

UAE VAT REAL ESTATE



INTRODUCTION



VAT is now a reality in the UAE. Everyone can at last be properly informed about the impact of VAT on their everyday lives, as well as all the various industry sectors that will be affected thereby.

The new tax in the UAE will have an impact on property prices for both purchasers and tenants, according to the UAE Ministry of Finance.

Real estate industry supports large numbers of livelihoods and delivers the necessary infrastructure, commercial and residential spaces that are crucial to the continued development of the region.

Here is how VAT will impact the real estate industry and, more specifically, lease agreements and property purchases.

➔ **As per the definition of Goods in VAT LAW, Real estate is included in the goods.**

➔ **Record Keeping:** Any records related to a real estate required to be kept shall be held for a period of 15 years after the end of the Tax Period to which they relate.

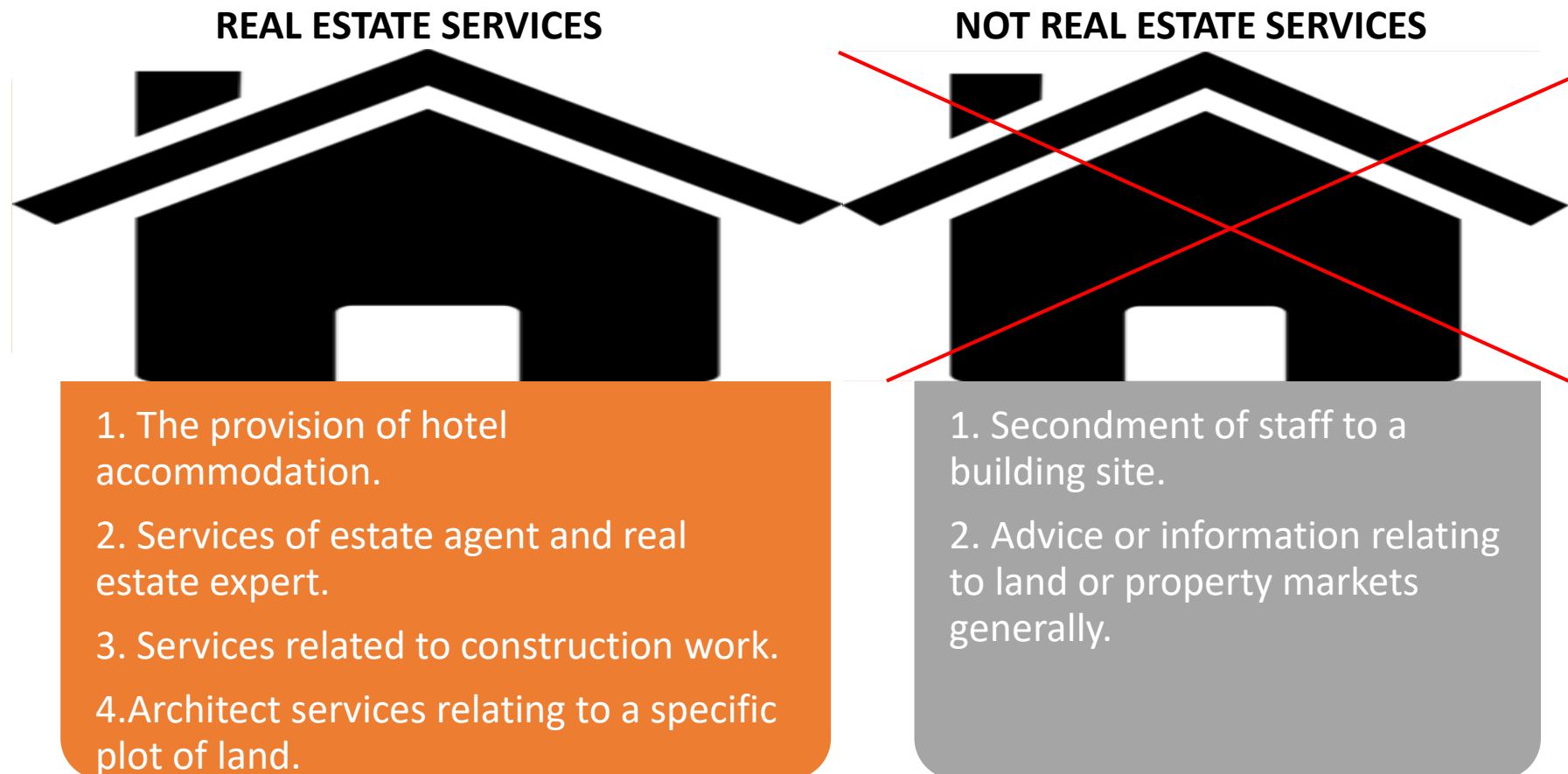
GENERAL POINTS RELATED TO REAL ESTATE

(1) As per the VAT Law, real estate including sale and tenancy contracts shall be considered as supply of goods.

