



On 2nd December 2023, The UAE's Federal Tax Authority (FTA) issued VAT public clarification **VATP0035** regarding the Ministerial Decision No. 262 of 2023 that was issued on the Criteria to be followed in the Determination of Parts and Pieces of Electronic Devices.

The pieces and parts will be considered related to Electronic Devices if they meet one or more of the three criteria and do not fall within the exceptions stated in Article 3(2) of Ministerial Decision No. 262 as mentioned below:

- Parts and Pieces that enhance the functionality of the device but are not necessary.
- SIM Cards and other external smart cards.

The below mentioned criteria are to be treated separately from each other. There is a possibility that a part or piece does not fall under one criteria but meets another criteria because of its characteristics.

CRITERIA

1.The parts and pieces are normally used in the manufacturing or production and necessary for the normal operation.

This criteria applies to all parts and pieces that are used in the manufacturing or production of mobile phones, smart phones, computer phones and also required to be necessary for the normal operation of the devices. The parts and pieces falling in this criteria are:

- Coils, capacitors, couplers, diodes, regulators, resistors, transistors, microchips and other such pieces and parts of smart phones, mobile phones and tablets
- The criterion would also be met by, for example, for accelerometers, heart rate monitors, gyroscopes processors, etc. built into smart watches that are an extension of a smart phone or mobile phone or that can connect independently and directly to cellular networks.

2.Parts and Pieces that are not normally used for the manufacturing or production of Electronic Devices but are normally necessary for the normal operation of Electronic Devices. Parts and pieces falling in this criteria are:

- External monitors, mice and keyboards for desktop computers, chargers (wired or wireless) would be further examples of pieces and parts meeting this second criterion since they are necessary for the normal operation of such Electronic Devices

3.Replacement Pieces and Parts that are a replacement for any of the goods that meet either of the first two criteria. For example:

- As mentioned above, coils, capacitors, couplers, diodes, regulators, resistors, transistors, microchips and other such pieces and parts of smart phones, mobile phones and tablets that meet criteria one are classified as "replacement parts" when separately supplied by a Registrant to another Registrant, who intends to resell these.

Exclusions

Parts and pieces that are considered to enhance the functionality of the Electronic devices but are not necessary for the operation fall outside the scope of "Parts and Pieces" related to Electronic Devices, such devices are:

- external speakers, phone cases and covers, a keyboard with device cover combination for a tablet, headphones and earphones, screen protectors, selfie sticks, device holders, power adapters, pencils for tablets, projectors, USB sticks, dongles, etc.
- External input devices, such as computer mice, external output devices, such as monitors and printers and secondary storage devices, such as external hard disks do not fall under the first criterion, since they are not normally used in the manufacturing or production of the Electronic Devices.
- This would also apply to crystals or gold leaves applied on certain smart phones during the manufacturing process or jewelry elements applied to Smart Watches

[Click here to read the official public clarification](#)

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