



Refund of VAT Incurred on the Construction and Operation of Mosques

VAT Guide | VATGRM1

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1. Overview

1.1 Short brief

VAT was introduced with effect from 1 January 2018 in the UAE. As a general consumption tax on the supply of goods and services, it applies to supplies made within the territorial area of the UAE.

It is common in the UAE for persons to build and operate Mosques. These activities generally do not constitute the carrying on of a business and input tax may not be recovered under the normal VAT recovery rules.

The FTA may return VAT paid on any supply or import incurred by a person, or class of persons, listed in a Cabinet Decision.¹ Cabinet Decision No. 82 of 2022 on the Refund of Input Tax Incurred on the Construction and Operation of Mosques was issued on 16 August 2022, and provides for a special refund mechanism for eligible persons constructing and/or operating a Mosque, provided certain conditions are met. For purposes of this Decision, the term “Mosque” is defined as the space allocated for prayers and also includes the Mosque’s yard, entrances, annexures, and facilities.

1.2 Purpose of this guide

This document contains guidance about the requirements of and process to recover input tax incurred on the construction and operation of Mosques.

1.3 Who should read this document

This document should be read by persons constructing and/or operating/maintaining a Mosque in the UAE.

It is intended to be read in conjunction with other relevant guidance published by the Federal Tax Authority (“FTA”).

1.4 Status of the document

This guide is issued in accordance with Article 73 of the Executive Regulation and provides general guidance concerning the application of the VAT legislation in respect of the special refund mechanism related to the construction and operation of Mosques in the United Arab Emirates.

This guide does not deal with all the legal details associated with VAT and is not intended for legal reference. This guide should be read in the contexts of the appropriate legislation and other guidance provided on the matter.

¹ Article 75(5) of the Decree-Law.

For details in respect of the general operation of VAT, refer to the Taxable Person Guide – Value Added Tax which is available on the FTA's website. If you have additional questions on the recovery of input tax incurred on the construction and operation of Mosques, please contact us on info@tax.gov.ae.

1.5 Legislation

In this guide,

- Federal Decree-Law No 8 of 2017 on Value Added Tax and, its amendments, is referred to as "Decree-Law"
- Cabinet Decision No. 52 of 2017 on the Executive Regulations of the Federal Decree-Law No. 8 of 2017 on Value Added Tax and its amendments is referred to as "Executive Regulation"
- Cabinet Decision No. 82 of 2022 on Refund of Input Tax Incurred on the Construction and Operation of Mosques is referred to as "Cabinet Decision No. 82".
- Ministerial Decision No. 162 of 2022 on the Determination of Timelines and Frequency of Submission of Refund Requests for Input Tax Incurred on the Construction and Operation of Mosques is referred to as "Ministerial Decision No. 162".

2. Recovery of VAT incurred to construct a Mosque

2.1 How does it work?

The person(s) constructing a Mosque (“Donor”), either himself or by using a construction company, may submit a request to the FTA to recover the input tax incurred on the construction of the Mosque (“Mosque Construction Refund Request”) as per the timelines prescribed in paragraph 2.5 of this Guide.

The Mosque Construction Refund Request will undergo review by a verification body to verify the eligibility of the Donor and the amount to be refunded. The verification body is an entity that was appointed by the FTA to verify Mosque refund requests.

2.2 Meaning of “construction of a Mosque”

For purposes of VAT recovery, the term “to construct a Mosque” includes the following which are incurred before the Mosque becomes operational:

- The actual construction process.
- The equipping and furnishing of the Mosque.
- The supply of the necessary equipment, devices and its maintenance.
- All that is required to carry out all the authorised activities of the Mosque before the Mosque becomes operational.²

This means that the supply of the goods and services must be made before the operation of the Mosque starts.

