

# VAT Public Clarification on Time-frame for recovering Input Tax



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## Definitions:

**Input Tax:** Tax paid by a Person or due from him when Goods or Services are supplied to him, or when conducting an Import.

**Tax Period:** A specific period of time for which the Payable Tax shall be calculated and paid.

**Recoverable Tax:** Amounts that were paid and may be returned by the Authority to the Taxpayer pursuant to the provisions of this Decree-Law

Based on the FTA understanding with relation to Article 55(1) of the VAT Law along with Article 54(2) of Cabinet Decision No. (52) of 2017 on the Executive Regulation of the Federal Decree- Law No. 8 of 2017 on Value Added Tax, that input tax must be recovered in the first tax period in which the two conditions are satisfied:

- a. the tax invoice is received; and
- b. there is an intention to make the payment of consideration of the supply before the expiration of six months after the agreed date of payment.

In view of the above, before recovering input tax, a taxable person needs to substantiate that in addition to receiving a tax invoice, he has also satisfied the condition of forming an intention to make the payment (via internal company process) within the prescribed period.

*For example:*

VAT filling periodicity	Date of issue of Tax invoice from Vendor	Established intent of payment to Vendor	Claim VAT in the period
<b>Monthly</b>	1 <sup>st</sup> January	5 <sup>th</sup> of February	February VAT return.
<b>Monthly</b>	1 <sup>st</sup> January	10 <sup>th</sup> of March	Submit voluntary disclosure on January or February VAT return to claim input vat.
<b>Monthly</b>	1 <sup>st</sup> January	3 <sup>rd</sup> of January	January VAT return. If missed it can be claimed in February VAT return.
<b>Quarterly</b>	1 <sup>st</sup> January	4 <sup>th</sup> of February	Claim in 1 <sup>st</sup> quarter VAT return.
<b>Quarterly</b>	1 <sup>st</sup> January	15 <sup>th</sup> of April	Claim in 2nd quarter VAT return.
<b>Quarterly</b>	1 <sup>st</sup> January	3 <sup>rd</sup> of June	Submit voluntary disclosure on 1 <sup>st</sup> or 2 <sup>nd</sup> VAT return to claim input vat.

# THANK YOU

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