



# PUBLIC CLARIFICATION ON "SWIFT MESSAGES"

## OVERVIEW

The Federal Tax Authority ('FTA') of UAE has issued Public Clarification on "SWIFT messages". It is to be noted that as a practice, International bank charges and their underlying transactions are evidenced by SWIFT messages which do not meet the requirements to constitute tax invoices for UAE VAT purposes.

When Banks and exchange houses (collectively referred to as "Financial Institutions") as taxable persons receive interbank services from non-resident banks, they are regarded as making supplies to themselves in respect of said interbank services and are required to issue tax invoices to themselves in respect of said supplies. Said Financial Institutions are responsible for all other applicable tax obligations and are liable to account for due tax as well.

Further, Financial Institutions may only recover VAT imposed on international bank charges from banking institutions outside the UAE to the extent the cost is incurred to make taxable supplies and provided that the required supporting tax invoices are obtained and retained.

However, considering the volumes of SWIFT messages UAE Financial Institutions receive on a daily basis, it would be impractical to require financial institutions to issue a tax invoice to themselves for each SWIFT transaction.

Thus, said Clarification provides clarity on the acceptability of SWIFT messages for the purposes of documentation requirements and to support input tax recovery.

## IN-DEPTH ANALYSIS

- Financial institutions incur international bank charges from banking institutions outside the UAE as a result of using the Society for Worldwide Interbank Financial Telecommunications ("SWIFT") communication system with said non-resident banks. ***The provision of the right to use the SWIFT communication service constitutes a service for VAT purposes.***
- It is to be noted that if said service is received by a financial institution that is a resident of the UAE, according to the general place of supply ('POS') rule, the POS is in the UAE. Consequently, where such service is received from outside the UAE, it constitutes a concerned service for UAE VAT purposes. ***As a taxable person, the financial institution is regarded as making a taxable supply to itself when it imports such concerned service, and is responsible for all applicable VAT obligations and accounting for VAT on the service.***
- In an ideal scenario, Financial Institutions that are registered for VAT in the UAE are required to issue and deliver an original tax invoice to the recipient of taxable services supplied by the Financial Institution which means that the financial institution is required to issue a valid tax invoice, to itself as recipient of the supply, in respect of each SWIFT transaction for which it incurs interbank charges.

- However, as per Article 59(7)(b) of the UAE VAT Executive Regulations, where there are (or will be) sufficient records available to establish the particulars of any supply or class of supplies, and that it would be impractical to require the issuance of a tax invoice by the taxable person, the FTA may determine that a tax invoice is not required to be issued in certain cases.

## OUR REMARKS

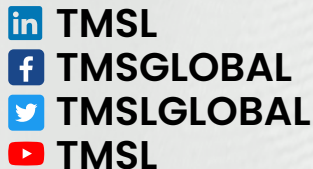
- Considering the administrative burden to issue tax invoices to itself for a high number of SWIFT related concerned services, the FTA recognises the impracticality for financial institutions to issue tax invoices in respect of international bank charges incurred from non-resident banking institutions as a result of using the SWIFT communication system with said non-resident banks.
- Therefore, the SWIFT message will be accepted as a sufficient record to establish the particulars of the supply, provided the following information is reflected on the SWIFT message:
  - Name and address of the non-resident bank (SWIFT sender/supplier).
  - Name of the UAE financial institution receiving the service (SWIFT receiver/customer).
  - Date of the transaction.
  - SWIFT message reference number
  - Transaction reference number
  - Description of the transaction
  - Consideration charged and currency used
- If the aforementioned requirements are met, the SWIFT message (“Qualifying SWIFT message”) would be accepted as sufficient documentary evidence to prove the supply of the interbank service received from the non-resident bank, and the UAE financial institution shall be considered as having supplied the service to itself. **Considering the above, a UAE Financial Institution is not required to issue a tax invoice to itself if it retains the relevant Qualifying SWIFT message as evidence of the transaction.**
- With respect to Input tax recovery, considering the nature of the Qualifying SWIFT message, **it is accepted as sufficient documentary evidence to support the recovery of input tax that relates to said specific imported service.** Further, the recovery of input tax is subject to the other normal VAT recovery rules as well.



**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.

**SOCIAL:****OFFICE ADDRESS:**

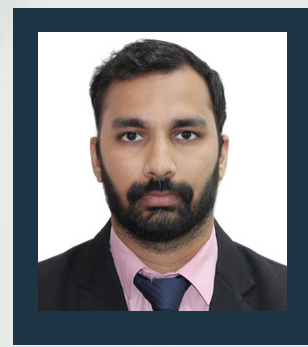
Office No. 501, Al Moosa Tower 1,  
Sheikh Zayed Road, Trade Centre 1,  
Dubai UAE.  
PO Box 77106

**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