

# UAE Indirect Tax Insights Q1 2025



# Table of Contents

---

<b>01</b>	<b>Value Added Tax (VAT)</b>	<b>03</b>
-----------	------------------------------	-----------

<b>02</b>	<b>Excise Tax</b>	<b>07</b>
-----------	-------------------	-----------

<b>03</b>	<b>Customs and Global Trade</b>	<b>11</b>
-----------	---------------------------------	-----------





The first quarter of FY25 has brought substantial changes to the UAE VAT landscape, driven by regulatory reforms, sector-specific adjustments, and the acceleration of digital tax infrastructure through e-Invoicing initiatives. This newsletter provides a comprehensive overview of the major VAT updates issued during this quarter, along with sectoral implications and practical insights to support compliance.

## 1. Amendments to the VAT Executive Regulation – VATP040



### Overview:

Issued in March 2025, Public Clarification VATP040 provides interpretive guidance on the amendments under Cabinet Decision No. 100 of 2024. The changes refine the scope of supplies, tax group management, zero-rating conditions, and documentation standards.

### Key Updates:

- ▶ Insertion of Article 3(bis): Transfer of real estate between government entities is not considered a taxable supply.
- ▶ Article 8: For voluntary registration, applicants must demonstrate intent to make taxable supplies – expenses alone are insufficient.
- ▶ Article 14(bis): FTA is empowered to deregister entities to safeguard system integrity.
- ▶ Article 29: Redefines 'purchase price' to include associated acquisition costs (customs, installation, shipping, etc.).
- ▶ Article 30: Expands acceptable documents for zero-rating exports beyond exit certificates to include destination-country proof.
- ▶ Article 31: Tightens zero-rating eligibility for services provided to non-residents.
- ▶ Article 34–35: Clarifies treatment of qualifying means of transport and related services.
- ▶ Article 42: Recognizes crypto transactions and licensed investment fund management as VAT-exempt.
- ▶ Article 53: Allows VAT recovery on employee health insurance for one spouse and up to three children.
- ▶ Article 55: Introduces specified recovery percentages and new rules for apportionment of input VAT.

## 2. Reverse Charge Mechanism for Precious Metals and Stones



### Overview:

Cabinet Decision No. 127 of 2024, effective January 2025, extends the reverse charge mechanism to cover trading of precious metals and stones. The buyer, rather than the supplier, is now liable for VAT reporting on qualifying transactions.

### Key Updates:

- ▶ Reverse charge now applies to gold, silver, platinum, palladium, diamonds, rubies, and similar commodities.
- ▶ Also includes jewelry primarily composed of these materials.
- ▶ Suppliers no longer charge VAT; buyers must self-account through VAT returns.
- ▶ Documentation and invoice formats must reflect the change in responsibility.
- ▶ Tax registration and system integration are critical for compliance ensuring system reconfiguration to apply reverse charge correctly.

### Sectoral Implications:

- ▶ **Jewelry Retailers:** Must distinguish between qualifying and non-qualifying items in their invoicing.
- ▶ **Wholesale Traders:** Enjoy improved cash flow as output VAT is no longer collected upfront.
- ▶ **Customs Brokers:** Must align documentation with VAT adjustments and declaration requirements.



### 3. VAT Treatment of Cryptocurrency Mining – VATP039

---



#### Overview:

Public Clarification VATP039 addresses the VAT treatment of cryptocurrency mining, distinguishing between personal and fee-based mining services, and the implications for input VAT recovery and reverse charge application.

#### Key Updates:

- ▶ **Mining for own use:** Not subject to VAT as there is no identifiable recipient; input VAT is non-recoverable.
- ▶ **Mining for others (fee-based):** Taxable supply; subject to 5% VAT or zero-rated if exported.
- ▶ **Reverse charge:** Applicable when UAE VAT-registered entities receive mining services from non-residents.
- ▶ Input VAT on mining-related expenses is recoverable only for taxable service supply scenarios.

#### Sectoral Implications:

- ▶ **Crypto Miners:** Must classify activities to determine recoverability of expenses.
- ▶ **IT & Power Infrastructure Providers:** Must issue compliant tax invoices to ensure clients can claim input VAT.