2.3 Who is eligible?

A Donor may apply for a refund of VAT incurred on the construction of a Mosque where all the requirements are met.³

2.4 Eligibility Criteria

In order to recover the VAT in respect of goods and services incurred to construct a Mosque, all of the following requirements must be met:

- The Donor must have incurred the VAT;
- The goods and services must have been acquired specifically for the construction of a Mosque.
- The Donor obtained and retains a Mosque Operation Commencement Certificate; and

² Article 2(4) of Cabinet Decision No. 82.

³ Article 2(1) of Cabinet Decision No. 82.

- Any of the following conditions are met:

- The Mosque has been handed over, or is intended to be handed over by the Donor to any other person for whom the General Authority of Islamic Affairs and Endowments or the local authority concerned with Mosques' affairs ("Competent Authority"⁴) approved the handover of the Mosque to, unless the handover constitutes a taxable supply, or
- The Donor operates the Mosque in accordance with the approval obtained from the Competent Authority.

2.4.1 Donor must have incurred the VAT

The Donor is regarded as having incurred the VAT if VAT was charged by the supplier(s), VAT was paid by the Donor, and the tax invoices in respect of the goods and services acquired for purposes of constructing the Mosque reflects the details of the Donor, and that Donor is contractually liable to pay the consideration, including the VAT, to the supplier(s) of such goods and / or services.

Note that only valid tax invoices⁵ reflecting the correct amount of VAT charged will be accepted as supporting evidence for purposes of calculating the amount of the VAT refund. In instances where the Donor does not hold a valid supporting tax invoice, the VAT amount may not be considered for purposes of the refund calculation. In addition to the valid tax invoices, the Donor is required to submit proof that the VAT was paid.

2.4.2 Eligible goods and services

The Donor may only recover VAT on goods and services which were acquired directly in connection with the construction of the Mosque. These may, for example, include the following, provided it is incurred by the Donor before the Mosque becomes operational:

- Architecture design services for the specific Mosque
- Engineering consultancy services
- Contractors services
- Tiles and sanitary ware
- Mosque's audio system and microphones
- Lights
- Carpets
- Imam's platform

2.4.3 Mosque Operation Commencement Certificate

⁴ Defined in Article 1 of Cabinet Decision No. 82.

⁵ Article 59 of the Executive Regulation.

The Competent Authority will issue a Mosque Operation Commencement Certificate within 60 days from the Mosque's date of completion and fulfilment of requirements. In instances where the Mosque was completed on or after 1 January 2018 and no Mosque Operation Commencement Certificate was previously issued, the Mosque Operation Commencement Certificate shall be issued within 60 days from the effective date of Cabinet Decision No. 82, i.e. within 60 days from 29 October 2022.⁶

The Mosque Operation Commencement Certificate will contain the following information:

- Data related to the identity of the Donor, as determined by the Competent Authority in agreement with the FTA.
- Adequate information to identify the Mosque which was constructed by the Donor in accordance with the approval of the Competent Authority.
- The operation date of the Mosque
- The date the Mosque Operation Commencement Certificate was issued, if different from the operation date.
- A confirmation that the Donor has completed construction of the Mosque in accordance with the conditions determined by the Competent Authority.⁷

2.5 Process and timelines to request a refund

After establishing that all the eligibility criteria set out in paragraph 2.4 were met, the Donor may apply for a refund in respect of the VAT incurred on goods and services acquired directly in connection with the construction of the Mosque by completing the required application which is available on the FTA's e-Services platform.

With the exception of refund requests relating to retention payments, Donors may only submit one construction-related refund request per Mosque constructed, i.e. the VAT incurred which is eligible for recovery should be aggregated to determine the amount of the refund.

The refund request may only be submitted during the prescribed period set out below:⁸

Operation date as per the Mosque Operation Commencement Certificate	Refund applications may be submitted during
1 January 2018 – 31 December 2018	November 2022 – January 2023
1 January 2019 – 31 December 2019	February 2023 – March 2023
1 January 2020 – 31 December 2020	March 2023 – April 2023
1 January 2021 – 31 December 2021	April 2023 – May 2023
1 January 2022 – 31 December 2022	June 2023 – December 2023

⁶ Article 2(3) of Cabinet Decision No. 82.

