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**6<sup>th</sup> circular dated August 26th, 2020**

**To all the members of the AIPPI UAE Group**

**Public Clarification number VATP019 issued on July 29<sup>th</sup>, 2020.  
Zero-rating of export of services- Clarification by FTA**

Dear all,

We refer to the above subject.

The UAE Federal Tax Authority “FTA” has recently issued a Clarification on the issue of zero rating of export of services. Whilst this does not specifically deal with Intellectual property services, we believe that it helps clear up the ambiguity and answer some of the questions raised by practicing professionals.

As everyone is probably aware by now, Article 31(1)(a)(1) of Cabinet Decision No. 52 of 2017 on the Executive Regulation of the Federal Decree-Law No. 8 of 2017 on Value Added Tax and its amendments<sup>1</sup> (the “Executive Regulation”) prescribes rules for the zero-rating of certain exports of services.

Many questions came since the implementation of VAT in UAE and, more specifically, on whether or not trademark or intellectual property services provided to foreign -(non-UAE)- based entities should be eligible for the zero-rate arrangements. This new Clarification provides a high-level explanation of FTA’s view on the zero-rating conditions in Article 31(1)(a) of the Executive Regulation relating to the residency and location of the recipient of services, taking into account the amendments made to Article 31(2) of the Executive Regulation in Cabinet Decision No. 46 of 2020. This Clarification should also help provide

answers to the reasonable foreseeability of the service provided being enjoyed within the state as it has stated that the time that is relevant for this purpose is when the service was actually performed.

We view this Clarification to be essential to all firms involved with this discussion as it would give guidance to service providers on the best practices to propose Zero rated VAT to their clients. A copy of this clarification issued in both Arabic and English languages as released by FTA is attached.

We hope to find the circular clear and answer any question that you may have on this topic.

Thank you,

**On behalf of Communications Committee**

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