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# 0% VAT ON EXPORT OF GOODS

Important considerations for UAE Exporters





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# EXPORT OF GOODS



## VAT on Export of Goods

The purpose of this publication is to explain when exporters are eligible to charge a zero-rated VAT on export of goods from the UAE.

Reference to the UAE VAT regulations, export of goods from the UAE may be eligible for a zero-rated VAT if certain criteria are met. The conditions for zero-rating slightly vary between direct and indirect types of exports.

*Where the conditions for zero-rating are not met, including exit certificate, the exporter should account for VAT at the rate that would have been due on the supply if it was made locally in the UAE. i.e. 5% for standard rated supplies.*

## Export of Services

It is worth mentioning that the zero-rating on export of services has different rules from export of goods, and is not covered herein.



# DIRECT EXPORT

## Direct export

Direct export is where the supplier, or its appointed agent, is responsible for arranging the transport of goods from the UAE.

In the case of direct export, the supply may be eligible for zero-rated VAT if the following conditions are met:

- The goods are physically exported outside the UAE or are put into a customs suspension regime in accordance with GCC Common Customs Law within 90 days of the date of the supply.
- Official and commercial evidence of export or customs suspension is retained by the exporter (including exit certificate and customs inspection)

# INDIRECT EXPORT



## Indirect export

Indirect export is where the “overseas customer”, or its appointed agent, is responsible for arranging the collection of the goods from the supplier in the UAE and then exporting the goods.

“Overseas Customer” is defined as a recipient of goods who does not have a place of establishment or fixed establishment in the UAE, does not reside in the UAE, and does not have a Tax Registration Number (“TRN”).

in this case the export may be eligible for zero-rated VAT if the following conditions are met:

- The goods are physically exported outside the UAE or are put into a customs suspension regime in accordance with GCC Common Customs Law within 90 days of the date of the supply under an arrangement agreed by the supplier and the overseas customer at or before the date of supply.
- The overseas customer obtains official and commercial evidence of export or customs suspension in accordance with GCC Common Customs Law and provides the supplier with a copy of this.
- The goods are not used or altered in the time between supply and export or customs suspension, except to the extent necessary to prepare the goods for export or customs suspension.
- The goods do not leave the UAE in the possession of a passenger or crew member of an aircraft or ship.



# COMMERCIAL EVIDENCE

A common condition for VAT zero-rating of exports is to obtain official and commercial evidence of export. The purpose of the official and commercial evidence of export is to ensure that there is sufficient proof that the transaction has taken place and the goods have actually left the UAE.

## Commercial evidence

Commercial evidence provides proof of the transportation of the goods to outside the UAE. Acceptable commercial evidence includes **any** of the following:

- Airway bill
- Bill of lading
- Consignment notes
- Certificate of shipments.

Both official and commercial evidence of export must identify the following:

- The supplier;
- The consignor;
- The goods;
- The value of the goods;
- The export destination; and
- The mode of transport and route of the export movement.



# OFFICIAL EVIDENCE

## Official evidence

These are export documents issued by the local Emirate Customs Department confirming the exit of goods, in most Emirates, these are exit certificate or a similar document evidencing the export.

## Exit certificate and customs inspection:

**In practice**, it has been observed that where a business is subject to tax audit or compliance check or applying for a VAT refund, the UAE Federal Tax Authority (FTA) normally requests **exit certificate** as an official proof of the export of goods.

In the absence of exit certificate, the FTA rejects the application of zero-rate and considers it as an incorrect tax treatment.

On this premise, it is highly recommended that businesses obtain and retain exit certificates for all exports to which they apply zero rate. Failure to do so, will expose the business to risk of noncompliance including rejection of VAT refunds applications, late payment penalties, and imposition to pay 5% VAT on all reported exports without exit certificates which would be considered as not eligible for zero rating.



# VAT RATES

## VAT rates

Export of goods from the UAE will be subject to either of the following VAT rates:

- **0%** If all exports conditions are met, including exit certificates.
- **5%** if any of the exports conditions are not met.



*Where the conditions for zero-rating are not met, including exit certificate, the exporter should account for VAT at the rate that would have been due on the supply if it was made locally in the UAE. i.e. 5% for standard rated supplies.*



## Administrative Exception

If the export evidence mentioned herein cannot be obtained, UAE businesses may apply to the FTA for an Administrative Exception to use alternative form of export evidence.

Applicants must provide convincing reasons and circumstances for requesting an approval to allow the use of an alternative evidence, with a documentary proof to support the factual and legal grounds on which the request is based.



# ABOUT US

## Audiix

We are a business consultancy and FTA authorized Tax Agency we help UAE's businesses with accounting, tax, and CFO services in scalable packages.

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