



New Cabinet Decision on implementing VAT through the Reverse Charge Mechanism for Scrap Metal supplies in the UAE

December 2025



In brief

The UAE Ministry of Finance has issued Cabinet Decision No. 153 of 2025 (the “Decision”), introducing the application of the reverse charge mechanism on the local supply of scrap metal between VAT registered persons in the UAE.

This measure aims to streamline VAT compliance for transactions involving scrap metal and reduce administrative burdens for businesses operating in this sector.

In detail

Cabinet Decision No.153 of 2025 dated 4 November 2025 was published in official gazette dated 26 November 2025. In accordance with the provisions of the Decision, the effective date will be 60 days from the date of its publication in the official gazette, making it applicable from 25 January 2026.

The Decision introduces a new framework for applying VAT through the reverse charge mechanism on the supply of scrap metal between VAT registered businesses within the UAE. This approach shifts the responsibility for accounting for VAT from the supplier to the recipient, ensuring compliance and reducing administrative burden for businesses engaged in scrap metal transactions.

Key aspects of the Decision and applicable conditions

- **Scope of the Decision:** The reverse charge mechanism applies to transactions involving scrap metal, as defined under the Decision.
- **Mechanism:** VAT-registered suppliers are not required to charge or collect VAT on supplies of scrap metal made to VAT registered customers who intend to resell or use the material in processing. Instead, the VAT registered customer must account for VAT under the reverse charge mechanism and report it in their VAT return.
- **Exclusion:** The Decision does not apply to scrap metal supplies that qualify as zero-rated exports under UAE VAT law.
- **Documentation:** Businesses must maintain proper documentation to ensure compliance, including detailed records of transactions and VAT calculations in accordance with the Decision.

Cabinet Decision 153 of 2025 – Key details

Topic	Key Details
Definitions	<ul style="list-style-type: none"> • Scrap Metal: Refers to waste of ferrous or non-ferrous metals that retain commercial value and can be reused after processing. • Processing: The conversion of scrap metal into usable materials for manufacturing new products through methods such as repair, recycling, or other approved processes.
Application of Reverse Charge Mechanism	Suppliers of scrap metal are not required to charge or collect VAT on supplies made to VAT-registered customers intending to resell or process the material. Instead, the recipient is responsible for accounting for VAT under the reverse charge mechanism and reporting it in their VAT return.
Recipient's obligations	<p>Before the supply date, recipients must provide written declarations to the supplier confirming:</p> <ul style="list-style-type: none"> • Purpose of purchase: Goods will be used for resale or processing as defined in the Decision. • VAT registration status: Recipient is registered with the Federal Tax Authority (FTA). <p>Failure to provide these declarations means the reverse charge mechanism does not apply, and the supplier becomes liable for VAT.</p>
Supplier's obligations	Suppliers must verify the recipient's VAT registration with the FTA using approved methods. Additionally, the supplier's invoice must clearly state that the transaction falls under the reverse charge mechanism.

Key takeaways

Taxable persons engaged in the supply of scrap metal should thoroughly review their existing supply chain arrangements to ensure compliance with Cabinet Decision No. 153 of 2025. This includes assessing contracts, updating invoicing processes to reflect the reverse charge mechanism, verifying VAT registration status of counterparties, obtaining required written declarations, training internal teams on new requirements, and implementing robust controls for documentation and VAT reporting to avoid penalties and ensure smooth compliance.

How PwC Middle East can support you

- **Navigate complexity:** Our Tax specialists partner with businesses to ensure full compliance, leveraging technology-enabled solutions for efficiency and accuracy.
- **Minimise risk:** We help implement robust processes to reduce exposure to penalties and safeguard operational continuity.
- **Resolve disputes:** If penalties occur, our Tax Dispute and Litigation team provides expert support in managing appeals and resolving disputes swiftly and effectively.

Contact us



Jochem Rossel

Tax Partner
Middle East Tax & Legal
Services Leader
jochem.rossel@pwc.com



Steven Cawdron

Tax Partner
UAE Tax & Legal Services
Leader
steven.cawdron@pwc.com



Chadi Abou-Chakra

Tax Partner
Middle East Indirect Tax
Network Leader
chadi.abou-chakra@pwc.com



Carlos Garcia

Tax Partner
Middle East Customs and
International Trade Leader
c.garcia@pwc.com



Maher ElAawar

Tax Partner
Indirect Tax
maher.elaawar@pwc.com



Ishan Kathuria

Tax Partner
Indirect Tax
ishan.k.kathuria@pwc.com



Omara Islam

Tax Partner
Connected Tax
Compliance Lead
omara.i.islam@pwc.com

Thank you

About PwC

At PwC, our purpose is to build trust in society and solve important problems. We're a network of firms in 151 countries with nearly 364,000 people who are committed to delivering quality in assurance, advisory and tax services. Find out more and tell us what matters to you by visiting us at www.pwc.com.

Established in the Middle East for over 40 years, PwC Middle East has 30 offices across 12 countries in the region with around 12,000 people. (www.pwc.com/me).

PwC refers to the PwC network and/or one or more of its member firms, each of which is a separate legal entity. Please see www.pwc.com/structure for further details.

© 2025 PwC. All rights reserved