

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 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

If you would like to discuss any VAT matters, please drop us an email at info@premier-brains.com or call us at + 971 4 3542959.

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