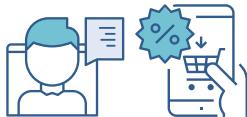




United Arab Emirates

# BASIC TAX INFORMATION BULLETIN

## Artists And Social Media Influencers



### 1. Who should read this information bulletin?

- Individuals who make supplies in their personal capacity as performers, singers, dancers, stage artists, make-up artists, DJs, poets, song writers or any other individuals carrying out other activities. Such individuals are referred to as ("Artists") in this Bulletin.
- Social Media Influencers, who are individuals who provide their services using social media to promote products and services such as bloggers, YouTube hosts, etc. Such individuals are referred to as Social Media Influencers ("SMIs") in this Bulletin.

### 2. Is VAT chargeable on all supplies made by Artists and SMIs?

In respect of supplies made by Artists, the normal rules apply for the applicability of VAT. Therefore, if the supplies are taxable, they would attract VAT at the appropriate rate.

Similarly, services supplied by SMIs are generally subject to VAT, including but not limited to:

- Any online promotional activities performed on behalf of other businesses for a consideration, such as promoting a product in a blog, featuring a product in a video or otherwise promoting a business on a social media post;
- Any physical appearances, marketing and advertising related activities;
- Providing access to any SMIs' network on social media etc; and
- Any other services that the SMIs may provide for a consideration.



If an Artist or SMI incurs any cost to make a supply and subsequently recovers the cost from its client, such reimbursement also falls within the scope of VAT in the UAE.

### 3. Is there a need for Artists and SMIs to register for VAT?

UAE-based Artists and SMIs who make taxable supplies (which include zero-rated supplies) in the UAE are required to register for VAT provided the value of their taxable supplies and imports in the last 12 months exceeded, or is expected to exceed in the next 30 days, the mandatory registration threshold of AED 375,000.

Such Artists and SMIs may also voluntarily register for VAT if the value of their taxable supplies and imports or taxable expenses incurred in the last 12 months exceeded, or is anticipated to exceed in the next 30 days, the voluntary registration threshold of AED 187,500.

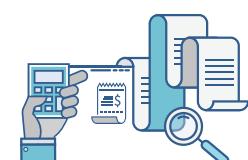
For the purposes of calculating the threshold, the Artists and SMIs should take into consideration all the taxable supplies that they make, even if such supplies do not fall within the scope of their core artistic or influencer activity.

In addition, non-resident Artists and SMIs are also required to register for VAT where they make any taxable supplies with the place of supply in the UAE and no other person is obligated to account for VAT on such supplies. There is no registration threshold for non-resident suppliers in such instances.

### 4. Are tax invoices required to be issued?

Yes, tax invoices are required for all standard-rated supplies.

Simplified tax invoices may be issued where the supply is made to an unregistered recipient or where the consideration for the supply made to a registered recipient does not exceed AED 10,000.



### 5. Are Artists and SMIs permitted to recover input tax?

Yes, Artists and SMIs making taxable supplies are eligible for a full recovery of input VAT, with the exception of blocked items such as:

- Certain entertainment services.
- Purchased, leased or rented motor vehicles that are available for personal use.



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## Social Media Influencers

### 6. Specific issues for Artists and SMIs

#### a. Are non-resident Artists and SMIs who act in their personal capacity liable to register for VAT in the UAE?

Where a non-resident Artist or SMI contractually provides services to a VAT registered recipient in the UAE, the Artist or SMI would not be required to register for VAT in the UAE as the recipient is obliged to account for VAT under the reverse charge mechanism.

However, where the Artist or SMI provides services to UAE-based unregistered individuals or businesses and the place of supply falls in the UAE, there is no registration threshold. Therefore, where an Artist or SMI provides any services to an unregistered recipient, they will be required to register for VAT in the UAE immediately and charge VAT on the supply.



#### b. Are goods provided to Artists and SMIs in exchange for their services subject to VAT?

Where an Artist or SMI receives goods (such as a phone) in return for their services, the goods are treated as consideration for the services. Where the entire or part of the consideration is non-monetary, the value of the supply is the monetary part plus the market value of the non-monetary part, less the VAT amount.

At the same time, where the person supplying the goods to the Artist or SMI in exchange for the services is registered for VAT, such person will also need to account for VAT on the supply of goods.

As the concept of barter arrangements (goods or even services) is complex, the VAT implications of such supplies should be assessed on a transaction-by-transaction basis.

#### c. What are the VAT obligations of a registered Artist or SMI?

A VAT registered Artist or SMI is required to comply with all the obligations in accordance with the VAT and Tax Procedures legislations; including but not limited to submission of periodic VAT returns, issuance of tax invoices, etc.

#### d. What are the implications if a VAT registered Artist or SMI does not charge any consideration for the services?

Where a VAT registered Artist or SMI does not charge any consideration for its services, it should consider the provisions related to deemed supplies and account for VAT if the supply falls within the meaning of a deemed supply. This is to be considered on the basis of the facts on a case-by-case basis.

#### e. If an Artist or SMI owns an event management company, and also provides its services separately and independently, can VAT on the supplies made separately and independently be accounted for by the company?

No. The company should only account for VAT on the supplies made by the company. Even where an individual holds 100% shares in a company, the individual is considered distinct from the company and is responsible to account for VAT only on the supplies made in his personal capacity.

#### f. If an Artist or SMI has an agent that acts as an intermediary between the Artist or SMI and its clients in relation to the Artist's or the SMI's services, and the agent accounts for VAT, does the Artist or SMI have any VAT obligations as the principal?

The VAT obligations will depend on whether: (i) the agent acts in the name of and on behalf of the Artist or SMI; or (ii) the agent acts in its own name and contracts with the client on one hand and with the Artist or SMI on the other hand.

The agent acts in the name of and on behalf of the Artist or SMI:

The Artist or SMI must account for VAT on the entire amount charged to the client and the agent must account for VAT on the fee or commission charged to the Artist or SMI.

The agent acts in its own name and contracts with the client on one hand and with the Artist or SMI on the other hand:

The Artist or SMI must account for VAT on the amount charged to the agent and the agent must account for VAT on the amount charged to the client.

#### g. If an Artist or SMI contracts with a UAE-based company to provide advertising services outside the UAE, would such services attract VAT at 5%?

Yes, where a UAE-resident Artist or SMI is contracted by a UAE-based company to provide advertising services, the service would attract VAT at 5% even where the advertising service is performed outside the UAE. For example, if a UAE based company, which owns a hotel outside the UAE, contracts with a UAE-resident Artist or SMI to visit the hotel and post pictures on social media with a view to promote the hotel, the supply made by the SMI will be subject to VAT at 5%.