(2) Real estate services:

Real estate related services are supplied where the real estate is situated.

Examples



PLACE OF SUPPLY- REAL ESTATE

Place of supply rules will determine whether a supply is made in the UAE or outside the UAE for VAT purposes. Thus,

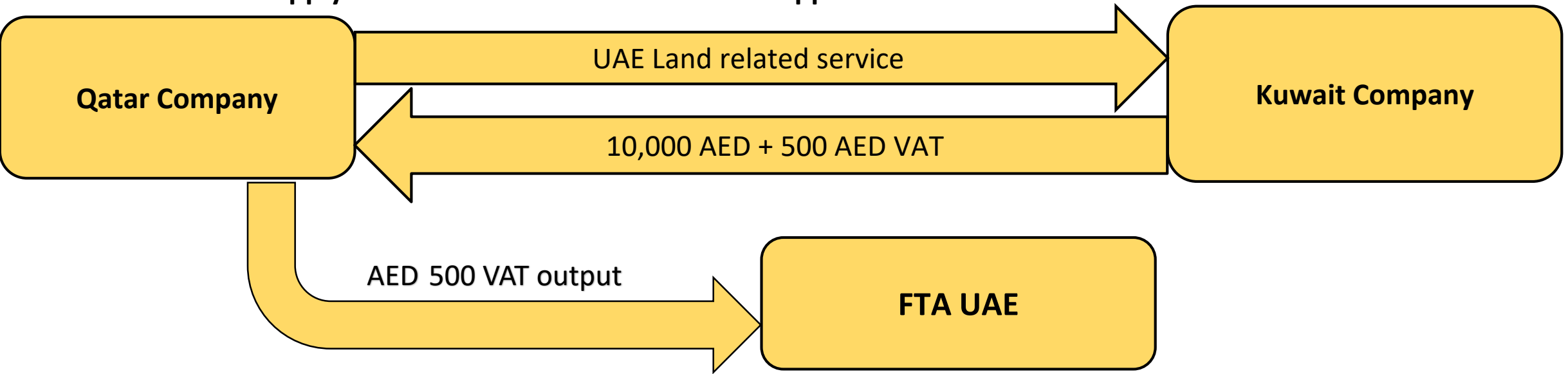
- If the supply is treated as made outside the UAE: no UAE VAT will be charged.
- If the supply is treated as made in the UAE: VAT may be charged.



- ❑ Place of Supply of real estate services is location of Real Estate.

EXAMPLE: 1

Cross border B2B supply of real estate services – services supplied where the real estate is located.



PLACE OF SUPPLY- REAL ESTATE (Continued)

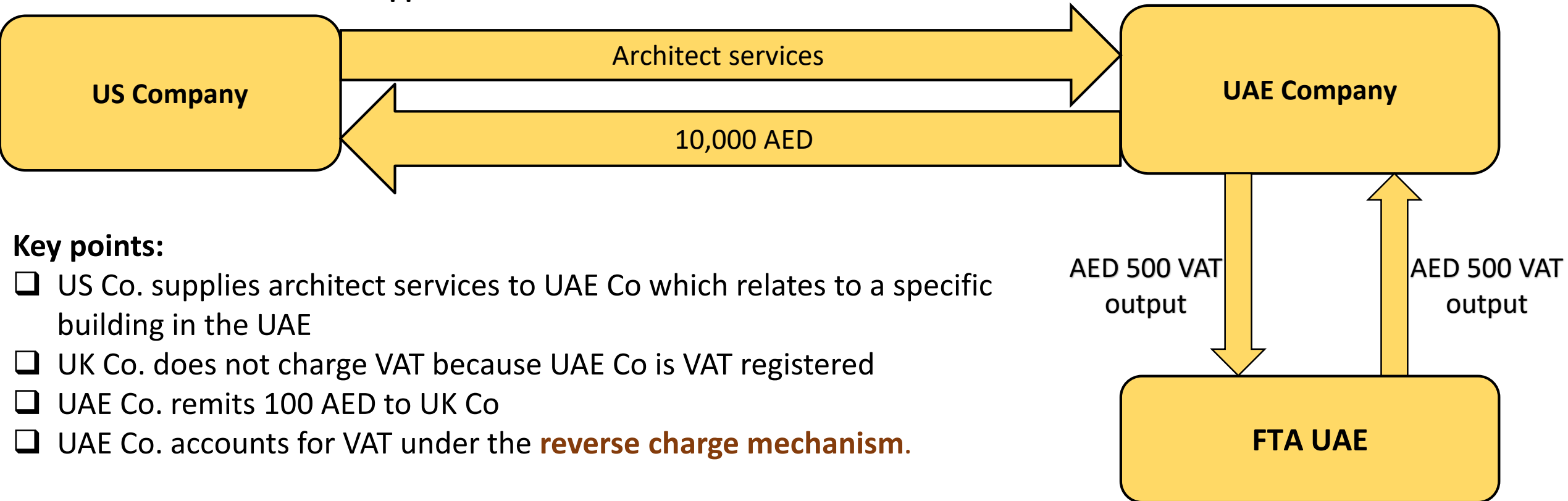
EXAMPLE: 1 (Continued)

