

# Tax Newsletter

## UAE VAT Public clarification on bad debt relief adjustment

FTA has published public clarification (VAT P024) on bad debt relief adjustment.

### Some of the key highlights of VATP024 are as follows:

- If a supplier does not receive payment from customer, supplier may adjust the Output vat on the bad debt subject to certain conditions. Following four conditions must be met:
  - » VAT charged and accounted for (to FTA via tax returns) on the supply
  - » Consideration should have been written off in full or part
  - » More than 6 months should have passed from the date of supply
  - » Supplier should have notified the customer that amount has been written off
- Bad debt relief can only be taken to the extent of consideration written off in the accounts
- During the period of 6 months, FTA considers that supplier should engage with customer to recover the debt
- The notification to the customer for the write-off must include:
  - » Invoice number
  - » Date of invoice which has not been paid
  - » Amount of consideration which has been written off
- FTA considers the requirement of notifying a customer will be satisfied where a supplier sends a letter, email, post, or any other similar communication to the customer stating the amount

## IN THIS EDITION

- UAE VAT Public clarification on bad debt relief adjustment
- UAE VAT Bulletin for Artists and Social media influencers
- Oman Vat Executive Regulations – Key Highlights

of consideration that has been written off.

- It is not necessary to have acknowledgment from the customer however evidence of providing notification must be retained
- Adjustment on account of bad debt relief should be made in the "Adjustment column" of Box
- 1 of the VAT Return and adjustment amount should be the VAT amount only



## UAE VAT Bulletin for Artists and Social media influencers

FTA has published a Tax information bulletin, which clarifies VAT implication of supplies provided by artists and social media influencers.

### Bulletin is relating to supplies made by:

- **Artists** - Individuals who make supplies in their personal capacity as performers, singers, dancers, stage artists, make-up artists, DJs, poets, song writers or any other individuals carrying out other activities.
- **Social Media Influencers (SMIs)** - Individuals who provide their services using social media to promote products and services such as bloggers, YouTube hosts, etc.

### Some of the key highlights of the tax bulletin are as follows:

- Services provided by SMIs are subject to VAT such as promoting a product in a blog/video/social media post,

providing access to SMI's network on social media, physical appearances etc.

- Artists/SMIs need to pay attention on reimbursement of cost from client as this would also fall within VAT scope
- UAE Artists and SMIs who make taxable supplies are required to register for VAT, provided the value of their taxable supplies and imports in the last 12 months exceeded AED 375,000 or is expected to exceed in the next 30 days.
- No registration threshold for non-resident artists and SMIs with place of supply in UAE and no other person obligated to account for VAT on such supplies (e.g. services provided to non-vat registered recipients in UAE)
- Artists and SMIs should keep into consideration the VAT implications of any barter arrangements e.g. if the artist receives goods in return for their services, goods are treated as consideration for

the services. Further, if no consideration is charges for the services, deemed supply provisions will need to be looked at.

- Intermediary between Artist/SMI and clients - In case of agent acting in name and on behalf of Artist/SMI, Artist/SMI would need to account for VAT on amount charged to the client and the agent will account for VAT on the commission charged to the Artist/SMI. However, in case of agents who act in their own name and contract with the client, Artist/SMI would need to account for VAT on the amount charged to the agent and agent would account for VAT on amount charged to client.
- FTA has clarified in the bulletin that if a UAE Artist/SMI has contract with a UAE based company to provide advertising services, this would attract 5% VAT even if the advertising service is performed outside UAE.



## Oman Vat Executive Regulations – Key Highlights

Oman tax authority issued the Executive regulations via Ministerial decision 53/2021 on 10th March 2021

**Some of the key highlights of the Executive regulations are as follows:**

### A. Details of some Zero-rated supplies:

- Investment gold, silver and platinum will be zero-rated if:
  - » They are of not less than 99% purity; and
  - » Tradeable in global bullion markets

Further, tax shall be at zero-rate on first supply after extraction of investment gold, silver and platinum.
- Supply of crude oil, oil derivatives and natural gas will be zero-rated if:
  - » Its related to primary and intermediate activities of the supply chain e.g. stage of exploration, development, production, transportation, storage and related services. It does not include final activities like refining, marketing, manufacturing and distribution stages to final consumer
  - » Both supplier and customer are taxable
  - » Supplier and customer should be registered and licensed with Ministry of energy and minerals
  - » Customer received supplies for carrying out primary and intermediate activities
  - » Supplies should not be related to:
    - ❖ supplies excluded for input tax deduction
    - ❖ restaurants, hotels, artistic, cultural, sports, educational and entertainment services
    - ❖ exempt services as defined in VAT law
- For export of goods to be zero-rated, following conditions need to be satisfied:
  - » Goods are actually exported out within a period not more than 90 days from date of supply
  - » Goods are not consumed, or changed or used in any way before actual date of export
  - » Proper official documents for proving export will need to be kept in addition to the commercial documents

### B. Details of some Exempt supplies:

#### Financial services

- Financial services provided by banks and financials institutions licensed by Central bank of Oman or any other competent authority, shall be exempt. However, if the consideration is towards a fee, commission or commercial deduction, then

it will be standard rated. This implies that margin based financial services such interest on loan etc. would fall under exempt category.

