

08 February 2024

Input Tax Recovery VAT Public Clarification – **SWIFT Messages**

On 5th February 2024, The Federal Tax Authority (FTA) published VAT Public Clarification VATP036 on the Input Tax Recovery for Banks and exchange houses (Financial Institutions) on the international bank charges incurred from banking institutions outside the UAE provided that such costs are incurred to make taxable supplies and relevant supporting documentation is obtained and retained.

This public clarifications provides guidance to financial institutions who incur international bank charges which are usually evidenced through SWIFT messages. It is also important to note the taxpayer may only recover the Input VAT on such international bank charges that are incurred for the purpose of making taxable supplies.

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Highlights of the Public Clarification

1. VAT Application (Recipient of the Concerned services)

The Recipient of the Concerned services is considered to be the taxpayer (Financial Institution) itself as the taxpayer is receiving such services from a non-resident bank and therefore will be regarded as making taxable supplies to themselves and shall be responsible for the VAT obligations and accounting for the due tax.

Such cases of supply will be considered as Import of concerned services where the concerned services relates to the International bank charges from non-resident banks.

2. Issuance of Tax Invoices

A financial institution will be required to issue a tax invoice to itself as it is considered the recipient of the supply in respect of each SWIFT transaction for which the interbank charges apply.

As an exception to the above statement, due the volumes of SWIFT messages UAE financial institutions receive on a daily basis it would be impractical to raise a Tax Invoice for each transaction for which it incur bank charges.

Thus, a taxpayer will not be required to issue a tax invoice for such transactions provided there will be sufficient records available to establish particulars of any supply or class of supplies. The required details to be mentioned in the SWIFT messages are as follows:

- Name and address of the non-resident bank (SWIFT sender/supplier).
- Name of the UAE financial institution receiving the service (SWIFT receiver/customer)
- Date of the transaction.
- SWIFT message reference number
- Transaction reference number.
- Description of the transaction.
- Consideration charged and currency used.

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3. Input Tax Recovery

The Input tax on such transactions may be recovered if such costs was incurred with the purpose of making taxable supplies.

The Input Tax may be recovered in the current or subsequent Tax return in which the financial institution:

- obtained the relevant supporting documentation; and
- made the payment or intends to make the payment within 6 months from the agreed date of payment.

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

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