UAE TAXATION STUDY GUIDE

Value Added Tax (VAT) • Corporate Tax • Transfer Pricing • Import & Export Compliance

A consolidated, exam-ready reference for accounting and tax students, covering UAE VAT Law and UAE Corporate Tax Law with worked examples.

Compiled study material. Figures used in examples are illustrative and for learning purposes only — always confirm current rates and thresholds with the Federal Tax Authority (FTA) before relying on them for real filings.

Table of Contents

1. VAT Fundamentals

1.1 What is VAT?

Value Added Tax (VAT) is a consumption tax charged on the supply of most goods and services. It was introduced in the UAE on **1 January 2018** at a standard rate of **5%**. VAT is administered and collected by the **Federal Tax Authority (FTA)**. Because it is a consumption tax, the ultimate economic burden falls on the end consumer, while VAT-registered businesses act as collection agents for the government along the supply chain.

1.2 VAT Registration Thresholds

Registration Type	Threshold	Notes
Mandatory Registration	Taxable turnover > AED 375,000 (annually)	Registration is compulsory once this threshold is crossed or expected to be crossed.
Voluntary Registration	Taxable turnover or expenses > AED 187,500	Useful for start-ups with high input VAT, or businesses wanting to appear VAT-compliant to their trading partners.

Why register voluntarily? A business below the mandatory threshold may still register voluntarily if it wants to (a) recover significant input VAT already paid, or (b) maintain credibility when dealing with VAT-registered customers and suppliers.

1.3 Types of Taxable Supplies

Every supply made in the UAE falls into one of the categories below. Classifying a supply correctly is the single most important VAT skill, because it determines the VAT rate, the right to recover input VAT, and which boxes of the VAT return the transaction belongs in.

Category	VAT Rate	Input VAT Recovery?	Examples
Standard-rated	5%	Yes	Domestic sale of goods/services, commercial property sales & leases, hotel and restaurant services
Zero-rated	0%	Yes	Export of goods/services outside the GCC, international transport, qualifying healthcare & education
Exempt	No VAT charged	No	Financial services (e.g. life insurance, loans), residential property rentals, local passenger transport
Out of scope	N/A	N/A	Salaries and wages, donations without consideration, transactions entirely outside UAE VAT jurisdiction

Exempt vs. zero-rated — the key exam distinction: Both carry no VAT charge to the customer, but a zero-rated supplier can still reclaim input VAT on related costs, while an exempt supplier cannot. This difference materially affects a business's cash flow and pricing decisions.

1.4 Reverse Charge Mechanism (RCM) — Introduction

Under the Reverse Charge Mechanism, the **recipient** of a supply — rather than the supplier — accounts for the VAT. RCM most commonly applies to:

- Import of goods and services from outside the UAE.
- Transactions with foreign suppliers who are not required to charge UAE VAT.

RCM is covered in detail with a worked example in Chapter 3.

1.5 VAT De-registration

Type	Condition	Timeline
Voluntary De-registration	Taxable turnover in the last 12 months is below AED 375,000 but above AED 187,500	At the taxpayer's discretion
Mandatory De-registration	Taxable turnover falls below AED 187,500, or the business ceases operating	Must apply within 20 business days of becoming eligible

2. Place of Supply Rules

The "place of supply" determines whether a transaction falls within UAE VAT law at all, and if so, at what rate. Getting this wrong is one of the most common VAT compliance errors, especially for businesses trading across borders.

2.1 Place of Supply — Goods

Basic rule: the place of supply is the location of the goods at the time the supply takes place.

Special rules apply to:

- Cross-border supplies — where the transaction involves parties in different countries.
- Water and energy supplies.
- Real estate transactions.

2.1.1 Domestic Supplies

A domestic supply is one where the goods do not move outside the UAE (for example, goods delivered from Abu Dhabi to Dubai). These are subject to the applicable UAE VAT rate — standard-rated or zero-rated, depending on the nature of the supply.

2.1.2 Exports Outside the UAE

For an export, the place of supply is technically still the UAE — but the export is **zero-rated** (0% VAT) provided the required conditions are satisfied. There are two recognised routes: direct export and indirect export.