- Life-insurance services have also been included in list of tax exempted financial services

#### Healthcare services

- Following healthcare services are exempt:
  - » General medicine services
  - » Medical specialty services
  - » Dental services and laboratory work
  - » Psychiatric services
  - » Physical therapy services
  - » Nursing services in hospitals, nursing homes or similar licensed institutions
  - » Legal midwifery services
  - » Diagnosis and treatment of diseases and individuals
  - » Service of surgical, reconstructive and cosmetic surgeries
- **Healthcare related goods or services** also exempt:
  - » Transporting the sick and wounded in ambulances equipped for such purposes
  - » Provisions of residence, food and drinks.
  - » Operation room expenses
  - » Medicines and Medical Supplies
- **Below supply of commercial nature is not exempt and will be subject to 5% VAT:**
  - » Supply of food or drinks to visitors
  - » Parking for visitors
  - » Other activities which are not included in the medical treatment e.g. tv rental or telephone calls

#### Educational services

- Educational services will be exempt if:
  - » Supplied by educational institutions licensed by competent authority
  - » The courses provided are as per approved school curriculum
- Exemption shall include below education services:
  - » Education in Pre-primary and kindergarten stages.
  - » Education in all stages.
  - » Higher education.
  - » Vocational and technical education (theoretical or practical education to qualify persons to practice a profession or a craft).



- » Adult education for adults who did not attend formal schools.
- » Education for people with special needs, including the blind, deaf and dumb.
- » Teaching languages.
- » Vocational institutes.
- **Education related goods or services** will be exempt if:
  - » Provided by or through licensed educational institutions
  - » Provided only to students; and
  - » Complement the education service

Such related goods or services include:

- » Provision of residence, food and drinks
- » Organizing cultural, educational, or professional activities or seminars.
- » Organizing trips, provided that these trips are related to a specific curriculum.
- » The supply of educational materials provided these materials are related to a specific curriculum.
- » Supply of the transport of students.
- » Supply of school uniforms.

### Residential properties

Resale of residential properties will be exempt, however residential properties will not include below:

- » building that is used as a hotel, tourist compound, industrial compound, commercial compounds, bed and breakfast establishment, hospital and all similar buildings.
- » hotel apartment.
- » structure that is not fixed to the ground and can be moved without damage.

### C. Deemed supply – FOC supplies or samples:

Following will not be considered as deemed supply for VAT purposes, if:

- » gifts or samples are provided to promote sale of product without being finally consumed (unless final consumption essential for promotion of such product)
- » Value shall not exceed OMR 50 (excluding tax) per recipient per year

- » Total value of all gifts or free samples given to all recipients in a year shall not exceed OMR 1,000 (excluding tax)

### D. Particulars of Tax invoice:

- » Term "Tax Invoice".
- » Date of issuance of the Tax Invoice, date of supply, and date of payment
- » Sequential number of the Tax Invoice
- » Supplier's full name, address and Tax Identification Number
- » Customer's full name, address and Tax identification number
- » Description of goods and services
- » Quantity of goods
- » Payment date of advance payment, if any
- » Total consideration excluding Tax
- » Applied Tax rate.
- » Any price discounts, or reductions granted, or any subsidies that were not included in the value of the consideration excluding Tax.
- » Taxable value
- » Value of the Tax due

### E. VAT Return filing

VAT return will be filed for quarterly tax periods (Jan to Mar, Apr to June, July to Sept and Oct to Dec) and first tax period will be from the effective date of registration until end of tax period.

VAT return will be submitted through the online portal and will include following details:

- » General details for the taxable person
- » Tax Identification Number of the Taxable Person.
- » Tax Period for which the return is submitted.
- » The value of taxable and exempt supplies.
- » The value of imported goods.
- » The value of the output tax during the tax period for which the return is prepared, and the value of the input tax claimed for deduction.
- » The value of the tax due during the tax reporting period.
- » Any other details determined by the Authority.

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