United Arab Emirates: FTA publishes VAT Guide for the Education Sector

July 2026

In brief

On 29 June 2026, the UAE Federal Tax Authority (FTA) published the Education Sector Value Added Tax (VAT) Guide (VATGED1), providing further clarity on the application of VAT in the education sector.

The guide confirms that VAT zero-rating for educational services should be interpreted and applied on a strict and narrow basis. It also provides detailed guidance on the VAT treatment of educational services and associated supplies, including accommodation, distance learning, grants and scholarships, healthcare and transportation services, and the recovery of input tax by education providers in the UAE.

The publication is expected to assist education sector stakeholders in assessing and ensuring compliance with the UAE VAT framework.

The Guide (VATGED1) – June 2026 version is accessible link.

At a glance

1 Core education

0% VAT may apply only to qualifying institutions and qualifying curricula.

2 Ancillary charges

Uniforms, devices, meals, paid activities and recreational trips generally remain 5%.

3 Exempt areas

School bus transportation and residential accommodation can be exempt, affecting input tax recovery.

4 Action needed

Providers should map revenue streams, update tax codes and retain support for each VAT treatment.

What the guide clarifies

- The FTA has published a sector-specific VAT framework for educational services and related supplies.
- Zero-rating should be interpreted strictly and narrowly.
- Qualifying status depends on both the supplier and the curriculum.
- Related supplies must be directly related to, integral to and necessary for zero-rated education.
- Certain items are expressly excluded from zero-rating even where connected to education.

Why does it matter

- Families may see different VAT outcomes across tuition, trips, meals, devices and transportation.
- Providers may need to correct invoices or issue tax credit notes where fees are later offset against tuition.
- Exempt supplies may restrict input VAT recovery and affect operation costs.
- Funding, scholarships, research and third-party arrangements should be careful reviewed to manage potential audit exposure.

Key highlights of the UAE FTA Education Sector VAT Guide

The guide provides clarity on when educational services and related supplies may benefit from zero-rating. Educational institutions should carefully assess whether each supply is directly related to, integral to and necessary for a qualifying educational service. Supplies that do not meet this test, or that are expressly excluded, will generally be subject to VAT at the standard rate.

<table>
<tr><th>Key areas</th><th>Clarifications on VAT treatment of Educational Services</th></tr>
<tr><td>Conditions for zero-rating accredited educational services</td><td>Educational services may be zero-rated where both of the following conditions are met:

• The supplier is a Qualifying Educational Institution.
• The education is provided under a Qualifying Curriculum recognised by the relevant government authorities.

Where these conditions are not met, the supply may fall outside the zero-rating provisions and may instead be subject to VAT at the standard rate, unless another VAT treatment applies.</td></tr>
<tr><td>VAT treatment of goods and services necessary for education</td><td>The guide clarifies that certain goods and services may be zero-rated where they are directly related to, integral to, and necessary for the zero-rated educational supply.

Zero-rated supplies

Examples of supplies that may qualify for zero-rating include:

• Reading materials directly linked to the curriculum.
• Curriculum-related field trips.
• Extracurricular activities provided at no additional fee.
• Special needs support services, where directly connected to the educational supply.
• Graduation ceremonies, where they form an integral and necessary part of the educational supply.
• Re-registration fees, where directly related to zero-rated education.

Where such supplies are not directly related to, integral to, and necessary for zero-rated education, they will generally be subject to the standard VAT rate.

Standard-rated supplies

The following supplies are generally excluded from zero-rating and are subject to VAT at 5%:

• School uniforms
• Electronic devices
• Food and beverages
• Recreational field trips
• Paid extracurricular activities

Application and registration fees charged before enrolment are generally subject to 5% VAT. However, where such fees are later offset against zero-rated tuition fees, a tax credit note should be issued.</td></tr>
</table>