Key points:

- Qatar company provides UAE land related services.
- In this case, place of supply shall be UAE i.e. where the building is situated.
- Qatar company has to register in UAE and account for VAT.

EXAMPLE:2

Inbound real estate services supplied B2B to a customer in the UAE.



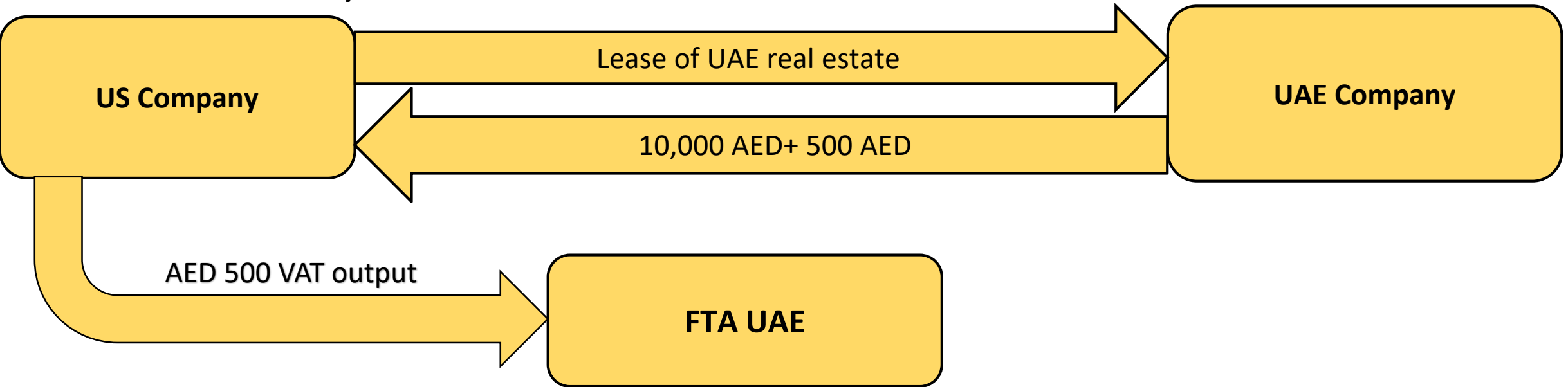
Key points:

- US Co. supplies architect services to UAE Co which relates to a specific building in the UAE
- UK Co. does not charge VAT because UAE Co is VAT registered
- UAE Co. remits 100 AED to UK Co
- UAE Co. accounts for VAT under the **reverse charge mechanism**.

PLACE OF SUPPLY- REAL ESTATE (Continued)

EXAMPLE:3

Lease of UAE real estate by a non-UAE landlord.



Key points:

- US Co leases a building in UAE to UAE Co.
- The building may constitute a fixed establishment in the UAE.
- UK Co has to register in the UAE and account for UAE VAT.

DATE OF SUPPLY

BASIC TAX POINT FOR GOODS

1. Date of removal of goods(In case of supply of goods with transportation).

OR

2. Date on which goods made available to customer(in case of supply not involving transportation).

OR

3. Date of assembly/ installation(supply of goods involving assembly or installation).



OR

OVERRIDING THE BASIC TAX POINT

Receipt of payment or the date of a VAT invoice if earlier than the Basic Tax Point.

BASIC TAX POINT FOR SERVICES

Date on which performance of service is completed.

