



United Arab Emirates

New Cabinet Decision on implementing
VAT through the Reverse Charge
Mechanism for precious metals and
stones in the UAE

January 2025



In brief

The UAE Ministry of Finance has issued Cabinet Decision No. 127 of 2024 (referred to as 'the decision') expanding the application of the reverse charge mechanism to include precious metals and stones traded between taxable persons in the UAE. The provisions of this decision will come into effect on 25th February 2025.

In detail

Cabinet Decision No. 127 of 2024 was published on 27th December 2024 in the Official Gazette Issue No. 790 and will take effect on 25th February 2025. This new decision repeals the previous Decision No. 25 of 2018 on the application of VAT on gold and diamonds among VAT registered dealers.

The decision introduces significant changes to the VAT treatment of precious metals and stones, extending the reverse charge mechanism to cover a broader range of transactions between VAT-registered businesses in the UAE.

- **Objective:** This amendment aims to streamline VAT processes, enhance the competitiveness of the UAE's precious metals and stones market, and align with international best practices.
- **Expanded scope:** The reverse charge mechanism now encompasses transactions involving gold, silver, palladium, platinum, natural and synthetic diamonds, pearls, rubies, sapphires, and emeralds. This includes jewelry made from these materials, provided the value of the precious components exceeds that of other materials used.
- **Mechanism:** VAT-registered suppliers are not required to charge and collect VAT on supplies of these goods to VAT-registered customers. Instead, the VAT-registered customers must calculate and declare the VAT on their purchases in their VAT returns.
- **Compliance:** VAT-registered businesses dealing in the specified precious metals and stones should familiarize themselves with the new reverse charge mechanism and adjust their accounting practices accordingly.
- **Documentation:** Proper documentation is essential to ensure compliance, including maintaining records of transactions and VAT calculations as per the new decision.

Cabinet Decision No. 127 of 2024 represents a significant update to the VAT treatment of precious metals and stones in the UAE, aligning with international best practices and supporting the growth of the industry.



Implementing VAT through the reverse charge mechanism on precious metals and stones between VAT registered persons in the UAE

The primary differences between the repealed Cabinet Decision No. 25 of 2018 and the newly introduced Cabinet Decision No. 127 of 2024 are outlined below:

Topic	Cabinet Decision No. 25 of 2018	Cabinet Decision No. 127 of 2024
Scope of the reverse charge mechanism	The reverse charge mechanism is applicable to gold, diamonds and any products of which the principal component is of gold or diamonds.	The reverse charge mechanism now encompasses transactions involving: <ul style="list-style-type: none">• Precious metals (gold, silver, palladium, platinum).• Precious stones (natural and manufactured diamonds, pearls, rubies, sapphires, and emeralds).• Jewelry made from any of these precious metals or stones (provided the value of the precious components exceeds that of other materials used).
Written declarations	The recipient submits a single written declaration stating the use and resale of the goods.	The recipient is required to submit two written declarations: <ul style="list-style-type: none">• The first confirms that the goods will be used for resale or manufacturing.• The second confirms the recipient's registration with the Federal Tax Authority (FTA).
Supplier's responsibility	The supplier bears joint responsibility with the recipient if they know or should have known that the recipient is not registered.	The supplier is not required to bear joint responsibility but is responsible for keeping the declarations and verifying the recipient's registration.
Application in case of non-compliance	The supplier and recipient bear joint responsibility if the supplier knows that the recipient is not registered.	If the recipient does not submit the declarations, the mechanism does not apply, and the supplier is responsible for the tax.
Details of exceptions	The application is excluded if the supplier knows that the recipient is not registered or did not verify their registration.	Focuses only on declarations as a basic condition for applying the mechanism, without mentioning the supplier's responsibility for verification.

The takeaway

Taxable persons whose business involves supply of gold, diamonds and other precious metals and stones should review their current VAT treatment adopted to the making charges, assess whether the current treatment is in line with new Cabinet Decision, and take action to comply with the new requirements within the effective date of 25th February 2025.

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Let's talk

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

Jochem Rossel Tax Partner Middle East Tax & Legal Services Leader +971 50 225 6909 jochem.rossel@pwc.com	Steven Cawdron Tax Partner UAE Tax & Legal Services Leader +971 56 850 4938 steven.cawdron@pwc.com	Chadi Abou-Chakra Tax Partner Middle East Indirect Tax Network Leader +966 56 068 0291 chadi.abou-chakra@pwc.com	Guido Lubbers Tax Partner Middle East Consumer Markets Leader +966 54 110 0432 guido.lubbers@pwc.com
Carlos Garcia Tax Partner Middle East Customs and International Trade Leader +971 56 682 0642 c.garcia@pwc.com	Maher ElAawar Tax Partner Indirect Taxes +971 56 216 1109 maher.elaawar@pwc.com	Ishan Kathuria Tax Partner Indirect Taxes +971 54 553 038 ishan.k.kathuria@pwc.com	Marc Collenette Tax Partner Indirect Taxes +971 50 407 2831 marc.collenette@pwc.com

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