Key areas	Clarifications on VAT treatment of Educational Services
Accommodation services	Student and staff accommodation provided in a residential building is generally treated as exempt from VAT. However, accommodation provided in serviced units is subject to VAT at the standard rate.
Distance learning and online education	Distance learning delivered automatically with minimal human intervention is treated as an electronically supplied service. The VAT treatment of such services should therefore follow the rules applicable to electronically supplied services.
School buses and transportation services	School bus transportation is treated as a local passenger transportation service and is therefore exempt from VAT. However, the sale or lease of school buses is subject to VAT at the standard rate.
Healthcare services provided by educational institutions	Qualifying healthcare services may be zero-rated where provided by licensed facilities and licensed healthcare practitioners. Other related supplies, including business-to-business healthcare services supplied to educational institutions, are generally subject to VAT at the standard rate.
Grants, donations, and scholarships	The Guide confirms that funding subject only to reporting or accountability requirements does not constitute consideration for a taxable supply. Such funding may therefore be treated as outside the scope of VAT. Scholarships granted to offset tuition fees are treated as discounts. Where a scholarship is provided in kind, such as through the provision of an electronic device, deemed supply rules may apply. Third-party-funded scholarships are treated as third-party consideration and do not change the VAT treatment of the underlying educational supply.
Research activities	Research activities may be subject to VAT at the standard rate where the funder receives intellectual property rights or other benefits in return. The provision of laboratory or research facilities to third parties is also treated as a standard-rated taxable supply.
Input VAT recovery	Recovery of input VAT remains subject to the general input tax recovery provisions under the UAE VAT legislation.

Immediate action checklist

Education providers should use the guide to review VAT governance across enrolment, billing, procurement, funding and reporting.

1. **Map all income streams**
List tuition, application fees, trips, meals, uniforms, devices, transport, accommodation, healthcare, research and grants.

2. **Test zero-rating eligibility**
Confirm the institution is recognised and the curriculum is approved; retain licence, curriculum and funding evidence.

3. **Separate VAT categories**
Configure billing and ERP tax codes for 0%, 5%, exempt and outside-scope income.

4. **Review invoices and credit notes**
Identify when application or registration fees need adjustment if later offset against tuition.

5. **Revisit contracts and bundles**
Determine whether packages are single composite supplies or multiple supplies with separate VAT outcomes.

6. **Update input tax recovery**
Assess mixed-use costs, exempt activities, bus rentals, staff accommodation and Capital Assets Scheme positions.

7. **Train frontline teams**
Admissions, finance, procurement and operations teams should understand which charges can and cannot be zero-rated.

How can we help

A structured review can help reduce uncertainty and support a consistent VAT position across the education lifecycle.

VAT treatment review

Assess tuition, ancillary charges and bundled supplies; distinguish between zero-rated, exempt, standard-rated and outside-scope income.

Documentation and controls

Prepare supporting files, update tax codes, review invoice logic and strengthen evidence for FTA review.

Funding and research analysis

Review scholarships, grants, donations, research agreements, intellectual property rights and third-party consideration.

Input tax recovery

Assess apportionment, blocked input tax, Capital Assets Scheme obligations and mixed-use costs.

Key takeaways

The new Education Sector VAT Guide represents an important step towards greater VAT certainty for educational institutions operating in the UAE. Schools, universities, and other qualifying education providers should review their existing VAT positions and assess whether any changes are required in light of the FTA's latest guidance. The clarifications may affect the VAT treatment of a broad range of activities extending beyond core educational services, including accommodation, transportation, healthcare, research, and funding arrangements.

For tailored advice on how the guide may apply to your institution, please reach out to:

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

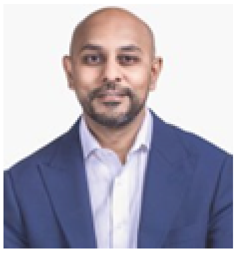
Chadi Abou-Chakra
Tax Partner
Middle East Indirect Tax Network Leader
chadi.abou-chakra@pwc.com

Carlos Garcia
Tax Partner
Middle East Customs and International Trade Leader
UAE Indirect Tax Lead
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
Indirect Tax
omara.i.islam@pwc.com



Amit Gopal
Tax Partner
Indirect Tax
amit.g.gopal@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).