

Tax Alert

The Federal Tax Authority (FTA) recently released a clarification with regards to eligible goods under the Profit Margin Scheme pursuant to Article (29) of the Cabinet Decision on Executive Regulations read with Article (43) of Federal Decree Law on Value Added Tax. Refer the Key Highlights for details.

180 Days of UAE VAT

Key Highlights

The FTA has elucidated that businesses should assess the eligibility of the goods before applying the profit margin scheme. Goods eligible for applying under the profit margin scheme are defined under Article 29(2) of the UAE VAT Executive Regulations. Subject to the definitions laid out in the relevant provisions, eligibility of goods would be determined as follows:

Eligible Goods:

- Goods which were previously subject to VAT shall be eligible under the profit margin scheme.
- If the goods are purchased after the effective date of Implementation of VAT, the goods shall be eligible to be sold under the profit margin scheme where the supplier has the evidence to prove that the goods have been subject to VAT on an earlier supply.

Ineligible Goods:

- The goods which were acquired before 1st January 2018 or which were not previously subject to VAT shall not be eligible under the profit margin scheme. Therefore, in such cases, VAT will be applicable on the selling price of the goods.
- If the goods were purchased on or after 2018 from a supplier who did not charge VAT on the supply or the goods have been purchased prior to the effective date of implementation of VAT, the profit Margin Scheme shall not apply on such goods.



**Anurag
Chaturvedi**
Managing Partner
Chartered House Tax Consultancy

Office 1711, The Metropolis Tower,
Business Bay
Dubai - U.A.E
M + 971.55.8860948
T + 971.4. 2435666
anurag@charteredhouse.ae
www.charteredhouse.ae



If you require more information or have any questions about the update.

Please **contact us**.

We are a first-class, dedicated team with a passion for delivering a quality experience for our clients and would be delighted to leverage our extensive knowledge and track record to support your compliance.

We relish the opportunity to collaborate with you to combine our skill in practical entrepreneurship, innovation and management consulting and look forward to hearing from you.