VAT Public Clarification

Tax Invoices

Issue

Article 59 of Cabinet Decision No. (52) of 2017 on the Executive Regulations of the Federal Decree-Law No. (8) of 2017 on Value Added Tax ("Executive Regulations") prescribes the requirements of a tax invoice and the circumstances in which one must be issued.

There are a number of circumstances in which businesses have sought clarity over the application of the requirements outlined in Article 59.

Summary

This Public Clarification explains the application of the Article 59 of the Executive Regulations with regards to tax invoices, and specifically explains the following requirements:

- in all cases where a taxable supply is made, a tax invoice must be issued and delivered to the recipient. This includes supplies which meet the conditions for a simplified tax invoice to be issued;

- in all cases where a taxable supply is made, a tax invoice must be issued and delivered to the recipient. This includes supplies which meet the conditions for a simplified tax invoice to be issued;
where simplified tax invoices are issued, there is no requirement to show the net value (i.e., the amount excluding the tax) for line items;

where full tax invoices are issued, line items have to show the tax value and net value, it is not mandatory to show the gross value;

tax invoices issued in a foreign currency must show the tax amount converted to AED and the exchange rate used for the conversion; and

rounding on tax invoices should be performed on a line item basis to the nearest Fils.

Detailed discussion

Requirement to issue a tax invoice:

Article (65) of Federal Decree-Law No. (8) of 2017 on Value Added Tax ("the Decree-Law") requires that any VAT-registered business making a taxable supply shall issue an original tax invoice and deliver it to the recipient of the supply. This requirement applies without exception for any supplies subject to VAT at 5%, therefore in the event a taxable supply is made it is a requirement that a tax invoice is both issued and delivered to the recipient.
In certain cases, it is acceptable that the contents of the tax invoice may include less information than otherwise normally required. Article 59(5) of the Executive Regulations allows a taxable person to issue a simplified tax invoice, rather than a full tax invoice, in the following cases:

- Where the recipient of the goods or services is not registered for VAT; or
- Where the recipient of the goods or services is registered for VAT, and the consideration for the supply is AED 10,000 or less.

The ability to issue a simplified tax invoice does not affect the requirement that the tax invoice must be issued and delivered to the recipient. Therefore, in all cases where a standard rated supply is made it is a requirement to provide a tax invoice in respect of the supply.

The FTA does not consider that offering to print a tax invoice on request by the recipient, and therefore otherwise not providing a tax invoice, satisfies the requirement to issue and deliver a tax invoice as required by Article 65 of the Decree-Law. This is not optional.

Simplified invoices: Line items to be shown at the gross value:
Article 59(2) of the Executive Regulations sets out the required contents of a simplified tax invoice as follows:

- The words “Tax Invoice” clearly displayed on the invoice;
- The name, address, and Tax Registration Number of the supplier;
- The date of issuing the tax invoice;
- A description of the goods or services supplied; and
- The total consideration and the tax amount charged.

The requirements above state that the total consideration (i.e. the gross value of the supply) and the tax amount are identified on the tax invoice. In practical terms, this means there is no requirement for line items to be shown on the tax invoice at a net value. At the bottom of the simplified tax invoice, the total consideration is shown (i.e. the total gross value), with a separate line showing the tax included within that value.

For example:

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Apples</td>
<td>10.00</td>
</tr>
<tr>
<td>Bananas</td>
<td>15.00</td>
</tr>
<tr>
<td>Milk</td>
<td>10.50</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>35.50</strong></td>
</tr>
<tr>
<td><strong>VAT</strong></td>
<td><strong>1.69</strong></td>
</tr>
</tbody>
</table>

And:

نتحدد المادة (59) (2) من اللائحة التنفيذية التفاصيل التي يجب إدراجها في الفاتورة الضريبية المبسطة، وهي كما يلي:

- عبارة "فاتورة ضريبية" موضحة على الفاتورة.
- اسم وعنوان المسجل الذي يقوم بالتوريد ورقم التسجيل الضريبي الخاص به.
- تاريخ إصدار الفاتورة الضريبية.
- وصف السلع أو الخدمات التي تم توريدها.
- إجمالي المقابل ومبلغ الضريبة المفروضة.