⁷ Article 2(2) of Cabinet Decision No. 82.

⁸ Article 3(1) of Cabinet Decision No. 82, read with Articles 1 and 3 of Ministerial Decision No. 162.

1 January 2023 onwards	Within 12 months of the issuance of the Mosque Operation Commencement Certificate from the Competent Authority
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2.6 Verification and audit process

The FTA or the entity the FTA contracted with for purposes of the Mosque refund verifications (“Verification Body”)⁹ will verify the eligibility of the Donor to recover the VAT incurred on the qualifying goods and services (see paragraph 2.4.2) and audit the submitted supporting documents.¹⁰

The verification and audit procedures may, for example, include the following:

- Verifying the amount of input tax paid by the Donor based on the supporting valid tax invoices and proof of payment submitted by the Donor;
- Requesting further information to determine the particulars of the supplies to ascertain whether the VAT incurred on the goods and services was incurred directly in respect of the construction of the Mosque.¹¹

After the verification/audit procedures are completed, the FTA either accepts or rejects the refund request. If the request is accepted, the FTA will refund the verified amount of VAT.¹²

2.7 Retention payments

The Donor may submit a subsequent refund request in respect of a retention payment relating to the construction of a Mosque, if the retention amount is paid after the original refund request was submitted in accordance with paragraph 2.5. Such request may be submitted within one year from that date the retention amount was paid. This refund request must be supported by a valid tax invoice as well as proof that the retention amount (including VAT) was paid.

⁹ Defined in Article 1 of Cabinet Decision No.82.

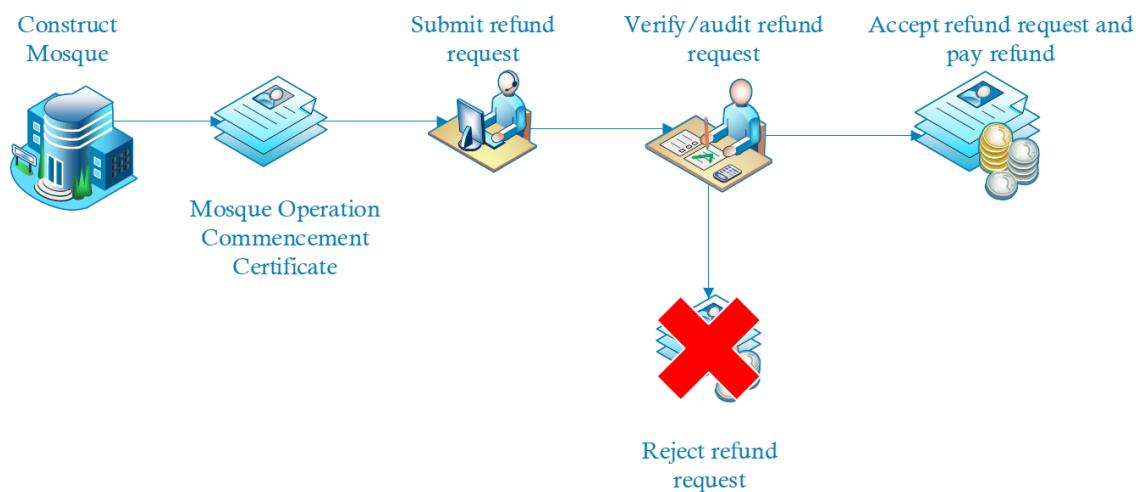
¹⁰ Article 3(3) of Cabinet Decision No. 82.

¹¹ Article 3(4) of Cabinet Decision No. 82.

¹² Article 3(5) of Cabinet Decision No. 82.



2.8 Summary



3. Recovery of VAT incurred to operate a Mosque

3.1 How does it work?

The person responsible for the operation and maintenance of a Mosque in accordance with a written permit issued by the Competent Authority is referred to as the “Operator”.¹³ For purposes of this refund, the term “Operation of the Mosque” refers to all goods and services required to ensure the proper continuity of religious rites, as well as improvements or expansion of the Mosque, provided that they are directly connected with the Mosque’s building.¹⁴ This excludes any costs incurred which are not directly connected with the Mosque building, for example the costs related to events held in the Mosque as well as shops, whether for commercial or charitable purposes.