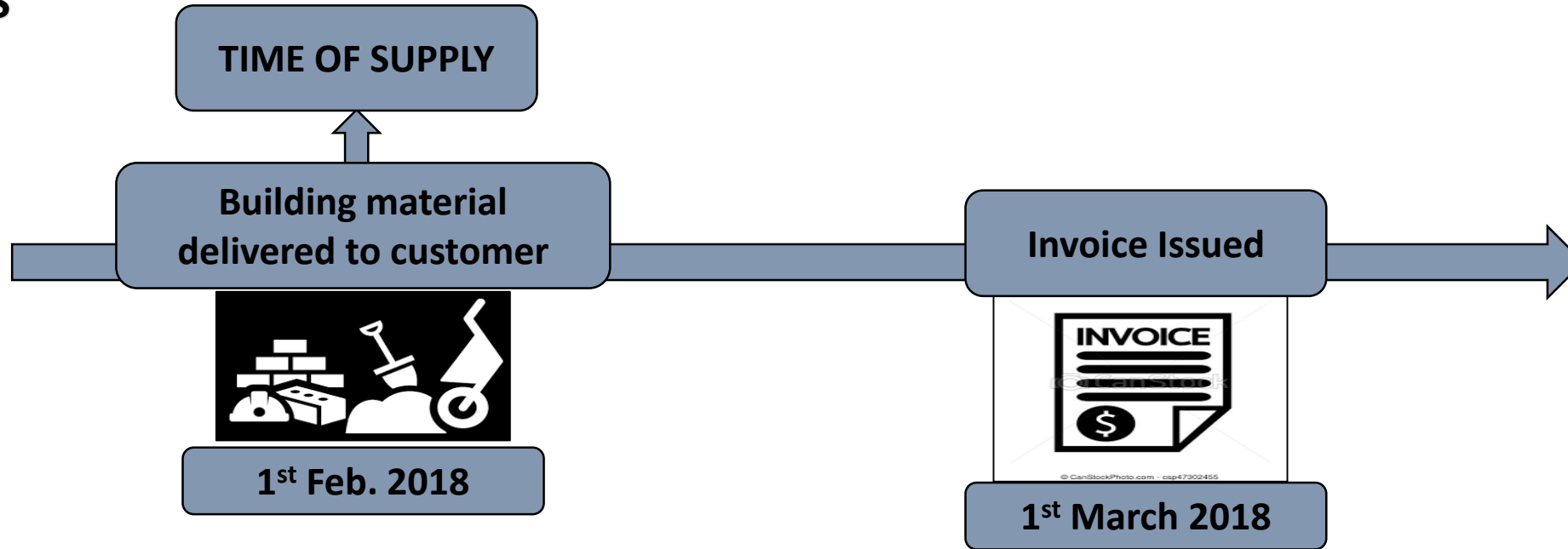


Note: In case of **Continuous Supplies and Stage payments**, Date of Supply shall be the earlier of receipt of payment, the due date of payment shown on the VAT invoice or the date of the VAT invoice.

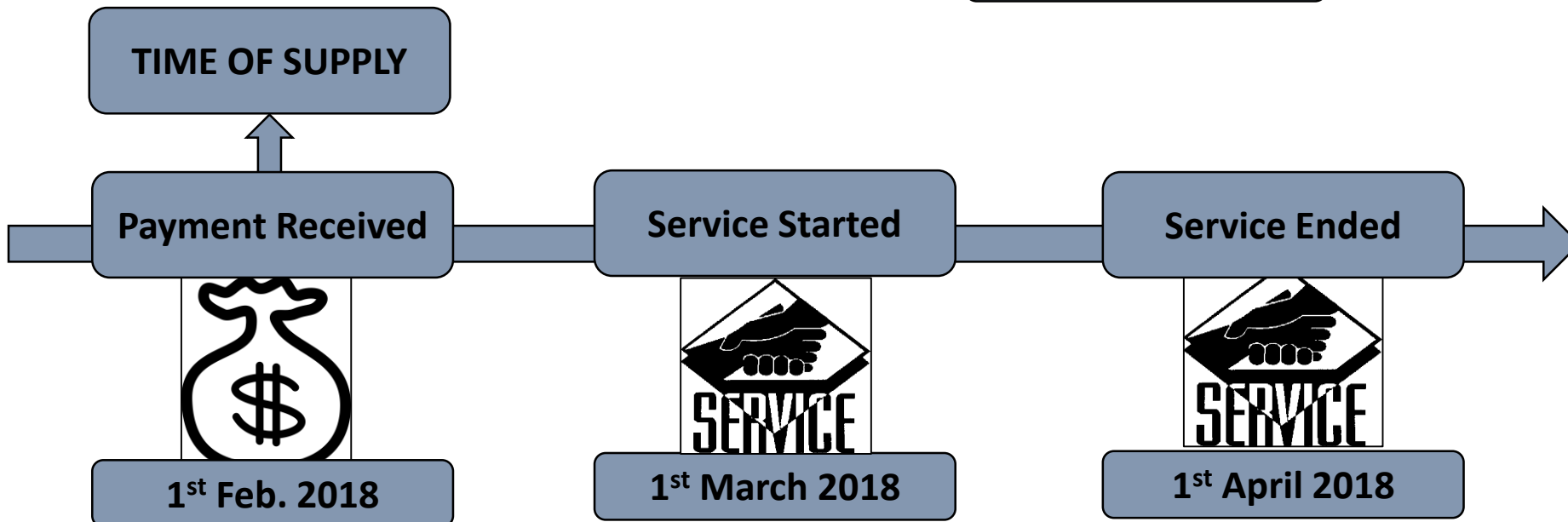
DATE OF SUPPLY (Continued)