وتشير المتطلبات الموضحة أعلاه أنه يجب أن تتضمن الفاتورة الضريبية إجمالي المقابل (أي القيمة الإجمالية للتوريد) وملف الضريبة المفروضة. من الناحية العملية، يعني ذلك أنه لا حاجة لإدراج القيمة الصافية لكل بند في الفاتورة الضريبية. يدخل في أسفل الفاتورة الضريبية المبسطة، إجمالي المقابل (أي القيمة الإجمالية للتوريد)، والضريبة المفروضة عن تلك القيمة في خانة منفصلة.

على سبيل المثال:

<table>
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</tr>
</tbody>
</table>

المجموع 35.50
الضريبة 1.69
**Full tax invoices: Line items to be shown at the net value:**

One of the requirements of Article 59 of the Executive Regulations is for a full tax invoice to show the following information for each line item:

- the unit price;
- the quantity or volume supplied;
- the rate of tax; and
- the amount payable expressed in AED.

A further requirement of a full tax invoice, mentioned later in the Article, is for the tax invoice to show the total gross amount payable expressed in AED.

As a full tax invoice includes several line items, each shall have the net amount payable (excluding the tax) as well as the tax due. The FTA accepts that a full tax invoice does not need to include gross amounts (i.e. inclusive of tax) for each line item, as the total gross amount payable for the invoice shall be stated.

**Tax invoices issued in foreign currencies:**

Where a tax invoice is issued in a currency other than AED, Article 59 of the Executive Regulations requires that the following information is shown on the invoice:

- the tax amount payable expressed in AED; and

**الفاتور الضريبية الكاملة: إدخال القيمة الصافية لكل بند على حدا: **

ومن ضمن متطلبات إصدار الفاتورة الضريبية الكاملة، نصت المادة (59) من اللائحة التنفيذية على أنه يتعين إدراج البيانات التالية لكل بند:

- سعر الوحدة.
- الكمية أو الحجم الذي يتم توريده.
- نسبة الضريبة.
- والمبلغ المستحق دفعه بالدرهم.

كما نصت تلك المادة على شرط آخر لإصدار فاتورة ضريبية كاملة، وهو أنه يتعين إدخال المبلغ الإجمالي المستحق دفعه بالدرهم.

على أساس أن الفاتورة الضريبية تتضمن عدد من البنود، يتوجب إدراج قيمة الضريبة والقيمة الصافية لكل بند على حدا. ولا معنى لدي الهيئة أن لا تدرج الفاتورة الضريبية الكاملة القيمة الإجمالية الشاملة للضريبة لكل بند، على أساس أن القيمة الإجمالية للفاتورة شاملة الضريبة مدرجة في الفاتورة الضريبية.

**الفواتير الضريبية الصادرة بالعملة الأجنبية:**

نصت المادة (59) من اللائحة التنفيذية أنه في حال تم إصدار فاتورة ضريبية بعملة أجنبية غير الدرهم الإماراتي، فإنه يتوجب إدراج البيانات الأتية في الفاتورة الضريبية:

- قيمة الضريبة المستحقة الدفع بالدرهم الإماراتي.
the exchange rate applied (as per the exchange rates published by the UAE Central Bank on the date of supply).

As a result, businesses issuing invoices in foreign currencies which do not display the tax value in AED as mentioned above, are failing to issue a valid tax invoice for VAT purposes.

**Rounding on invoices:**

Where a tax invoice is required to be issued and the tax chargeable on the supply is calculated as a fraction of a Fils, the value may be rounded to the nearest Fils on a mathematical basis in accordance with Article 61 of the Executive Regulations.

Given that the tax amount should be calculated on a line by line basis on a full tax invoice as mentioned above, in practice this means that such rounding, if performed, should also be undertaken on a line by line basis.

By rounding the value on a mathematical basis, it is meant that the tax value stated on the tax invoice should be rounded to the nearest whole Fils (i.e. to 2 decimal places) by applying mathematical logic.

For example:

- 2.357 AED would become 2.36
- 9.862 AED would become 9.86

**Example:**

- 2,357 AED would become 2,360
- 9,862 AED would become 9,860
This Public Clarification issued by the FTA is meant to clarify certain aspects related to the implementation of the Federal Law No 7 of 2017 on Tax Procedures, Federal Decree-Law No 8 of 2017 on Value Added Tax and their Executive Regulations.

This Public Clarification states the position of the FTA and neither amends nor seeks to amend any provision of the aforementioned legislation. Therefore, it is effective as of the date of implementation of the relevant legislation, unless stated otherwise.