



BASIC TAX INFORMATION BULLETIN

Higher Education Sector



1. Who should read this flyer?

- Universities
- Higher Education institutions

2. Is VAT chargeable on all the supplies in the Higher Education Sector?

No. Certain supplies in this sector are zero-rated and some others are exempt.

a. Zero-rated supplies

The supply of education services by Universities and Higher Education institutions is zero-rated if:

- The institution is either owned by the federal or local government or receives more than 50% of its annual funding directly from the federal or local government (“qualifying institute”); and
- The curriculum and the educational institution are recognized by the competent federal or local government entity.

A qualifying institute may, subject to specific exclusions, also zero-rate the following:

- The supply of goods or services where the supply is directly related to the zero-rated educational service; and
- The supply of printed or digital reading material, which are related to the recognized curriculum.

b. Exempt supplies

Services of transporting students from home to the location of the higher education institution and vice versa are exempt.

c. Standard-rated supplies

VAT will be charged at the standard rate on the following (among others):

- Supplies made to persons who are not enrolled in the higher education institution;
- Electronic devices, food, and beverages;
- Field trips which are not directly related to the curriculum;
- Extracurricular activities provided for an additional charge;
- Supply of membership in a student organization;
- Rental of halls/auditorium;
- Courses to employees of corporates which are not in accordance with the curriculum recognized by the competent federal or local government entity; and
- Clothing required to be worn, for example laboratory coats, irrespective of whether or not supplied by the higher education institute as part of the supply of educational services.



3. Is there a need for institutions in the Higher Education Sector to register for VAT?

Higher education institutions making zero-rated and standard-rated supplies are required to register for VAT if the value of their taxable supplies and imports exceeded in the last 12 months, or is expected to exceed in the next 30 days the mandatory registration threshold of AED 375,000.

A higher education institution may voluntarily register for VAT if the value of its taxable supplies and imports or taxable expenses incurred exceeded in the last 12 months, or is anticipated to exceed in the next 30 days the voluntary registration threshold of AED 187,500.

Where a higher education institution only makes zero-rated supplies (i.e. does not make any supplies that are subject to VAT at the rate of 5%), an exception from VAT registration may be applied for via the registration application.

4. Are tax invoices required to be issued?

Yes, tax invoices are required for all standard-rated and zero-rated supplies.

Simplified tax invoices may be issued where the supply is made to an unregistered recipient or where the consideration for the supply made to a registered recipient is AED 10,000 or less.

However, as an exception, there is no need to issue a tax invoice where the supply qualifies to be wholly zero-rated and there are sufficient records to establish the particulars of the supply.





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5. Are institutions in the Higher Education Sector permitted to recover input VAT?

Yes, a higher education institution making only zero-rated and/or standard-rated supplies are eligible for a full recovery of input VAT, with the exception of blocked items such as:

- Certain entertainment services; and
- Purchased, leased or rented motor vehicles that are available for personal use.

However, where the higher education institution also renders exempt transportation services, only a portion of input VAT is recoverable.

6. Specific issues in the Higher Education Sector

a. A higher education institute offers extra-curricular activities that are wholly related to the curriculum. Is this subject to VAT?

The supply of extra-curricular activities can be zero-rated only when it is offered without any additional fee. However, where an additional fee is charged, this fee will be subject to VAT.

b. Are supplies from vending machines subject to VAT?

Yes, the supplies from vending machines are subject to VAT. The date of supply is the date on which the funds are collected from the vending machines.

c. A higher education institute offers pick-up and drop-off facility for students. Are these services subject to VAT?

No, transportation of students from home to a higher education institute and vice versa is exempt from VAT.

d. Are supplies of foods and beverages in the canteen subject to VAT? If yes, what is the treatment for vouchers?

Yes, the supply of foods and beverages in the canteen are subject to VAT. The supply of a monetary voucher for consideration up to the face value is disregarded for VAT purposes and the VAT liability crystallizes only upon redemption of the voucher.

e. A higher education institute provides field trips to its students for an extra charge, can the higher education institute zero-rate supply?

To classify a field trip as zero-rated, it should meet the following two conditions:

- The field trip is directly related to the curriculum.
- The field trip is not predominately recreational.

If the field trip does not meet both of these conditions, then it will be subject to VAT at 5%.



f. A higher education institute charges all new students an application/registration fee at the time of submitting the registration application and before they actually enrolled in the education institution, can this fee be zero-rated?

No, the application/registration fees should be standard-rated at 5% as the recipient is not considered enrolled in the higher education institute at the time of submitting the registration application.

g. What is the VAT treatment of renting the grounds and conference halls in a higher education institute?

The rental of grounds or conference halls in a higher education institute will be subject to VAT at 5%.

h. A higher education institute conducts research for external entities and charges a fee for providing such services. Are such supplies subject to VAT?

Yes, the research services conducted by a higher education institute for external entities are subject to VAT at 5%.