



CABINET DECISION NO. 91 OF 2023 REVERSE CHARGE MECHANISM ON “ELECTRONIC DEVICES”

DECISION SUMMARY

The Federal Tax Authority ('FTA') has issued Cabinet Decision No. 91 of 2023 ('decision') on 25 August 2023 on application of special reverse charge mechanism on Electronic Devices in UAE. Said decision shall come into force after 60 days from its publication date.

As per definition mentioned in said decision, "Electronic Devices" shall include items such as mobile phones, smartphones, computer devices, tablets pieces and parts thereof.

As per said decision, if a supplier provides Electronic Devices to a registered Recipient of Goods and the intention of the Recipient of Goods was/is to resell or use them in producing or manufacturing Electronic Devices, the following rules shall apply:

- The supplier shall not be responsible for accounting and reporting tax related to said supply of electronic devices in their VAT return.
- The recipient of electronic devices shall be responsible for accounting and all applicable tax obligations related to said supply

It is pertinent to note that for application of special recharge mechanism on electronic devices, the following shall be considered:

- The recipient of electronic devices must furnish a written declaration to supplier, prior to the date of supply indicating that the intention of supply of electronic devices is for the purposes as mentioned above along with a confirmation that the recipient is registered with the FTA
- The supplier of electronic devices shall receive and retain the declaration (as referred above) and also verify that the recipient is registered with the FTA.

It is to be noted that the Minister of Finance shall issue a decision to specify the criteria that should be followed in determining the pieces and parts related to Electronic Devices.

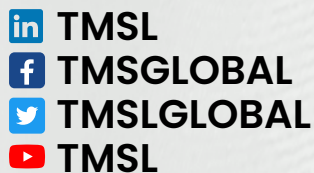
OUR REMARKS

- The decision will significantly ease cash flow management challenges for the Electronic Devices industry in the UAE.
- VAT for B2B transactions will no longer be collected at multiple stages within the electronic Devices supply chain in the UAE.
- It is important to note that aforesaid provisions do not apply when electronic devices are subject to tax at zero rate as per Clause 1 of Article 45 of Federal Decree-Law No. 8 of 2017

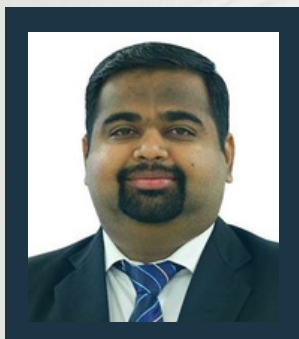
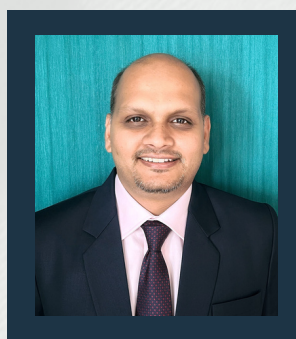
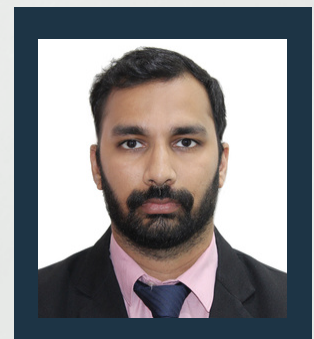
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Attention of the readers is also invited to MoFs press-release dated 19 May 2023 per which "a number of post circulating on social media and other platforms that are issued by private parties, contain inaccurate and unreliable interpretations and analyses 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 MF-24 plot 293,
Belshalat Buiding - Commercial,
Al Baraha Dubai UAE.
PO Box 77106

OUR LEADERS**PRATIK SHAH**pratik.shah@tmsl.in**SANKET SHAH**sanket.shah@tmsl.in**PIYUSH BAID**piyush.baid@tmsl.in**CONTACT: WWW.TMSLGLOBAL.COM | INFO@TMSL.IN**

Pratik Shah

+971 55 957 8232

Sanket Shah

+91 98204 44889

Piyush Baid

+971 54 449 5785