



United Arab Emirates

VAT Public Clarification VATP042 - Value of supply - Barter Transactions

April 2025

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In brief

The Federal Tax Authority of UAE has published a new Public Clarification VATP042 - Value of supply - Barter Transactions.

The new Public Clarification mainly focuses on providing guidance in relation to the valuation of supplies involved in a barter transaction and invoicing requirement.

Link to the Public Clarification

<https://tax.gov.ae//Datafolder/Files/Pdf/2025/VATP042-Barter-Transactions-28-04-2025.pdf>

In detail

A barter transaction always involves at least two supplies (where each party makes a supply to the other) and non-monetary consideration. Each supplier in a barter supply shall first assess the VAT treatment of the supply they are providing. The new Public Clarification confirms that a supply within a barter transaction can be:

- A taxable supply subject to VAT at the standard rate of 5%.
- A taxable supply subject to VAT at the zero rate provided all the relevant requirements for zero rating are met.
- A supply is exempt from VAT if all the relevant requirements for exemption are met.
- A supply outside the scope of UAE VAT, e.g. if the place of supply is outside the UAE.

VAT Public Clarification VATP042 - Value of supply - Barter Transactions

The Public Clarification further sets out the principles for the valuation of non-monetary consideration in a barter transaction. In general, where non-monetary consideration is provided for a supply, the value of that supply is the sum of any monetary consideration received for the supply and the market value of the non-monetary part of the consideration, excluding the tax amount.

To determine the market value of the nonmonetary part of the consideration, the following principles apply:

1. The market value of a supply of goods or services is the monetary consideration the supply would generally achieve if supplied in similar circumstances at that date in the UAE for an arm's length transaction, a supply willingly and freely made between persons who are not connected in any manner.
2. If the market value of a same supply is not available, the market value is the monetary consideration which a similar supply would achieve if supplied in similar circumstances at that date in the UAE for an arm's length transaction.
3. Where the market value of a same or similar supply is not available, the market value shall be determined by reference to the replacement cost of identical goods or services in an arm's length transaction.

The above rules for valuation of supplies must be applied by both parties in a barter transaction. Where the supplies involved in a barter transaction are taxable supplies, other compliance requirements such as issuing tax invoices must be followed.

The takeaway

Taxpayers should review their VAT treatment adopted for a barter transaction in light of this clarification and take the necessary steps to align with the valuation rules set by the clarification.

Let's talk

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



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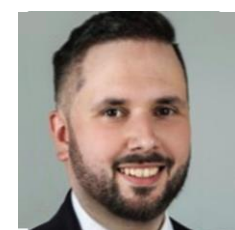
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