	Direct Export	Indirect Export
Who arranges transport?	The UAE supplier arranges and is responsible for transporting the goods out of the country.	The overseas customer arranges collection of the goods from the UAE supplier, who then exports them (personally or via an agent).
Conditions for zero-rating	Goods are physically exported outside the GCC/UAE (or placed into a customs suspension regime) within three months of the date of supply, AND official or commercial evidence of export is retained by the exporter.	Goods are exported within three months of supply by the overseas customer; evidence of export is provided to the supplier; the goods are not used or altered between supply and export; and the goods do not leave the UAE in the possession of a passenger or aircraft/ship crew member.

2.1.3 Supporting Documents for Zero-Rating an Export

Official evidence means export documentation issued by the local Emirate Customs Department confirming the goods have left the UAE.

Commercial evidence includes any of the following:

- Airway bill
- Bill of lading

- Consignment note
- Certificate of shipment

2.1.4 Supply Entirely Outside the UAE/GCC

Where a UAE distributor buys goods from an overseas manufacturer and on-sells them directly to an overseas customer — without the goods ever entering the UAE — the transaction is entirely **outside the scope of UAE VAT**, because the place of supply never touches the UAE.

Example — Triangular trade outside UAE VAT scope

A China-based manufacturer sells goods to a UAE distributor, who resells them to a customer in the USA. The goods are shipped directly from China to the USA and never enter the UAE. Because the place of supply is outside the UAE/GCC at every stage, the UAE distributor's sale is outside the scope of UAE VAT.

2.2 Place of Supply — Services

Basic rule: the place of supply for services is where the **supplier** has its place of residence.

Special rules apply to:

- Cross-border supplies of services between businesses (B2B).
- Electronically supplied services — where the place of supply follows where the services are used or enjoyed.

3. Import of Goods, the Reverse Charge Mechanism & the VAT Return

3.1 Import of Goods from Overseas

When goods are imported into the UAE from overseas (for example, from the UK), the place of supply is the UAE, and the recipient — not the overseas supplier — accounts for VAT under the **Reverse Charge Mechanism**.

- Import of goods: the place of supply is the UAE.
- The recipient self-accounts for VAT via the Reverse Charge Mechanism, rather than being charged VAT by the foreign supplier.

3.2 CIF vs. FOB — Why It Matters for Import Valuation

Term	Meaning	Who bears cost/risk until delivery?
CIF	Cost, Insurance and Freight	The seller — responsible for costs and liabilities until the buyer receives the goods.
FOB	Free on Board	The buyer — responsible for costs and liabilities once the goods are shipped.

The CIF value is the customs valuation base used to calculate import duty and, in turn, import VAT.

3.3 Worked Example — Reverse Charge on Import of Goods

Example — Import RCM calculation

AED 1,000,000 worth of goods are imported from the UK on a CIF basis. Assume customs duty of 5%.

Customs duty = 5% × 1,000,000 = **AED 50,000**

VAT-inclusive base = 1,000,000 + 50,000 = **AED 1,050,000**

Import VAT liability = 5% × 1,050,000 = **AED 52,500**

The importer's accounting entries (registered, recoverable import) would be:

Account	Debit (AED)	Credit (AED)
Purchases	1,000,000	
Customs duty expense	50,000	
Input tax on import	52,500	
To Suppliers (payable)		1,000,000
To Output VAT on import (RCM self-charge)		52,500
To Cash (customs duty paid)		50,000

Because the recipient both charges itself output VAT and simultaneously claims the same amount as input VAT (assuming full recovery), the net cash VAT impact of a fully-recoverable RCM import is typically nil — it is primarily a reporting and cash-flow timing mechanism, not a hidden cost.

3.4 Import of Services under RCM

The same self-accounting principle applies to imported services. For example, AED 1,000,000 worth of services received from a US supplier would generate AED 50,000 of self-accounted output VAT (5%), which is simultaneously reclaimable as input VAT where the recipient is entitled to full recovery.

