

VAT Public Clarification – Importation of goods by agents on behalf of VAT registered persons

Introduction

The Federal Tax Authority ('FTA') has recently issued a Public Clarification (VATP012) on importation of goods by agents on behalf of VAT registered persons.

This clarification covers following scenarios:

- Import of goods by an agent on behalf of registered owner of the goods and;
- Import of goods by the customer (i.e. by buyer on behalf of the registered owner of goods).

As the agent / customer would be the importer on record, the transaction would have been prepopulated in Box 6 (i.e. VAT payable on import of goods into UAE) of the VAT return. However, as the agent / customer is not the registered owner of the goods and therefore input tax under reverse charge mechanism cannot be recovered under Box 10 of the VAT return.

This clarification provides for following (discussed in detail below):

- Necessary adjustments to be undertaken in the VAT return by the agent / customer and the registered owner of the goods
- Documents to be maintained / issued by the agent of the registered owner of goods



Option	Treatment	Conditions
1	<ul style="list-style-type: none">- A VAT registered <u>importing agent</u> would be required to make a negative adjustment in Box 7 of the VAT return to nullify the value of goods imported as transaction would appear in Box 6 of the VAT return- <u>A registered owner</u> would be required to make a positive adjustment in Box 7 of the VAT return to include the value of goods imported- <u>The registered owner would be eligible to recover Input VAT</u> on such import of goods under Box 10 of the VAT return (subject to reverse charge provisions)	<p>The registered owner and the importing agent must agree in writing to make the adjustments in the VAT return and should retain said written agreement along with customs documentation and any other required records</p>
2	<ul style="list-style-type: none">- The importing agent would pay VAT on import of goods (pre-populated at Box 6 of the VAT return) and issue a statement to the registered owner which shall be considered as a Tax invoice.- Basis the said statement, the registered owner can recover input tax and report under Box 9 of the VAT return.	<p>As per Article 50(7) of UAE VAT Regulations, the statement issued by the importing agent must, at a minimum, contain the following details:</p> <ol style="list-style-type: none">a. The name, address, and Tax Registration Number of the agent.b. The date upon which the statement is issued.c. The date of Import of the relevant goods.d. A description of the imported goods.e. The amount of tax paid by the agent to the authority in respect of the imported goods.

Comments

This public clarification provides much needed guidance to the registered owner of goods and importing agent with regard to payment of VAT, input tax recovery and reporting in the VAT returns.

However, there are certain aspects that continue to remain ambiguous (*for e.g. if the title of the goods passes outside UAE to the customer; If the title of the goods passes in UAE to the customer etc.*) and need more clarity from payment of VAT and recovery of input tax perspective. The position in relation to these transactions may evolve in future.



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