



## UPDATES ON THE REVERSE CHARGE APPLICATION FOR ELECTRONIC DEVICES

On 25th August 2023, The UAE's Ministry of Finance (MOF) issued Cabinet Resolution No. (91) of 2023 regarding the application of the Reverse Charge Mechanism (RCM) on electronic devices for VAT purposes.

This decision is intended towards the VAT registrants dealing in:

- Mobile phones
- Smart phones
- Computers
- Tablets
- Parts related to the above devices

This decision shall come into force after 60 days from the date of publication in the Official Gazette.

*\*A Separate Cabinet Resolution shall be issued in the Future for determining the parts and pieces related to this decision.*

## What is the new Reverse Charge law relating to Electronic Devices?

The below application of the RCM shall be applied on the supply of Electronic Devices ( mentioned above):

### ➤ Supplier supplies to Registered Customer's and Customer intends to Resell or uses them to Produce / Manufacture Electronic devices.

- The obligation to calculate and the pay the Tax related to the supply of electronic devices shall be with the Registered Customer through their Tax return.
- The supplier shall not calculate the tax related to the supply and will exclude these transactions from their Tax returns.

*\*The above law will not be applied if the related goods are subject to the Zero-rate tax as per the VAT law.*

### ➤ Conditions for the RCM application for supplies for Electronic Devices

The suppliers and customer must agree to the below requirements in order to apply the RCM rule mentioned above before the Date of supply of such goods:

- Customer must provide suppliers with a written statement / declaration that they are registered for VAT and state the intention to use the goods for Reselling or Use the Goods for Production / Manufacturing purposes.
- Suppliers must ensure that the Customer is registered for VAT and the written statements / declarations are received from them.

### ➤ Important detail

If the Recipients are unable to provide the written statements / declarations to the suppliers as mentioned above, the supplies will not be considered to be used for the purpose of resell or use them in producing or manufacturing Electronic Devices.

Hence, the Input VAT paid on such supplies is considered Non-Recoverable by the Recipient as the supplies are not intended to be used for the purpose of making supplies as mentioned in para (a) and (b) of Clause 1, Article 54 of the Federal decree-law.

The supplies referred to are as mentioned below:

- Taxable supplies.
- Supplies that are made outside UAE which would have been taxable if made in UAE.

[Click here to read the official announcement](#)

## "Reach out and let's connect!"



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