EXAMPLES

(A)



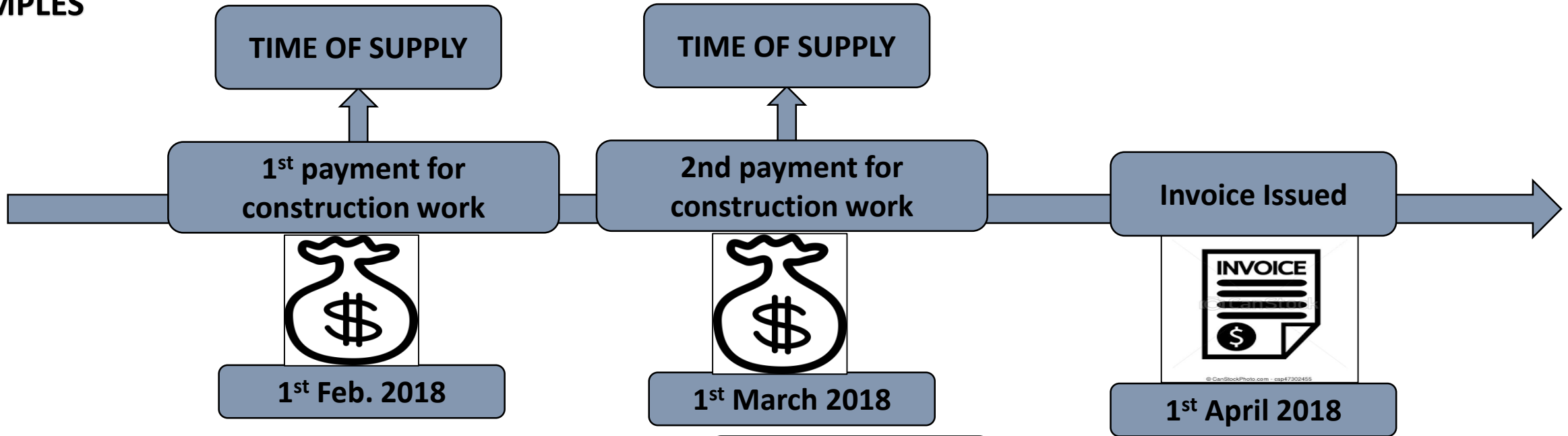
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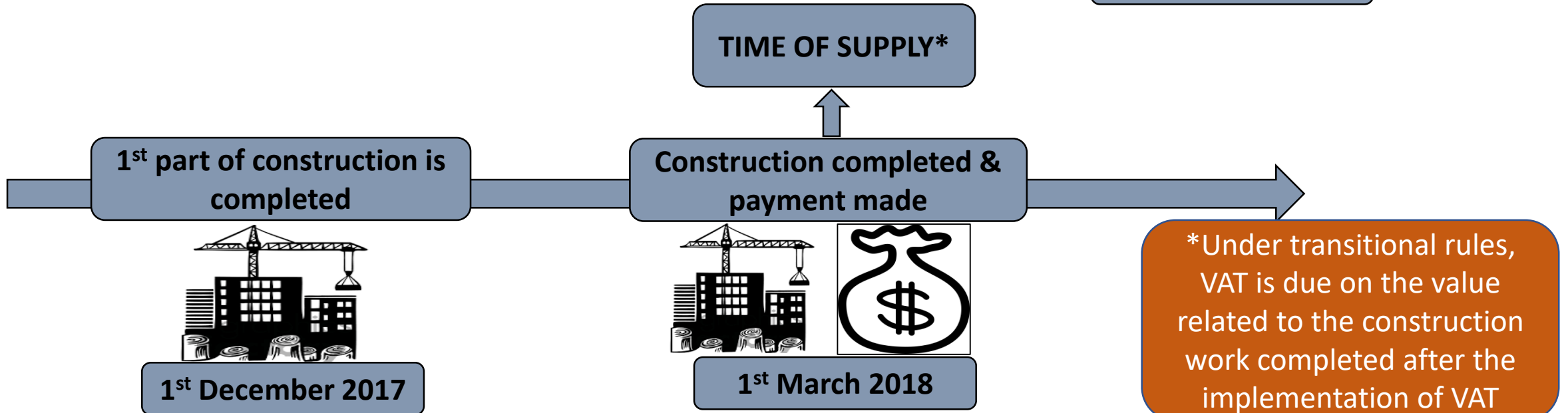
DATE OF SUPPLY (Continued)

EXAMPLES

(C)



(D)



RESIDENTIAL ACCOMMODATION OR NOT?

