT on health insurance premiums pertaining to the period from 15 November 2024. For example, if the employer paid health insurance premiums in January 2024 in respect of the full calendar year, only the VAT incurred on the portion relating to the period 15 November to 31 December 2024 may be recovered to the extent the employer incurs these costs to make taxable supplies, and provided the relevant supporting documents are retained.	This positive amendment allows employers to recover VAT on health insurance provided to both employees and their dependents. Given that the Public Clarification confirms that VAT recovery is permitted for health insurance, regardless of whether there is a legal obligation to provide it, this suggests that the same rule applies to health insurance provided to Emirati employees. Taxpayers should review the transitional application of this amendment, as only a proportionate amount can be recovered under this provision for health insurance covering periods from 15 November 2024.

Article	Particulars	Amendment Summary	Dhruva Comments
55	Apportionment of input tax	The Public Clarification provides important insights into some of the amendments related to input tax apportionment. Notably, due to the changes to the wording of the standard method formula provision, there was initial uncertainty regarding how the FTA would apply the formula. The Public Clarification clarified, however, that the calculations remain unchanged and that the Input Tax Apportionment VAT Guide ('VATGIT1') should still be used when performing input tax apportionment under the standard method. The Public Clarification also addresses special cases for ending a tax year, such as when a taxpayer deregisters, and joins or leaves a tax group. Specifically, the AED 250,000 threshold for determining whether an actual use adjustment is required should be pro-rated if the tax year is shorter than 12 months. Finally, the Public Clarification also addresses the basis for application of the specified recovery percentage: a) If there is an approved special apportionment method - the specified recovery percentage should be the preceding tax year's calculated recovery rate based on the relevant special method. b) If a special apportionment method is applicable, however, the taxable person has not applied such method - the application should be for a specified recovery percentage based on the relevant special method. c) If none of the special apportionment methods is applicable - the specified recovery percentage is the preceding tax year's calculated recovery rate-based rate based on the standard apportionment method. It is important to note that the use of specified recovery percentage once approved by the FTA will be valid for 4 years.	Many have interpreted the amendment of the term "sum of input tax for the tax period" in the standard method formula provision as a potential change in the formula for input tax apportionment. Specifically, it was questioned whether the denominator should include all input tax incurred, including input tax on residual expenses and blocked expenses. However, based on the clarification from the FTA, there is no change in the input tax apportionment formula. Thus, the residual expenses and blocked expenses would not be factored as part of the denominator. As a result, taxpayers who have taken a conservative approach from 15 November 2024 may have to submit disclosures in order to claim the remaining input VAT. On a separate note, the FTA has introduced an option to use a specified recovery percentages which may help streamline the input tax apportionment process for taxpayers. This specified recovery percentage remains valid for up to four years, whereas an approved use of a sectoral method is only valid for two years. The extended validity period for the specified recovery percentage, compared to the sectoral method, simplifies compliance processes for businesses. However, it is important to highlight that although there is an approved specified recovery percentage, the taxpayer would still be required to perform an actual use calculation following the end of the tax year.

Article	Particulars	Amendment Summary	Dhruva Comments
59	Tax invoices	The Public Clarification clarifies that in circumstances where reverse charge mechanism applies (i.e., imports of goods and services), the recipient is required to issue full tax invoices in accordance with Article 59(1) of the Executive Regulation, unless an administrative exception has been approved by the FTA.	The FTA has expressly confirmed that, in the case of imports, the recipient is required to issue full tax invoices to itself. This requirement was first publicly communicated by the FTA in 2024 in its Public Clarification on SWIFT Messages (VATP036). It should be noted that this requirement applies to all prior periods and that the FTA auditors have started asking for such self-issued tax invoices during VAT audits. As a consequence, businesses should consider steps that they can take to comply with the requirement. Taxpayers with high volume of import transactions should evaluate whether it would be beneficial to apply to the FTA for an administrative exception from the requirement for issuing self-issued tax invoices for imports.
60	Tax credit notes	Where a person issues multiple tax credit notes in respect of the same tax invoice, the "value of supply shown on the tax invoice" in each subsequent credit note should be the adjusted value according to the previous tax credit note.	Businesses must consider the new requirements to ensure that tax credit notes remain valid.
69	Foreign governments	While the conditions for foreign government refunds remain largely unchanged, the amendment introduces a 36-month time limit for officials to submit their claims, unless an alternative period is specified in an international treaty or agreement in force in the UAE.	The amendment streamlined the VAT repayment process for diplomatic and international entities by restructuring provisions and introducing a 36-month time limit for claim submissions. This ensures regulatory certainty and timely processing in force in the UAE. This amendment aligns with international VAT principles, as many other countries typically allow a period of 12 to 36 months to claim a VAT refund on the expenses incurred in that country.

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Conclusion

The FTA, through VATP040, has offered detailed clarifications and practical examples that serve as essential guidance for understanding and implementing the recent amendments to the VAT Executive Regulations. These insights help businesses and taxpayers navigate the changes effectively, ensuring compliance and reducing uncertainty in the application of the amended tax provisions.

Meanwhile, as some uncertainties remain, taxpayers should carefully evaluate these ambiguities and conduct a thorough assessment to determine their potential impact.

Businesses are encouraged to reach out to us for guidance on navigating these changes and ensuring compliance with the new requirements.

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