

VAT treatment of properties

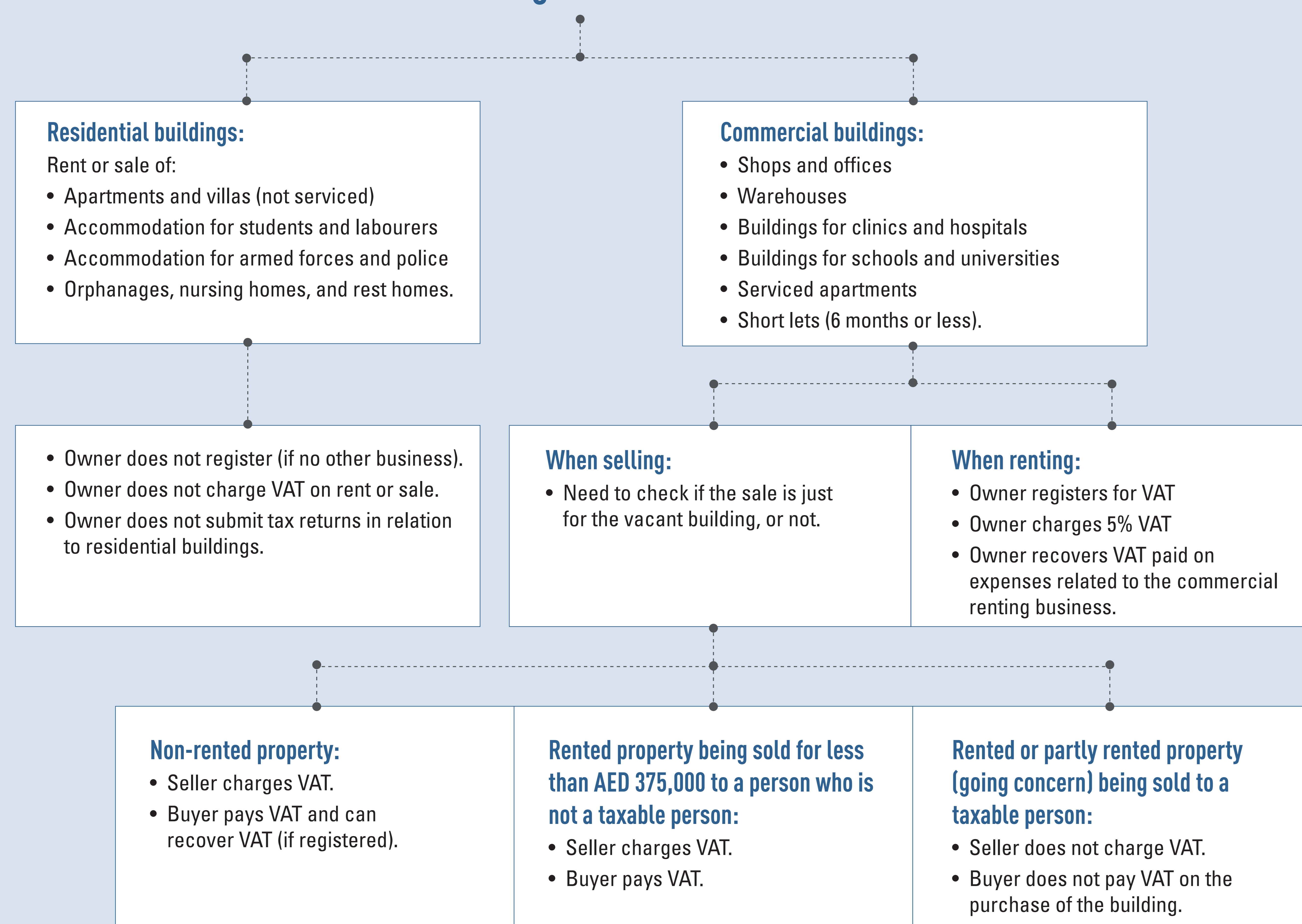
VAT will be implemented from 1 January 2018

All owners of commercial buildings, developers, providers of services to the commercial or residential property sector should register before 31 December 2017 if their taxable supplies made and imports received exceed AED 375,000 for the last 12 months.

FTA needs up to 20 business days to process registration applications. If the application is successful, a TRN will be issued and sent to the business.

Once registered, a business needs to ensure compliance with the tax obligations, such as displaying the words "Tax Invoice" and TRN on all invoices, submitting tax returns, paying tax, etc.

Buildings in the UAE



Other services related to buildings that are subject to VAT:

- Maintenance of buildings
- Owners associations and other related services
- Electricity, water, gas, cooling
- Real-estate agent fees



Developers of property:

- Register for VAT
- Sell newly built property with 0% VAT
- Developer able to recover VAT on all business costs



UAE Citizens constructing own residence:

- A UAE Citizen building their own residence in the UAE will incur VAT on supplies throughout the period of construction.
- A claim for refund of VAT incurred can be made within 6 months of either moving into the new residence or the date of completion certificate as issued by relevant entity in the Emirate, whichever is earlier.



Purchase of commercial buildings:

- Where a building costing more than AED5m is purchased, this shall be treated as a capital asset.
- The buyer will pay VAT at 5%, but will be able to recover the VAT on the tax return related to the period of purchase.
- The buyer will have to monitor the use of the building for 10 years. In case there is a change of use, the VAT recovered may need to be adjusted.



Reverse charge:

Reverse charge applies only to goods or services received from abroad. Property is a good for the purposes of VAT in the UAE. The place of supply for property located in the UAE is always in the UAE. Selling or leasing a property in the UAE is a supply of good in the UAE, and hence does not qualify for reverse charge.