



Collaborating firm of **ANDERSEN GLOBAL**

# TAX UPDATE

December 2020

## Public Clarification on Temporary Zero-rating of Certain Medical Equipment.

On 1 September 2020, the Cabinet issued a Cabinet Decision No. 9/12 O of 2020 ("Cabinet Decision") concerning the temporary application of VAT at the 0% rate on certain supplies and imports of medical equipment. Furthermore, the Ministerial Decision No. 380 of 2020 ("Ministerial Decision") issued by the Minister of Health and Prevention on 6 December 2020 (with effect from 1 September 2020) specifies the medical equipment that are zero-rated in accordance with the Cabinet Decision.

As per the clarification, a supply or import of certain medical equipment may be zero-rated where the supply or import occurs **within 6 months** from the effective date of the Cabinet Decision. This Public Clarification provides a summary of the zero-rating rules introduced by the above-mentioned Decisions and the time frame for application of the rules.

### Applicability of Zero Rating on Medical Equipment

- It should be noted that the zero rating of supplies and import under Cabinet Decision is separate, and in addition to, zero-rating of any other medical equipment in accordance with Cabinet Decision No. 56 of 2017 on Medications and Medical Equipment Subject to Tax at Zero Rate.
- The "**medical equipment**" to which the temporary zero-rating rules apply are personal protective equipment used for the protection from Covid-19, and which contain the features and meet the specifications determined and specified by the Ministerial Decision. Such medical equipment are limited to:
  - Medical face masks that are not included in the Cabinet Decision No. 56 of 2017 on Medications and Medical Equipment Subject to Tax at Zero Rate (of approved standards 14683 and UAE.S ASTM F2100);
  - Half filtered face mask (UAE.S EN 149);
  - Non-Medical "community" face mask made from textile (UAE.S 1956);
  - Chemical disinfectants and antiseptics intended for use on the human body, but excluding detergents, cosmetics and personal care products (UAE.S EN 1276, EN 1650, and EN 14476:2013+A2).
- In accordance with the Cabinet Decision, the medical equipment mentioned in the Ministerial Decision are zero-rated in the following circumstances:-
  - In respect of supplies of medical equipment, a supply can be zero-rated where the **date of supply** takes place, and the medical equipment is delivered to the recipient or placed at the recipient's disposal in the period from **1 September 2020 to 28 February 2021**.
  - In respect of imports of medical equipment, an import can be zero-rated when the medical equipment is imported in the period from **1 September 2020 to 28 February 2021**.
- **Date of Supply :-**
  - It should be noted that for the purposes of the Cabinet Decision, the date of supply must be determined in accordance with Articles 25 and 26 of the Federal Decree Law No. 8 of 2017 on Value Added Tax.
  - The zero-rating rules **do not apply** in respect of any supply of medical equipment where the **date of supply**, or the date the medical equipment is delivered to the recipient or placed at the recipient's disposal, **falls outside the period from 1 September 2020 to 28 February 2021**.

In such situations, the supply of medical equipment is subject to VAT at 5% and this VAT must be reported in the tax return of the relevant tax period (or periods) where the date of supply occurs. Similarly, medical equipment cannot be zero-rated where the date of import is either before 1 September 2020 or after 28 February 2021. In these cases, the importer would be required to account for VAT on the import at 5% in accordance with the normal procedures for payment of import VAT.

### Retrospective Application

- The rules allowing for zero-rating of medical equipment under the Cabinet Decision are effective from 1 September 2020.
- Where a supplier has charged VAT at 5% on a supply which was eligible for zero-rating under the Cabinet Decision, and the supplier is aware of the identity of the recipient, the supplier shall issue and deliver a tax credit note to the recipient in order to refund the VAT overcharged on the supply.
- Furthermore, where a tax credit note has been issued and delivered to the recipient as per above, the supplier may reduce its output tax by the amount of the VAT shown in the tax credit note.
- On the other hand, where a supplier is unable to identify a recipient of the supply for the purpose of issuing and delivering the tax credit note (for example, a supermarket is unlikely to know who purchased qualifying medical equipment), the supplier should ensure that it accounts for the collected VAT in the tax return relating to the tax period in which the supply was made.

**For more information please contact us,**

**Chartered House Tax Consultancy**

Office # 1711 The Metropolis Tower,

Business Bay, Dubai, U.A.E.

T: +971 4 2435666

E: [info@charteredhouse.ae](mailto:info@charteredhouse.ae)

W: [www.charteredhouse.ae](http://www.charteredhouse.ae)