3.5 How These Transactions Appear on VAT Form 201

VAT Form 201 is the standard UAE VAT return. Understanding which box each transaction type flows into is essential for accurate filing. A simplified, illustrative extract:

Section: VAT on Sales and All Other Outputs

Box	Description	Amount (AED)	VAT (AED)
1(a–g)	Standard-rated supplies by Emirate (Abu Dhabi, Dubai, Sharjah, Ajman, UAQ, RAK, Fujairah)	—	—
2	Tax refunds provided to tourists	—	—
3	Supply subject to Reverse Charge	1,000,000	50,000
4	Zero-rated supply	—	—
5	Exempt supply	—	—
6	Import VAT accounted for through Customs (auto-populated from customs declarations)	1,050,000	52,500
7	Adjustments to goods imported into the UAE	—	—

Section: VAT on Inputs

Box	Description	Amount (AED)	VAT (AED)
9	Standard-rated expenses	—	—
10	Supplies subject to Reverse Charge (input side — mirrors Box 3/6)	1,050,000	52,500
11	Total recoverable input VAT	—	—

Net VAT Due is then calculated as: Box 12 (total output tax due) minus Box 13 (total recoverable input tax) = Box 14 (payable tax for the period). If input tax exceeds output tax, the business has a refundable/carry-forward credit rather than a payable liability.

4. Designated Zones & Import/Export Documentation

4.1 Dubai as a Trade Hub

Dubai operates a well-established import-export system, with VAT on cross-border goods movements regulated by the FTA. A clear understanding of Designated Zones versus Non-Designated Zones is essential for any business trading through the Emirate.

4.2 Import & Export Basics — Recap

	Import	Export
Definition	Bringing goods into the UAE from outside the country.	Sending goods outside the UAE.
VAT treatment	5% VAT applies, or the Reverse Charge Mechanism applies for registered importers.	Zero-rated (0% VAT) — businesses can still recover VAT paid on related expenses.
Other	Customs duties may also apply, depending on product type (commonly 5% on CIF value).	Proof of export (customs documents, invoices, transport documents) must be retained.

4.3 Designated Zones vs. Non-Designated Zones

Designated Zones are special fenced/controlled economic zones which, under UAE VAT law, are treated as being **outside the UAE** for VAT purposes (e.g. Jebel Ali Free Zone (JAFZA), Dubai Airport Free Zone (DAFZA)).

- No VAT applies on goods transferred between two Designated Zones.
- VAT applies once goods move from a Designated Zone into the UAE mainland.
- Services provided within a Designated Zone remain taxable — the VAT exclusion applies to goods, not services.

Non-Designated Zones are treated as part of the UAE for VAT purposes:

- Standard 5% VAT applies to goods and services.
- Covers all mainland locations and any free zone not formally classified as a Designated Zone.

4.3.1 Illustrative Flow — Goods Movement and VAT Treatment

Movement	VAT Treatment
Mainland supplier → Company inside a Designated Zone	5% VAT applies (treated as a domestic mainland supply)
Designated Zone → another Designated Zone	Outside the scope of VAT
Designated Zone → exported outside the UAE	Outside the scope of VAT

4.4 Documents Required for Import

A. Commercial Documents

- **Invoice** — issued by the supplier, showing product details, quantity, and value.
- **Packing List** — a detailed breakdown of goods, including weight, dimensions, and packaging type.
- **Bill of Lading (sea) / Airway Bill (air) / CMR (road)** — the transport document issued by the carrier.
- **Certificate of Origin** — issued by the Chamber of Commerce in the exporting country.
- **Insurance Certificate** (if applicable) — proof of cargo insurance coverage.

B. Customs & Regulatory Documents

- **Import Declaration** — submitted to Dubai Customs via the Dubai Trade portal.
- **Importer's VAT Registration Certificate** — required where the importer is VAT-registered.
- **HS Code Classification** — used to determine the applicable customs duty.
- **Import Permit** (where required) — certain goods (food, pharmaceuticals, electronics) need sign-off from bodies such as Dubai Municipality, the Ministry of Health, or the Telecommunications Regulatory Authority (TRA).

4.4.1 What to Check on Each Key Import Document

Document	Key Fields to Verify
Bill of Lading / Airway Bill	Port of loading, port of discharge, final destination, and gross weight — gross weight should reconcile to the import declaration.
Import Declaration (Dubai Customs)	Document type (import vs. re-export), port type (sea/air), declaration number (should match the FTA portal), B/L or AWB number (should match the transport document), CIF value, net weight (should match the transport document), and quantity (should match the packing list).

4.5 Documents Required for Export

A. Commercial Documents

- **Commercial Invoice** — specifies buyer, seller, product details, and payment terms.
- **Packing List** — weight, dimensions, and product description.
- **Bill of Lading / Airway Bill / CMR** — the transport document for the cargo movement.
- **Certificate of Origin** — issued by the UAE Chamber of Commerce.

