

# FTA DECISION ON "TAX REFUNDS FOR TOURISTS SCHEME"



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The Federal Tax Authority ('FTA') of UAE has issued a decision on the "Tax Refunds for Tourists Scheme". Said decision outlines the commencement date of the tourist scheme, applicable purchase, and export procedures, fee structure, refund mechanism, and the categories of goods excluded from the tax refunds, etc. It is pertinent to note that said decision is effective from 01 March 2024.

### IN-DEPTH ANALYSIS

- **Commencement date:**

- Retailers participating in the scheme will initiate processing/providing refund claims to tourists starting 18 November 2018.
- The Overseas Tourist may reclaim VAT at Abu Dhabi International Airport, Dubai International Airport, and Sharjah International Airport as of 18 November 2018, and at other UAE international airports, land ports, and seaports from 16 December 2018.

- **Purchase Procedure to be followed by the Retailers:**

When a customer tells the Retailer that he wants to make purchases using the Tax Refunds for Tourists Scheme, the Retailer shall:

- Perform checks as instructed by the FTA and the Operator, to confirm if:
  - The customer qualifies as an Overseas Tourist according to Clause 3 of Article 68 of Cabinet Decision No. 52 of 2017 and is physically present in the UAE when purchasing the Goods from the Retailer in either of the following cases:
    1. The customer is present in the retail store and requests a refund claim form at the time of purchase.
    2. The customer purchases Goods from an online platform and requests the VAT refund while making the purchase from their personal account on the platform, as long as they receive the Goods themselves.
  - The Goods were supplied within 90 days from the date the refund documents were requested to be issued.
- Record the customer's information and purchase details as required by the FTA and the Operator.
- Issue the necessary documents and present them to the customer to claim a VAT refund on exporting the Goods. Follow any procedures for handling, packaging, and delivering the Goods as specified by the Authority, with respect to certain Goods or categories of Goods.
- Adhere to any other conditions specified in an agreement approved by the Retailer to provide a Tax-Free Purchase service

**It is pertinent to note that Retailers should not issue VAT refund forms to customers under 18 years old.**

- **Export Procedures to be followed by the Operators:**
    - The Operator of the Tax Refunds for Tourists Scheme shall not refund Tax to an Overseas Tourist for Goods unless the Operator verifies that the Tourist is exporting the Goods outside the UAE within 90 days from the date of supply.
    - The Operator will verify the Exported Goods and refund claim based on criteria agreed with the Authority.
    - With the Authority's consent, the Operator may use or obtain the support of a third party to verify procedures on its behalf.
  - **Fees Structure:**
    - The Authority may charge fees to the Overseas Tourists as per the following:
      - An administrative fee of 13% of the VAT amount to be refunded to the Overseas Tourist.
      - A fixed fee of AED 4.8 per refund claim.
    - The Operator shall deduct said fees mentioned above from the amount to be refunded to the Overseas Tourist on behalf of the FTA.
- It is to be noted that the cash VAT refunds are limited to a maximum of AED 35,000 per Overseas Tourist per 24 hours.**
- **Minimum Purchase Value:**
    - Tax refunds will not be provided under the Scheme if the total value of purchases, including tax, made from the same Taxable Person, from whom the Overseas Tourist requests a refund, does not amount to AED 250 or more.
  - **Exclusions:**
    - Goods not taken by the Overseas Tourist while leaving UAE.
    - Goods partially or fully consumed within the UAE or any other Implementing State.
    - Motor vehicles, boats, and aircraft.

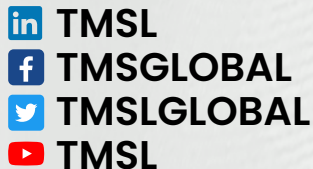
## **OUR REMARKS**

- Retailers, as key stakeholders in the scheme, must adhere to prescribed purchase procedures to facilitate seamless VAT refund processing for tourists. Said procedures entail verifying customer eligibility, recording purchase details, issuing necessary documents, and adhering to handling and packaging protocols.
- Further, retailers must exercise caution not to issue VAT refund forms to customers below 18 years of age, aligning with regulatory requirements, etc.
- Operators, entrusted with overseeing VAT refund processes, are tasked with verifying the export of purchased goods by Overseas Tourists outside the UAE within 90 days to qualify for tax refunds. Additionally, operators may engage third-party verification services with the consent of the Authority to enhance oversight and ensure the integrity of refund transactions.

**DISCLAIMER:**

The information contained herein is of a general nature and is therefore not intended to address the circumstances of any particular individual / entity. It is meant for general guidance only and has been presented in a summarized form. Although, we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation. The interpretations, conclusions, comments, remarks represent author's opinion only. It may contain unintended inaccuracies / mistakes that we have tried to avoid, However, the possibility of a human error cannot be ruled out. TMSL Management Consultancies Co. will not accept any responsibility for loss occasioned to any person acting or refraining from action as a result of any material in this publication.

Attention of the readers is also invited to MoFs press-release dated 19 May 2023 per which "a number of post circulating on social media and other platforms that are issued by private parties, contain inaccurate and unreliable interpretations and analyses of Corporate Tax". The Ministry reminded that official sources of information on Federal Taxes in the UAE are MoF and FTA only. Therefore, analyses that are not issued by them are unreliable and may contain misleading interpretations of the UAE CT Law. The readers are requested to factor in the same and also the fact that this post is not commissioned by MoF or FTA.

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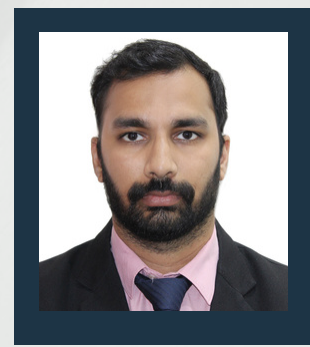
Office No. 501, Al Moosa Tower 1,  
Sheikh Zayed Road, Trade Centre 1,  
Dubai UAE.  
PO Box 77106

**OUR LEADERS**

**RAVI CHITNIS**  
ravi.chitnis@tmsglobal.com



**PRATIK SHAH**  
pratik.shah@tmsglobal.com



**PIYUSH BAID**  
piyush.baid@tmsglobal.com

**CONTACT: [WWW.TMSLGLOBAL.COM](http://WWW.TMSLGLOBAL.COM) | [TAXTEAM@TMSLGLOBAL.COM](mailto:TAXTEAM@TMSLGLOBAL.COM)**

Ravi Chitnis  
+971 50 654 4867

Pratik Shah  
+971 55 957 8232

Piyush Baid  
+971 54 449 5785