3.2 Who is eligible?

The Operator of a Mosque is eligible to apply for a refund in respect of the VAT incurred on goods and services acquired directly in connection with the operation of that Mosque, provided all the relevant requirements are met.¹⁵ The Operator must hold a written permit from the Competent Authority allowing him to operate the Mosque.

3.3 Eligibility criteria

In order to recover the VAT in respect of goods and services incurred to operate the Mosque, all of the following requirements must be met:

- The Operator must have incurred the VAT.
- The goods or services must have been acquired directly in connection with the operation of the Mosque and its maintenance.
- The Mosque must be registered as a Mosque with the Competent Authority.
- The Operator holds a written time-limited permit issued from the Competent Authority for the Operation of the Mosque during the period for which a Refund Request is made.¹⁶

3.3.1 *Operator must have incurred the VAT*

The Operator is regarded as having incurred the VAT if VAT was charged by the supplier(s), the VAT was paid by the Operator, and the tax invoices in respect of the goods and services acquired for purposes of the Operation of the Mosque reflects the

¹³ Defined in Article 1 of Cabinet Decision No. 82.

¹⁴ Defined in Article 1 of Cabinet Decision No. 82.

¹⁵ Article 4(1) of Cabinet Decision No. 82.

¹⁶ Article 4(1) of Cabinet Decision No. 82.

details of the Operator, and the Operator is contractually liable to pay the consideration, including the VAT, to the supplier(s) of such goods and / or services.

Note that only valid tax invoices¹⁷ reflecting the correct amount of VAT charged will be accepted as supporting evidence for purposes of calculating the amount of the VAT refund. In instances where the Operator does not hold a valid supporting tax invoice, the VAT amount may not be considered for purposes of the refund calculation. In addition to the valid tax invoices, the Operator is required to submit proof that the VAT was paid.

3.3.2 *Eligible goods and services*

The Operator may only recover VAT on goods and services which were acquired directly in connection with the Operation of the Mosque. These may, for example, include the following:

- Water and electricity for the Mosque.
- Contractors services to repaint the Mosque.
- Architecture designs for the expansion of the Mosque (excluding any commercial annexures).
- Replacing the Mosque's audio system and microphones.
- Cleaning and replacements of lights and carpets in the Mosque.

VAT incurred in connection with the commercial annexures, e.g. shops, of the Mosque and their operations, is not eligible for a refund under Cabinet Decision No. 82.

3.3.3 *Written permit issued by the Competent Authority*

In instances where a person other than the Competent Authority is permitted to operate a Mosque, the Competent Authority shall provide the Operator with a written time-limited renewable permit within 60 days from:

- The date the person takes responsibility for the Operation of the Mosque; or
- The renewal date of the permit.

In instances where the Operator was not provided with the written permit before the effective date of Cabinet Decision No. 82 (i.e. 29 October 2022), the written permit shall be issued within 60 days of the effective date of the Cabinet decision No. 82, i.e. 60 days from 29 October 2022.¹⁸

3.4 **Process and timelines to request a refund**

¹⁷ Article 59 of the Executive Regulation.

¹⁸ Article 4(2) of Cabinet Decision No. 82.