B. Customs & Regulatory Documents

- **Export Declaration** — submitted via the Dubai Trade portal.
- **Exporter's VAT Registration Certificate** (if applicable).
- **Export Permit** (where required) — for restricted goods such as pharmaceuticals, food products, or chemicals.

Study tip: Examiners often test whether a student can match the right evidence to the right export route (direct vs. indirect — see Section 2.1.2) and correctly identify which document proves each required condition for zero-rating.

5. UAE Corporate Tax Fundamentals

5.1 Overview

UAE Corporate Tax ('CT') took effect at **9%** for financial years beginning on or after **1 June 2023**. The rate structure is designed to protect small and medium businesses while still taxing larger profits:

- 0% on taxable income up to AED 375,000.
- 9% on taxable income above AED 375,000.
- 0% on qualifying income earned by a Qualifying Free Zone Person (subject to conditions — see 5.4).

5.2 Registration Threshold & Deadline

- **Mandatory registration**: every business must register for Corporate Tax, even if its income is below AED 375,000.
- **Deadline**: registration is due within 90 days of the company's (license) registration, based on FTA-set deadlines tied to license issuance dates.
- **Penalty for late registration**: AED 10,000 for failing to register on time.

5.3 Worked Example — Calculating Corporate Tax

Corporate Tax is calculated on **Taxable Income**, which is derived from accounting net profit after the adjustments required by the Corporate Tax Law (e.g. disallowed expenses, exempt income, transfer pricing adjustments).

Example — Basic CT calculation

A business earns AED 600,000 in net profit for the year.

The first AED 375,000 is taxed at 0%.

The remaining AED 225,000 (= 600,000 – 375,000) is taxed at 9%.

Corporate Tax payable = 225,000 × 9% = **AED 20,250**.

5.4 Free Zone (Designated) Companies — 0% Regime

- **Free Zone to Free Zone (Designated)**: all activities are tax exempt.
- **Free Zone to Others (mainland/non-qualifying)**: only income from a Qualifying Activity is tax exempt — everything else is taxed at the standard rate.

Qualifying Activities (broadly, for a Qualifying Free Zone Person) include:

- Manufacturing or processing of goods or materials.
- Trading of Qualifying Commodities.
- Holding of shares and other securities for investment purposes.
- Ownership, management, and operation of ships.
- Reinsurance services.
- Fund management services.
- Wealth and investment management services.
- Headquarter services to Related Parties.

- Treasury and financing services to Related Parties.
- Financing and leasing of aircraft.
- Distribution of goods or materials in or from a Designated Zone to a reseller.
- Logistics services.
- Any activity that is ancillary to a Qualifying Activity.

5.5 Small Business Relief (SBR)

Small Business Relief is an elective incentive that reduces the tax and compliance burden on small UAE-resident businesses.

Eligibility:

- Annual revenue of AED 3 million or less.
- Applies only to tax periods between 1 June 2023 and 31 December 2026.
- Available to UAE-resident businesses, excluding Free Zone Persons and members of Multinational Enterprise (MNE) groups.

Pros	Cons
• No need to calculate Corporate Tax if revenue ≤ AED 3M • Simplified compliance — no complex financial adjustments • Encourages SME growth by reducing tax costs	• Carry-forward of tax losses is not allowed • Loses access to certain tax credits (e.g. loss relief, interest deductions) • Time-limited — the relief expires after 2026

5.6 Corporate Tax De-registration

A taxable person must apply for de-registration within **three months** of ceasing business operations or otherwise no longer meeting the conditions for Corporate Tax registration. The FTA may impose penalties if the de-registration application is not submitted within this timeframe.

6. Transfer Pricing under UAE Corporate Tax Law

6.1 What is Transfer Pricing?

Transfer Pricing (TP) refers to the pricing of transactions between **Related Parties** and **Connected Persons**. The core requirement is that such transactions be priced at **arm's length** — i.e. the price should be the same as it would be if the parties were independent of one another, transacting under similar conditions. TP rules exist under the **UAE Corporate Tax Law (Federal Decree-Law No. 47 of 2022)** to ensure fair taxation and prevent profit shifting between related entities.