Whether provision of a service is residential accommodation or not is important because the provision of hotel accommodation will be subject to VAT at the standard rate, whereas the provision of residential accommodation will be exempt from VAT.

There are some key distinctions which indicate a supply of accommodation for someone to occupy is not residential accommodation, and therefore should be classified as hotel accommodation or similar.

RESIDENTIAL ACCOMMODATION	NON-RESIDENTIAL ACCOMMODATION
<p>A Building intended and designed for human occupation including:</p> <ol style="list-style-type: none">1. A person's principal place of residence.2. Residential accommodation for student or school pupils.3. Residential accommodation for armed forces and police.4. Orphanages, nursing homes, and rest homes.	<p>A residential building is not any of the following:</p> <ol style="list-style-type: none">1. Any place that is not a building fixed to the ground and can be moved without being damaged.2. Any building that is used as a hotel, motel, bed and breakfast establishment, or hospital or like.3. A serviced apartment for which the service is addition to the supply of accommodation are provided.4. Any building constructed/converted without lawful authority.

SUPPLIES OF LAND & REAL ESTATE



SUPPLIES OF LAND & REAL ESTATE

STANDARD RATED

- Lease or sale of commercial property
- Car parking and hotels

ZERO-RATED

- First supply of residential buildings within 3 years of its completion
- First supply of Charity related buildings
- First supply of buildings converted from non-residential to residential

EXEMPT

- Supply of residential buildings
- Bare land

RESIDENTIAL ACCOMMODATION – SHORT TERM LEASE

The supply of residential accommodation will only be exempt from VAT where:

- The duration of the lease exceeds 6 months; or
- The tenant of the property holds an Emirates ID



