



BETA CONSULTANTS

**FREQUENTLY ASKED QUESTIONS
ON
TAX GROUP UNDER UAE VAT**

FAQ ON TAX GROUP – UAE VAT

1. What is a Tax Group under UAE VAT and what are its implications?

Tax Group is clubbing together various business having a common control for UAE VAT purpose, the implication of grouping for VAT purpose are as follows:

- a. Supplies made between members of the tax group will be disregarded for VAT purposes and therefore no VAT is chargeable on intra-group transactions;
- b. Only one VAT Tax Registration Number is issued for use by the group;
- c. The tax group submits only one tax return which summarises all supplies, and purchases made by group members over the VAT period concerned; and
- d. One member of the tax group will be appointed as its 'representative member'. All of the VAT obligations of the tax group, and all supplies made and received by it, are deemed to be carried out in the name of the representative member.

2. Who are eligible to form Tax Group for the purpose of UAE VAT?

Two or more legal person may apply to form a tax group if following criteria are fulfilled by all each member:

- a. **Business Criteria:** Each member should carry on a business
- b. **Legal Person Criteria:** Each member of a tax group must be a legal person
 - A legal person is an entity that has legal personality formed under the relevant laws that is capable of entering into contracts in its own name.
 - A natural person (i.e. an individual) cannot create or join a tax group.
- c. **Establishment Criteria:** Each member must be resident in the UAE, either by way of having its primary business establishment or as a consequence of having a fixed establishment in the country.
- d. **Related Parties (and Control) Criteria:** One person must be able to control the members.

Important: common sponsorship of two or more Legal Persons will, generally, give rise to the possibility of tax grouping but only where the control criteria can also be met in actuality. Where the sponsorship agreement is overridden by another agreement whereby the control criteria cannot, in actuality, be satisfied, tax grouping will not be possible.

3. Who is the representative member of the Tax Group?

The representative member is a member of the Tax Group who represents all the members of the Tax Group and any member of the tax group can be the representative member. The Tax return of the group are submitted in the name of representative member.

Important: notwithstanding the appointment of a representative member, the members of a tax group are jointly and severally liable for all taxes and penalties due from the representative member.

4. Who can apply for Tax Group registration?

Only the representative member of a prospective Tax Group can apply to form a Tax Group. In order to do so, the representative member must already be in possession of a Tax Registration Number (TRN) for VAT, or submit a VAT registration application at the time of applying to form a Tax Group.

Each of the prospective members of the Tax Group must:

- Be a legal person
- Be resident in the UAE; and not a member of another Tax Group.

5. What happen with the existing registration number (i.e. TRN) of a member who is already registered under VAT?

Where a prospective member of a tax group that is already registered for VAT purposes joins a new tax group, its existing VAT registration will be automatically deactivated upon the approval of their application effective from the date of joining the tax group.

6. Once registered as Tax Group what kind of changes could be made in Group Registration?

Various changes can be made to the composition of a tax group including:

- a. Adding members to a tax group
- b. Removing members from a tax group
- c. Changing the representative member of a tax group
- d. Disbanding a tax group

Explained As under:

A. Adding a member to Tax Group?

Members can be added to a tax group at any time, by application to the FTA by the representative member. The date of registration of the new member will, subject to the necessary checks being satisfied, be treated as effective on either –

- the first day of the tax period following the tax period in which the application is received; or
- any other date as determined by the FTA

B. Removing a member of Tax Group?

A member of a tax group can be removed at any time, by application to the FTA by the representative member. If, however, a member has to be removed from a tax group because it no longer meets the criteria for tax grouping, the representative member must inform the FTA within 20 business days of the member ceasing to be eligible.

The date of removal of the member will, subject to the necessary checks being satisfied, be treated as effective from –

- the first day of the tax period following the tax period in which the application is received; or
- any other date as determined by the FTA.

The departing member(s) may be required to apply for VAT registration or eligible to do so.

C. Changing the Representative member of a Tax Group

The representative member may nominate another member of the tax group to be the new representative member, having first obtained their consent to do so. An application to change the representative member of a tax group by the existing representative member should be submitted to FTA for approval.

The date on which the new representative member will be treated as such will, subject to the necessary checks being satisfied, be treated as effective from –

- the first day of the tax period following the tax period in which the application is received; or
- any other date as determined by the FTA.

D. Disbanding a tax group

A tax group may be disbanded (i.e. cancelled) at any time, by application to the FTA by the representative member. If a group is to be disbanded because it no longer meets the criteria for tax grouping, the representative member must notify the FTA within 20 business days of ceasing to be eligible.

The date on which the group is to be disbanded will, subject to the necessary checks being satisfied, be treated as effective from –

- the first day of the tax period following the tax period in which the application is received; or
- any other date as determined by the FTA.

The disbanding member(s) may be required or eligible to apply for VAT registration.

7. On what grounds FTA can refuse the application for Tax Group?

The FTA may refuse any application to form, amend or disband a tax group where it considers there to be a significant risk to the public revenue arising as a result of allowing that group to be formed, amended or disbanded as the case may be.

FTA may also take direct action to form, amend the membership of or disband a tax group for the same reasons.

8. What are the main cause of restriction on Tax Grouping?

Generally, it is the policy of the Federal Tax Authority (FTA) to allow tax grouping. However, refusal will typically occur where:

- There are insufficient transactions between the proposed tax group members, i.e. the proposed tax group members are not meaningfully interacting with each other;
- The proposed tax group will be difficult for the FTA to audit because its structure results in no internal commonality of audit;
- The only benefit to the proposed tax group will be a cash offset benefit; and
- The proposed tax group would place an additional administrative burden on the FTA, including but not limited to the reasons outlined above.

9. What may force FTA to do Forced Tax Grouping?

Where you and another related party who share sufficient economic, financial and organisational ties artificially separate your business interests so as to avoid the full implications of VAT which might arise if you had not done so, the FTA may forcibly register you for VAT purposes as a tax group. Alternatively, they may elect to register you separately for VAT purposes.

10. Deciding whether you may form or join a tax group





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