6.2 Related Parties & Connected Persons

- **Related Parties** — entities or individuals that share ownership, control, or significant influence (e.g. subsidiaries, parent companies, or businesses under common control).
- **Connected Persons** — business owners, partners, and related family members.

6.3 The Five OECD-Aligned Transfer Pricing Methods

The UAE follows the OECD Transfer Pricing Guidelines, which set out five internationally recognised methods for testing whether related-party pricing is at arm's length:

Method	How It Works
Comparable Uncontrolled Price (CUP)	Compares the price charged in the related-party transaction with the price charged in a comparable transaction between independent parties.
Resale Price Method (RPM)	Starts from the resale price to an independent party and deducts an appropriate gross margin to arrive at an arm's-length price.
Cost Plus Method (CPM)	Adds an appropriate markup to the cost of production or services to determine the arm's-length price.
Transactional Net Margin Method (TNMM)	Compares the net profit margin earned on the related-party transaction with the margins earned by independent parties in similar transactions.
Profit Split Method (PSM)	Allocates the combined profits from a transaction between related entities based on the relative value of their respective contributions.

6.4 Transfer Pricing Documentation

Businesses meeting the relevant thresholds must maintain the following documentation:

Document	Purpose
Master File	An overview of the global group's business operations, transfer pricing policies, and overall financial position.
Local File	Details of intercompany transactions at the individual entity/country level, including pricing methods used and supporting financial data.

Document	Purpose
TP Disclosure Form	Filed annually together with the Corporate Tax return; discloses related-party transactions, ownership changes, and TP methods applied during the year.

The Transfer Pricing Policy (which underpins the Local and Master Files) should contain a Functions, Assets and Risk (FAR) Analysis and relevant benchmarking studies, and should be updated annually — it is particularly important evidence in the event of a tax audit.

6.5 TP Reporting Thresholds

- Businesses with revenue above **AED 200 million** are required to maintain comprehensive TP documentation (Master File and Local File).
- All businesses engaging in related-party transactions must disclose TP information in their Corporate Tax return, **regardless of revenue**.

6.6 Transfer Pricing Audits & Penalties

The FTA may audit related-party transactions to verify TP compliance. Non-compliance can result in penalties, including fines and additional tax liabilities arising from TP adjustments.

6.7 How Businesses Can Ensure Compliance

- **Identify related-party transactions** — review all intercompany transactions within the business group.
- **Apply the correct TP method** — select the method most appropriate to the nature of the transaction and available data.
- **Maintain proper documentation** — ensure TP policies and records align with FTA requirements.
- **Submit TP disclosure forms on time** — report all related-party transactions in the Corporate Tax filing.

7. Quick-Revision Summary & Glossary

7.1 Key Numbers at a Glance

Item	Figure
VAT standard rate	5%
VAT mandatory registration threshold	AED 375,000 taxable turnover
VAT voluntary registration threshold	AED 187,500 taxable turnover/expenses
VAT mandatory de-registration threshold	Below AED 187,500 taxable turnover
Mandatory de-registration deadline	Within 20 business days of eligibility
Corporate Tax rate	0% up to AED 375,000; 9% above AED 375,000
CT registration deadline	Within 90 days of company registration (per FTA schedule)
CT late registration penalty	AED 10,000
CT de-registration deadline	Within 3 months of ceasing business
Small Business Relief revenue cap	AED 3 million or less
SBR available tax periods	1 June 2023 – 31 December 2026
TP mandatory documentation threshold	Revenue above AED 200 million
Export zero-rating window (goods)	Physical export within 3 months of date of supply

7.2 Glossary of Key Terms

Term	Definition
Arm's Length Principle	The requirement that related-party transactions be priced as if the parties were independent of each other.
CIF	Cost, Insurance and Freight — an import valuation term where the seller bears costs/risk until the buyer receives the goods.
Connected Person	Business owners, partners, and related family members, for Transfer Pricing purposes.
Designated Zone	A special economic zone treated as outside the UAE for VAT purposes on goods (not services).
FOB	Free on Board — an import valuation term where the buyer bears costs/risk once goods are shipped.

