VATP012

VAT Public Clarification

Importation of goods by agents on behalf of VAT registered persons

Issue

Importation of goods from outside the UAE into the UAE mainland is subject to VAT. When a VAT registered person imports goods, he may, subject to certain conditions, account for VAT in the tax return ("VAT return"), rather than at the time of importation of the goods. However, when a person not registered for tax imports goods, VAT needs to be paid before the goods are released to the person.

There will be situations where a VAT registered owner of the goods may request another VAT registered person ("importing agent") to import goods on behalf of the former. This will happen when the person importing the goods is, for example, an agent of the owner of the goods, or in some cases, the customer of the owner of the goods.

In the above situations, as the VAT registered importing agent would have provided their TRN at the time of importation of the goods, the VAT amount would be automatically pre-populated in Box 6 of the VAT Return of the importing agent.
This Public Clarification discusses the adjustments that should be made in the VAT returns of the importing agent on one hand and the owner of the goods on the other hand. The Public Clarification also discusses who can recover the import VAT.

Summary
The VAT registered importing agent who acts as the importer of record would be required to make a negative adjustment in Box 7 of the VAT Return, in order to nullify the amount prepopulated in Box 6 of the VAT Return. At the same time, the VAT registered owner of the goods would be required to make a positive adjustment in Box 7 of the VAT Return to include the value of goods imported on its behalf by the importing agent.

The owner of the goods would be entitled to recover the import VAT as per its normal VAT recovery position.

Detailed discussion
When a VAT registered importing agent imports goods on behalf of a VAT registered owner, the import VAT amount would be, subject to certain conditions, automatically pre-populated into Box 6 of the VAT Return of the importing agent.

As the importing agent is not the owner of the goods at the time of importation, it is unable to recover VAT incurred on the importation. Instead,
the owner of the goods is able to recover this VAT, subject to the normal VAT recovery rules. To that purpose, the Federal Tax Authority expects certain adjustments in the VAT returns of both the importing agent and the owner of the goods.

The importing agent and the owner of the goods would be required to make adjustments in Box No. 7 of the VAT return. The importing agent would make a deduction of the value of goods imported and the owner would declare the value of goods imported.

As a consequence, the value of the imported goods will be reflected in the VAT return of the actual owner of the goods.

The owner would then be entitled to recover the import VAT (as declared in Box No. 7 of the VAT Return) in Box No. 10 of the VAT Return as per its normal VAT recovery position.

Record-keeping:

The owner and the importing agent need to agree in writing to make the adjustments stated in the preceding paragraphs. Furthermore, both parties will need to retain the evidence of this written agreement as records, in addition to any other required records, including customs documentation.

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Alternative arrangement

Where the owner and the importing agent do not wish to make the adjustments stated in the preceding paragraphs, the importing agent may issue a statement to the owner as prescribed in Article 50(7) of the Executive Regulations. The statement will be considered as a Tax invoice for the purpose of recovering input tax by the owner and can be recovered via Box 9 of the tax return.

This Public Clarification issued by the FTA is meant to clarify certain aspects related to the implementation of the Federal Law No 7 of 2017 on Tax Procedures, Federal Decree-Law No 8 of 2017 on Value Added Tax and their Executive Regulations.

This Public Clarification states the position of the FTA and neither amends nor seeks to amend any provision of the aforementioned legislation. Therefore, it is effective as of the date of implementation of the relevant legislation, unless stated otherwise.

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