

Designated Zones (Synopsis)

Supply of Goods:

Supply from	Supply to	VAT applicability	Cabinet Decision No.52
Designated Zone-1	Designated Zone-2	Out of Scope*	Article 51 Clause 3
Designated Zone-1	Designated Zone-1	Out of Scope**	Article 51 Clause 5
Designated Zone	Inside UAE (Registered)	Importer on record from DZ to mainland will pay VAT (RCM)	Article 48
Designated Zone	Inside UAE (Unregistered)	UAE VAT applicable	Article 2 (Normal VAT rule for supply of goods)
Designated Zone	Outside UAE	Out of Scope#	Issue 1- Designated zone guide.
Outside UAE	Designated Zone	Out of Scope	Article 47 Clause 1 (b)
Inside UAE	Designated Zone	UAE VAT applicable	Article 30 Clause 3
Outside UAE	Outside UAE	Out of Scope***	

* If during such supply, goods or part of the goods are released, altered or used the place of supply will be the state and VAT will be applicable.

**If the supply of goods made within a Designated Zone is to be used either by the owner or a third person, then the place of supply will be in the State of UAE. This implies that all the self-consumed goods within Designated Zones will be subject to VAT at 5%.

***Direct shipment from one country to another country where the goods physically are not touching the UAE shore will be out of scope.

However, there are certain *exceptional scenarios* where the consumption of goods within a Designated Zone will not be subject to VAT. The following are the exceptions scenarios:

- Goods are incorporated into other goods,
- Goods are attached to other goods,
- The usage of goods is such that it forms part of other goods,
- Goods are used in the production or sale of another good located in the same Designated Zone.

FTA published in their website the Guidelines for Designated zones Issue 1 (July 2018). In the guideline they have specified that supply of goods from designated zone to outside UAE will be considered as "OUT OF SCOPE" for VAT. Accordingly, in our vat return filing from now onwards we will not be required to mention such supplies under Zero rated supplies.

Supply of Services:

Supply from	Supply to	VAT applicability	Cabinet Decision No.52
Designated Zone-1	Designated Zone-2	UAE VAT applicable	Article 51 Clause 6
Designated Zone-1	Designated Zone-1	UAE VAT applicable	Article 51 Clause 6
Designated Zone	Inside UAE (Registered & Unregistered)	UAE VAT applicable	Article 51 Clause 6
Designated Zone	Outside UAE	Zero-rated supply	Article 31
Outside UAE	Designated Zone	UAE VAT applicable (RCM)	Article 48
Inside UAE	Designated Zone	UAE VAT applicable	Article 30 Clause 3