



United Arab Emirates

New VAT Public Clarification: Gold - Making Charge

June 2022



In brief

According to Cabinet Decision No. 25 of 2018, if the conditions of on a special reverse charge mechanism are met, VAT registrants supplying gold are not required to impose VAT on the supply of gold or gold products. VAT in respect of the gold is accounted for by the registered recipient through the special reverse charge.

However, if the supplier charges separate considerations for the gold and related making service, or reflects the price of these components separately, the supplier is required to impose VAT on the service component.

In detail

Special reverse charge mechanism

A registered supplier supplying Gold Items defined under Article 1 of Cabinet Decision No. 25 of 2018, shall not charge VAT on the supply if the all following conditions are met:

- The recipient is a VAT registrant;
- A written declaration is obtained by the supplier from the recipient confirming all the follows:
 - The recipient will use the Gold Items to produce or manufacture other Gold Items, or to re-sell the Gold Items received.
 - The recipient is registered for VAT on the date of supply.
 - The recipient shall account for the VAT on the Gold Items supplied to him.

If all of the above conditions are met, the recipient shall apply the special reverse charge to the supply and be responsible for all the tax obligations related to that supply.

The new Public Clarification (VATP029), issued in June 2022, emphasises that the special reverse charge mechanism under Cabinet Decision No. 25 of 2018 only applies to goods and not to any related services. Where the supplier supplies both Gold Items and related making services, the supplier needs to consider whether the supply constitutes a single composite supply of a Gold Item or multiple supplies consisting of both goods and services.

Single composite supply vs. multiple supplies

If the supplier charges a single price for the Gold Item, including the making charge, the supply will be regarded as a single composite supply of gold items if all of the following conditions are met:

- The supply consists of a principal component (Gold Item) and ancillary/incidental elements (the making service), or these components are so closely linked that they constitute a single supply which would be impossible or unnatural to split;
- The price for the Gold Item and the making charge is not separated;
- The Gold Item and the making service are supplied by the same supplier.

“ The special reverse charge mechanism only applies to the supply of goods by a VAT registrant.

If the supplier charges separate considerations for the gold and the making service, or reflects the price of these components separately, the supplier is required to impose VAT on the service component.

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Compliance requirements

If all of the requirements listed on the previous page are met, the supply of Gold Items (including the making service) would constitute a single composite supply which may qualify for reverse charging if all of the requirements of Cabinet Decision No. 25 of 2018 are met.

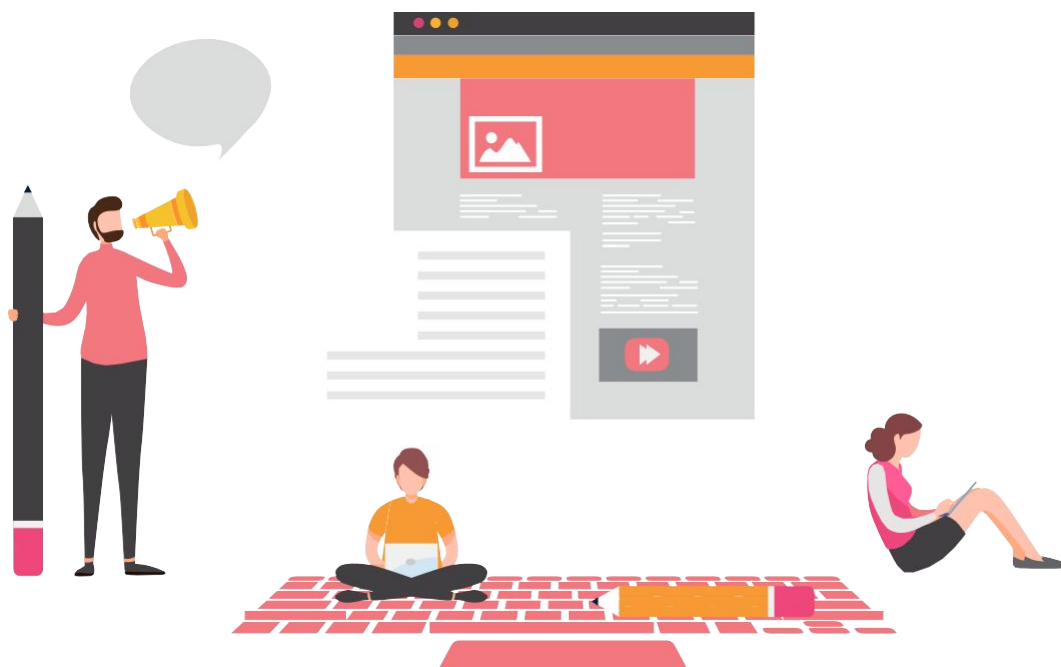
Both the supplier and recipient shall retain sufficient evidence, such as a valid tax invoice issued by the supplier reflecting one single consideration for the Gold Item (including the making service), and stating that the reverse charge mechanism was applied.

If the supplier charges separately for Gold Items and for the making service, or where the price of these components are separately reflected, the supplier shall treat each component as a separate supply and apply the correct VAT treatment to each separate component. Only the VAT related to Gold Items may be accounted for under the special reverse charge mechanism, provided all the requirements of Cabinet Decision No. 25 of 2018 are met.

The supply of the making services does not fall under the special reverse charge mechanism under Cabinet Decision No. 25 of 2018 in cases of multiple supplies. Hence, the supplier is required to account for VAT on this service if the supplier is a taxable person.

Correction of errors

The new Public Clarification confirms that in instances where a supplier applied incorrect VAT treatment to the supply of related making services, the supplier shall submit a voluntary disclosure to rectify the wrong treatment.



The takeaway

New Public Clarification (VATP029): Gold - Making Charge

Taxable persons whose business involves supply of Gold Items should review their current VAT treatment adopted to the making charges, assess whether the current treatment is in line with the interpretation listed in the new Public Clarification, and take action to rectify the current treatment if required.

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Let's talk

For a deeper discussion of how this issue might affect your business, please contact:

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