After establishing that all the eligibility criteria set out in paragraph 3.3 were met, the Operator may apply for a refund in respect of the VAT incurred on goods and services acquired directly in connection with the Operation of the Mosque by completing the required application which is available on the FTA's e-Services platform.¹⁹

The refund request must be submitted within the following prescribed period:²⁰

Start date of Mosque Operation per the written permit issued by the Competent Authority	Years for which the application is submitted	Refund Applications may be submitted during
Before 01 January 2022	2018-2022	April 2023 – September 2023
From 01 January 2022 onwards	2022	October 2023 – December 2023
All Mosques	2023 onwards	January – April of the following year

No refund applications for VAT incurred by Operators in respect of the Operation of Mosques will be accepted outside the above-mentioned periods.²¹

Kindly note that the invoice date reflected on the tax invoices supporting the Operator's refund request shall be considered to determine in which year such VAT may be included in the Operator's refund application. For example, tax invoices issued between 2018 and 2022 may only be included in one application submitted within the timeframe starting April 2023 to September 2023. As for tax invoices issued in January 2023 for the same Mosque, these would be submitted in an application between January and April 2024. Moreover, the applicant shall ensure that all relevant tax invoices relating to the period for which the application is made are included in the application as the applicant is expected to submit one application for the years 2018 to 2022, and one application for each year after that.

3.5 Verification and audit process

The FTA may verify the eligibility of the Operator to recover the VAT incurred on the qualifying goods and services (see paragraph 3.3) and audit the submitted supporting documents.

The verification and audit procedures may, for example, include the following:

- Verifying whether the Operator is eligible to submit a refund request in respect of VAT incurred on the Operation of the Mosque.

¹⁹ Article 5(1) of Cabinet Decision No. 82.

²⁰ Article 5(1) of Cabinet Decision No. 82, read with Article 2 of Ministerial Decision No. 162.

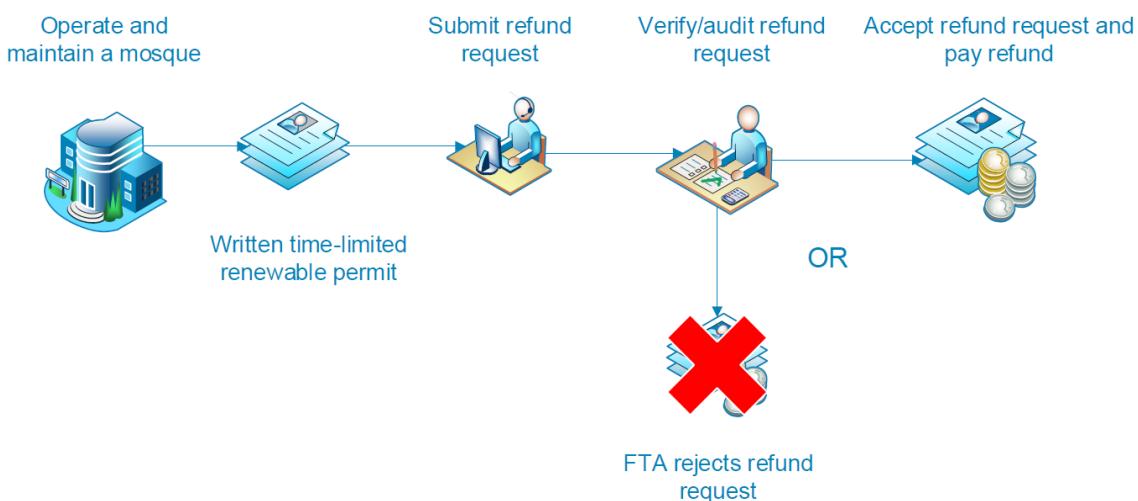
²¹ Article 3 of Ministerial Decision No. 162.

- Verifying the amount of input tax paid by the Operator based on the supporting valid tax invoices and proof of payment.
- Requesting further information to determine the particulars of the supplies to ascertain whether the VAT incurred on the goods and services was incurred directly in respect of the Operation of the Mosque.²²

The FTA may transfer the refund request to the Verification Body to review and audit the refund request.²³

After the verification/audit procedures are completed, the FTA decides whether the refund request is accepted or rejected. If the request is accepted, the FTA will refund the verified amount of VAT.²⁴

3.6 Summary



²² Article 5(2) of Cabinet Decision No. 82.

²³ Article 5(3) of Cabinet Decision No. 82.

²⁴ Article 5(4) of Cabinet Decision No. 82.