Services (VAT):

Usually for supply of goods, there are 4 categories of supply:

1. Standard rated.
2. Zero rated.
3. Exempt.
4. Out of scope.

Now the company cannot claim the VAT input used for the supply of exempted or out of scope supplies.

However, for services it must be noted that there is no concept of Exempt and Out of Scope supplies but only two categories as given below:

1. *Standard rated.*
2. *Zero rated.*

This means that all the input tax can be taken.

Place of supply is where the service is consumed.

For eg:

If a company has an app and provides the services through the app locally and internationally, the company is supposed to charge VAT for the local customers (UAE customers provided its taxable service), and as for the international customers, no VAT requirements are there. If the Company did not charge VAT, this shall be deemed supply and the total amount received shall be considered as inclusive of VAT.

Now let's create two scenarios:

1. The cash is received by the platform provider (Google / Apple) usually in cases of the in-app purchases, now the cash is usually charged and invoice is raised by the platform to the customer, and then the Company (app owner) invoices the platform for the cash received / receivable after adjusting the commission and tax amounts. Now if the platform is a UAE company, its easier as the company should charge VAT for the platform and account the output VAT. However, if the platform is an international company, the VAT need not be charged as it would be the responsibility of the platform.

2. Cash received by the Company: In this scenario, cash is received by the company and the platform has no control over the invoice or receipt of cash and it shall be the responsibility of the Company to charge VAT on the services consumed in the UAE (UAE users / customers). The company need not charge VAT on the international users.
    a. If the company has not charged VAT on UAE customers and it is taxable service, this shall be counted as deemed supply, and the total amount received shall be considered as inclusive of VAT. Hence, company needs to calculate and account for the output VAT even though tax invoice has not been issued. Further, FTA can also penalize the company for not issuing the tax invoice where its needed.

VAT Registrations:

There are three methods for VAT registrations, as we discussed in previously in the other files. We need to note that for voluntary registrations, most people usually uses the invoice (sales declaration method where they confirm that they have exceeded the voluntary threshold of AED 187,500 in sales. If this is not actual sales, during the filing, they need to anyhow include this amount in the turnover, here if the total turnover for the company is less than AED 3million including this sale, theres no issue for the years 2024,2025,2026 (first three tax periods if they are opting for Small Business Relief filing, OR if the total profit is less than AED 375,000 (including this sale). Otherwise, the company shall end up paying corporate tax at 9% of the amount declared in the sales declaration.

So if the company has eligibility under the Purchase order method where the purchases planned or performed already exceeds the voluntary threshold of AED 187,500, it shall be beneficial to use the Purchase Method.

In the Purchase Order Method, Purchase order shall be stamped and signed by Seller and Buyer. PO shall include the delivery date as well.