VAT will be implemented from 1 January 2018

All owners of commercial buildings, developers, providers of services to the commercial or residential property sector should register before 31 December 2017 if their taxable supplies made and imports received exceed AED 375,000 for the last 12 months.

FTA needs up to 20 business days to process registration applications. If the application is successful, a TRN will be issued and sent to the business.

Once registered, a business needs to ensure compliance with the tax obligations, such as displaying the words “Tax Invoice” and TRN on all invoices, submitting tax returns, paying tax, etc.

Buildings in the UAE

Residential buildings:
- Apartments and villas (not serviced)
- Accommodation for students and labourers
- Accommodation for armed forces and police
- Orphanages, nursing homes, and rest homes.

Commercial buildings:
- Shops and offices
- Warehouses
- Buildings for clinics and hospitals
- Buildings for schools and universities
- Serviced apartments
- Short lets (6 months or less).

Other services related to buildings that are subject to VAT:
- Maintenance of buildings
- Owners associations and other related services
- Electricity, water, gas, cooling
- Real-estate agent fees

Developers of property:
- Register for VAT
- Sell newly built property with 0% VAT
- Developer able to recover VAT on all business costs

UAE Citizens constructing own residence:
- A UAE Citizen building their own residence in the UAE will incur VAT on supplies throughout the period of construction.
- A claim for refund of VAT incurred can be made within 6 months of either moving into the new residence or the date of completion certificate as issued by relevant entity in the Emirate, whichever is earlier.

When selling:
- Need to check if the sale is just for the vacant building, or not.

When renting:
- Owner registers for VAT
- Owner charges 5% VAT
- Owner recovers VAT paid on expenses related to the commercial renting business.

Non-rented property:
- Seller charges VAT.
- Buyer pays VAT and can recover VAT (if registered).

Rented property being sold for less than AED 375,000 to a person who is not a taxable person:
- Seller charges VAT.
- Buyer pays VAT.

Rented or partly rented property (going concern) being sold to a taxable person:
- Seller does not charge VAT.
- Buyer does not pay VAT on the purchase of the building.

Purchase of commercial buildings:
- Where a building costing more than AED5m is purchased, this shall be treated as a capital asset.
- The buyer will pay VAT at 5%, but will be able to recover the VAT on the tax return related to the period of purchase.
- The buyer will have to monitor the use of the building for 10 years. In case there is a change of use, the VAT recovered may need to be adjusted.

Reverse charge:
- Reverse charge applies only to goods or services received from abroad.
- Property is a good for the purposes of VAT in the UAE. The place of supply for property located in the UAE is always in the UAE. Selling or leasing a property in the UAE is a supply of good in the UAE, and hence does not qualify for reverse charge.

Non-rented property:
- Seller charges VAT.
- Buyer pays VAT.

Rented property being sold for less than AED 375,000 to a person who is not a taxable person:
- Seller charges VAT.
- Buyer pays VAT.

Rented or partly rented property (going concern) being sold to a taxable person:
- Seller does not charge VAT.
- Buyer does not pay VAT on the purchase of the building.