10 MONTHS LEASE & TENANT NOT HOLDS AN EMIRATED ID



EXEMPT

3 MONTHS LEASE & TENANT HOLDS AN EMIRATED ID



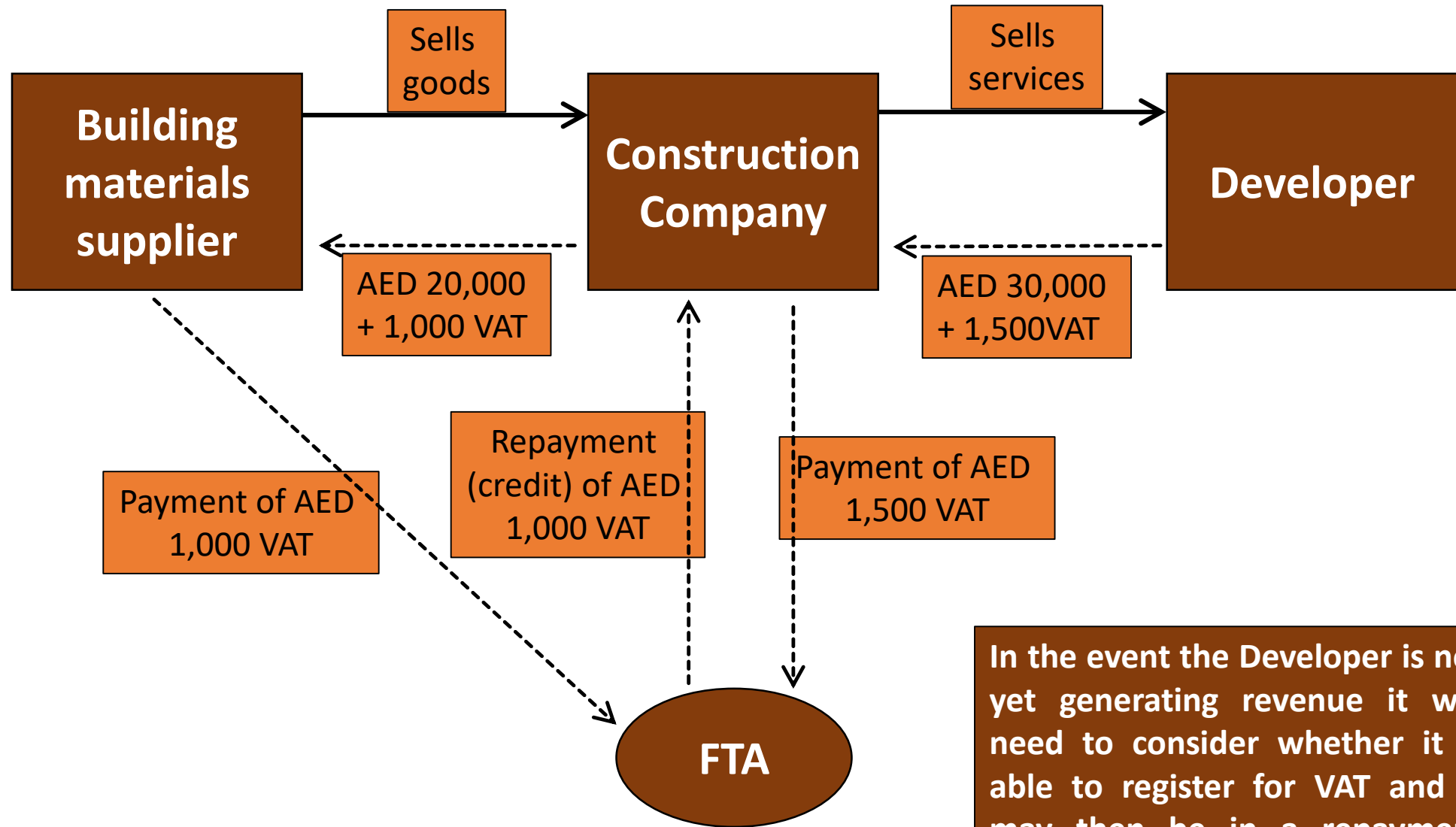
EXEMPT

3 MONTHS LEASE & TENANT NOT HOLDS AN EMIRATED ID



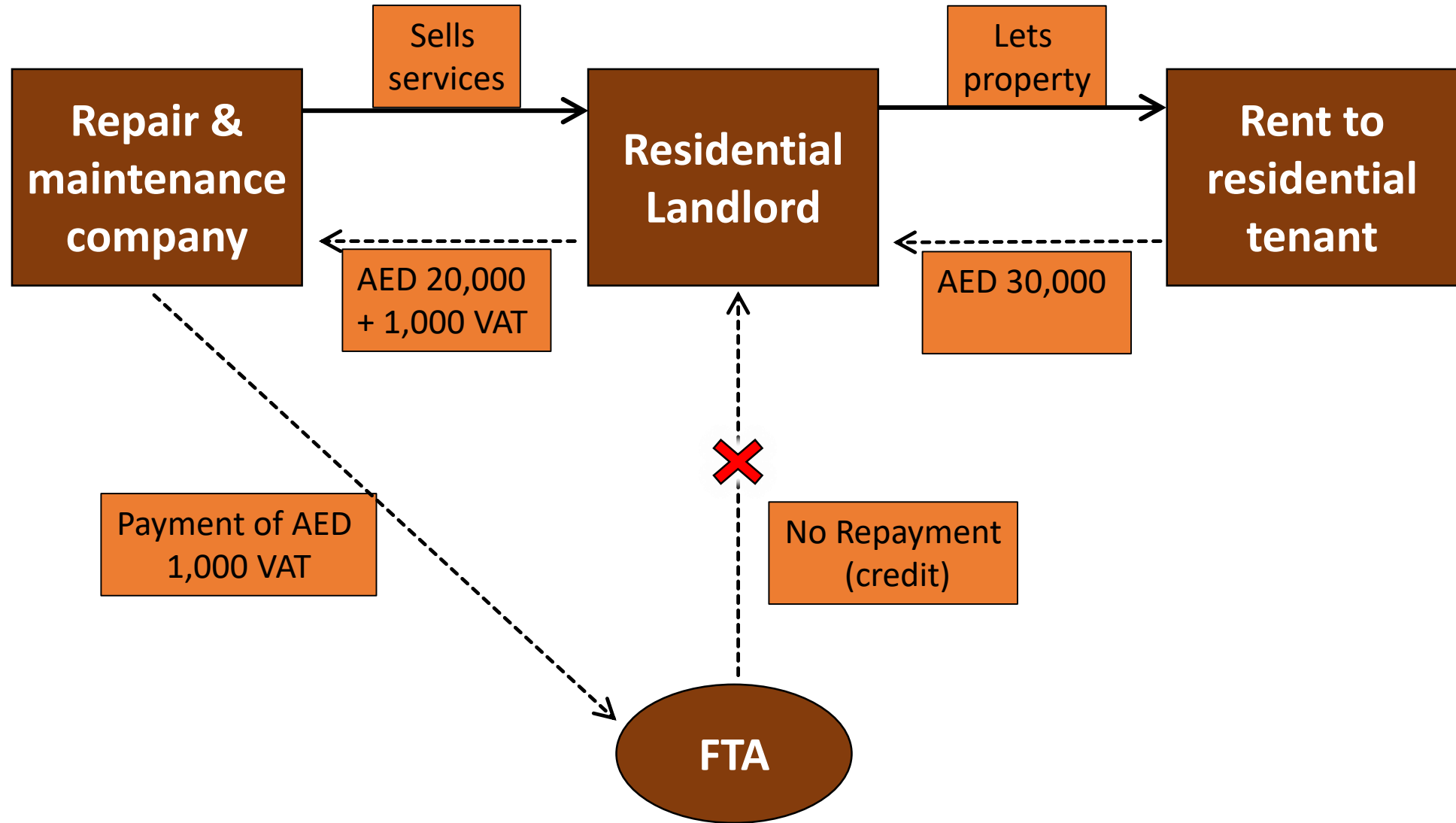
TAXABLE

TAXABLE SUPPLY CHAIN



In the event the Developer is not yet generating revenue it will need to consider whether it is able to register for VAT and it may then be in a repayment position initially