Term	Definition
FTA	Federal Tax Authority — the UAE body administering VAT and Corporate Tax.
Out of Scope Supply	A transaction that does not fall under the UAE VAT system at all (e.g. salaries, certain donations).
Place of Supply	The location that determines whether, and at what rate, UAE VAT applies to a transaction.
Related Party	An entity or individual sharing ownership, control, or significant influence with another, for Transfer Pricing purposes.
Reverse Charge Mechanism (RCM)	A mechanism where the recipient, rather than the supplier, self-accounts for VAT (typically on imports).
Small Business Relief (SBR)	An elective UAE Corporate Tax relief for qualifying small businesses with revenue ≤ AED 3 million.
Taxable Income	Accounting net profit after the adjustments required by the Corporate Tax Law.
Zero-rated Supply	A supply taxed at 0% VAT where the supplier can still recover related input VAT (contrast with Exempt).

8. Self-Test Questions

Use these questions to check your understanding before an exam or client-facing task. Answers are provided at the end of each section so you can self-mark — try to answer from memory first.

VAT Fundamentals & Place of Supply

- 1. A UAE business has taxable turnover of AED 200,000 in the past 12 months. Is VAT registration mandatory, voluntary, or not applicable? Explain.
- 2. Explain, in one sentence, the key practical difference between a zero-rated supply and an exempt supply.
- 3. A UAE supplier arranges shipment of goods to a customer in Germany and retains the airway bill as evidence. Which export route is this — direct or indirect — and what VAT rate applies, assuming conditions are met?
- 4. Goods move from JAFZA (a Designated Zone) directly to another Designated Zone without entering the mainland. What is the VAT treatment?

Import, RCM & the VAT Return

- 5. A UAE-registered importer brings in goods with a CIF value of AED 500,000 and pays 5% customs duty. Calculate the import VAT liability.
- 6. Explain why a fully-recoverable Reverse Charge import is typically VAT cash-flow neutral for the importer.
- 7. In VAT Form 201, which box captures import VAT accounted for through Customs?

Corporate Tax

- 8. A company earns AED 900,000 net profit for the year, with no other adjustments. Calculate its Corporate Tax payable.
- 9. List two conditions a business must meet to claim Small Business Relief.
- 10. A Free Zone company sells to another Designated Free Zone company. What is the CT treatment of that income?

Transfer Pricing

- 11. Name the five OECD-aligned Transfer Pricing methods recognised under UAE Corporate Tax Law.
- 12. At what revenue threshold does a business become required to maintain comprehensive (Master File / Local File) TP documentation?
- 13. Does a business below that threshold have any TP disclosure obligation at all? Explain.

Answer Key

- 1. Not mandatory (below AED 375,000), but voluntary registration is available since turnover exceeds AED 187,500.
- 2. Zero-rated supplies allow input VAT recovery; exempt supplies do not.
- 3. Direct export — the UAE supplier arranged transport; 0% VAT (zero-rated) applies provided the goods are physically exported within 3 months and evidence is retained.
- 4. Outside the scope of VAT — no VAT applies on goods moving between two Designated Zones.

- 5. Customs duty = 5% × 500,000 = AED 25,000. VAT base = 525,000. Import VAT = 5% × 525,000 = AED 26,250.
- 6. Because the same amount is simultaneously self-charged as output VAT and reclaimed as input VAT, the net cash impact is nil for a fully taxable business.
- 7. Box 6 — Import VAT through Customs.
- 8. First AED 375,000 at 0%; remaining AED 525,000 × 9% = AED 47,250 Corporate Tax payable.
- 9. Any two of: annual revenue ≤ AED 3 million; tax period falls between 1 June 2023 and 31 December 2026; must be a UAE-resident business (not a Free Zone Person or MNE group member).
- 10. Fully tax exempt (0%) — Free Zone to Free Zone (Designated) transactions are exempt on all activities.
- 11. CUP, RPM, CPM, TNMM, PSM (Comparable Uncontrolled Price, Resale Price Method, Cost Plus Method, Transactional Net Margin Method, Profit Split Method).
- 12. AED 200 million in revenue.
- 13. Yes — all businesses engaging in related-party transactions must disclose TP information in their Corporate Tax return regardless of revenue, even though full Master/Local File documentation is only mandatory above AED 200 million.

Disclaimer: This guide is a compiled study aid for learning purposes. UAE tax law, rates, and thresholds can change — always verify current requirements directly with the Federal Tax Authority (tax.gov.ae) before applying them to a real filing or advisory situation.