

UAE: VAT Public Clarification

Input VAT deduction for mobile phones, airtime, and data packages made available to employees for business use

December 2021



In brief

The UAE Federal Tax Authority (“FTA”) published a new VAT Public Clarification (VATP028) to provide guidance on the input VAT recoverability related to mobile phones, airtime, and data packages that are made available to employees for business use by their employers.

The new Public Clarification is accessible [here](#).

In detail

On 7 December 2021, the FTA published a new VAT Public Clarification (VATP028) to provide guidance on the application of the VAT legislation with respect to the recovery of input tax incurred on phones, airtime, and packages acquired for business use.

According to the Public Clarification, in principle, where an employer acquires mobile phones with telecommunication services (airtime and data packages) for use by its employees solely for business purposes and has a strict policy to restrict the use to business purposes, the right to use the devices and telecommunication services would not constitute a personal benefit for the employee, provided the value of the telecommunication services was determined based on actual historical business usage.

The Public Clarification further clarifies that a business is entitled to recover input VAT from mobile phone usage if these costs are incurred to make taxable supplies and **all** the following conditions are met:

- The business is registered for VAT and acquired phones and telecommunication services in its own name;
- The business has a documented policy in place which clearly states that the usage of phones and telecommunication services may only be for business purposes, stating the consequences of any personal use;
- The business regularly monitors the use of telecommunication services and retains justification for the variances;
- The business takes action against employees using phones and telecommunication services for personal use in accordance with the documented policy; and
- The business retains valid tax invoices in respect of the phones and telecommunication services acquired.

The Public Clarification also emphasizes that only documented policies which have already been in place at the time the phones and telecommunication services were made available to the employee will be considered. If any of the above five conditions are not met, the recovery of input VAT incurred will be blocked in accordance with Article 53(1)(c) of the Executive Regulation.

‘ To some extent the input VAT arising from mobile phone related expenses has been an ambiguous areas for taxpayers. The new Public Clarification provides guidance on the documentation and processes that a taxpayer may adopt to ensure the business purpose of usage is justifiable.

Taxpayers need to assess the recoverability of mobile phone related input VAT in line with the new clarifications. For the historic part, taxpayers are required to substantiate that all the conditions are met to support the recovery of input VAT. ’

The takeaway

Taxable persons may need to revisit their current VAT treatment in relation to mobile phones and telecommunication services that they made available to their employees for business purposes in the light of this new Public Clarification to ensure their treatment is fully compliant with the requirements of VAT legislation.

Let's talk

For a deeper discussion of how the amendments might affect your business, please contact:

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