TAXABLE SUPPLY CHAIN(Continue)



TRANSFER OF GOING CONCERN("TOGC")



OUTSIDE THE SCOPE OF VAT

The transfer of the whole or an independent part of a business to a taxable person for the purposes of continuing such business.

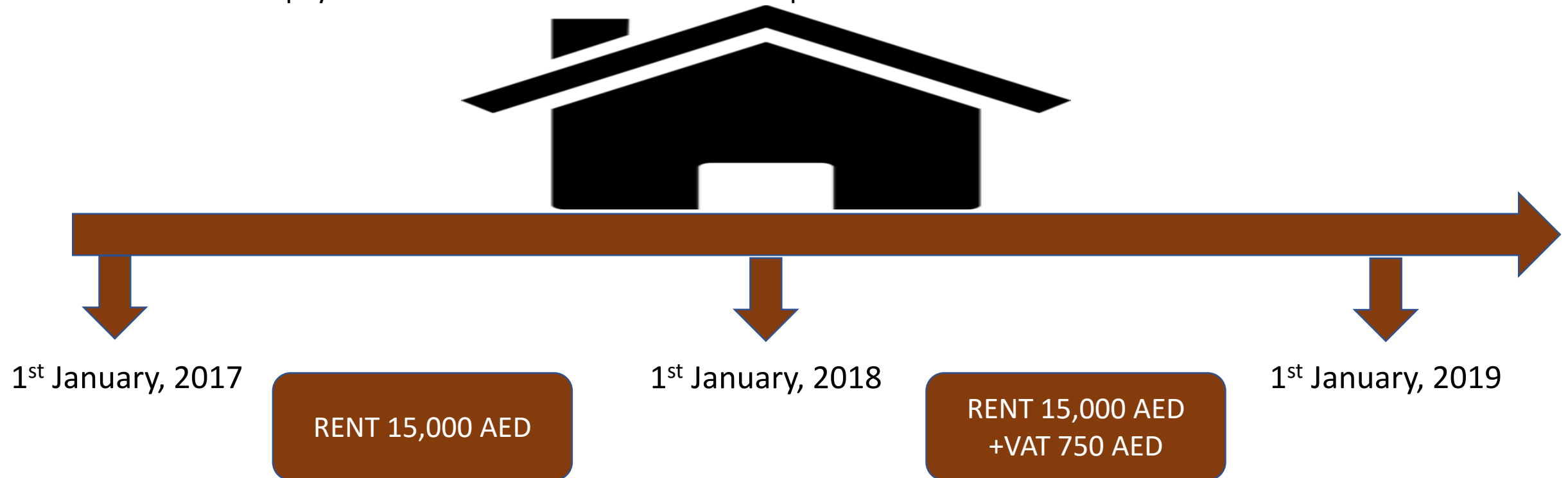


A property rental business can be a TOGC where it is transferred along with all of the components necessary to make it a business. This could include:

- Continuing lease contracts with tenants
- Staff required to operate the business
- The property required to operate the business
- Contracts necessary to operate the business

TRANSITIONAL RULES – REAL ESTATE EXAMPLE

- ❑ In case of the construction contracts running over the period of commencement date, VAT is not applicable on the portion of supplies provided before 31st December 2017.
- ❑ Construction services are continuous services and VAT will be accounted as follows: The time of supply for it will be the earlier of receipt of payment or issuance of tax invoice.
- ❑ Contracts for the rental of real estate which span the VAT implementation date will be treated as subject to VAT to the extent the value payable relates to the rental which took place after the effective date of the VAT law.



WHAT WE GOT TO KNOW TILL NOW?

- **First time supply** of residential properties by developers within three years of completion, for both rental or purchase will be zero rated.
- **Bare land** will be exempt from VAT.
- Supply of **Residential building shall be exempt.**
- **Residential property renters** will not pay VAT on the lease amount.
- VAT will be payable at the standard rate of 5% on all **commercial properties**, both for rental and purchase, with variations for different scenarios.
- Service charges, cleaning services and **utility charges** will attract the standard **VAT 5% rate.**



GOT ANY QUESTIONS?



LET'S ASSESS!!!

We appreciate you for going through this information and welcome you to connect with us.



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