## 4. E-Invoicing Framework – Data Dictionary & Consultation



### Overview:

The Ministry of Finance initiated public consultation in February 2025 by releasing the e-Invoicing Data Dictionary (PINT AE). The document outlines 50+ mandatory fields and defines use cases for standardized invoicing under the Decentralized Continuous Transaction Control and Exchange (DCTCE) model.

### Key Updates:

- ▶ Introduction of standardized invoice codes and transaction types (e.g., deemed supplies, reverse charge, margin scheme).
- ▶ Defined use cases for 16 types of documents including tax invoices, credit notes, and commercial invoices.
- ▶ Mandatory data elements include TRNs, Emirates IDs, ISO country codes, tax category codes, and structured invoice periods.
- ▶ Requirement to reclassify transactions and update master data in ERP systems.
- ▶ HSN/service codes to become mandatory in later phases.
- ▶ Integration with ASPs to enable real-time data sharing with the FTA.

### Sectoral Implications:

- ▶ **Large Enterprises:** Need to evaluate ERP readiness and begin integration testing.
- ▶ **Tax Technology Teams:** Must align invoice generation formats with DCTCE requirements.
- ▶ **Retail & E-Commerce:** Required to implement robust classification for high-volume invoicing.
- ▶ **Free Zones:** Must report TRN/TIN declarations for use cases involving zone-based transactions.

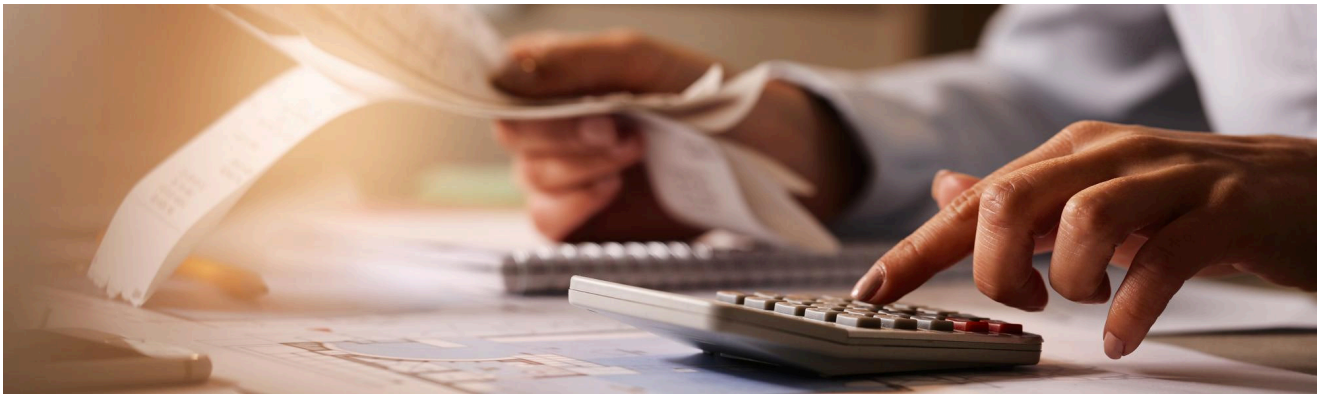
## Conclusion

The regulatory momentum in Q1 FY25 underscores the UAE's intent to modernize and align VAT practices with international norms. Businesses must act swiftly to ensure system readiness, documentation, and operational procedures meet the evolving compliance standards. Our Indirect Tax team is here to guide you through every stage of this transformation — from technical impact assessments to implementation support and training.



## Excise Tax

---



As we progress from the inaugural quarter of 2025, the Excise Tax landscape in the UAE was faced with several noteworthy updates that businesses in the UAE, which currently operate or plan to operate in excisable products, should definitely keep in mind. The beauty of excise tax as a regime is that it has a direct correlation with consumer behavior and societal trends that inevitably evolve through the progress of time.

One such recent trend that has been continuously growing in popularity is nicotine pouches. The UAE has been seeing a significant surge in demand for nicotine pouches with companies vying to trade or even produce nicotine pouches locally. With such pouches making their way onto the shelves in official retail markets, the evaluation of excise tax compliances in the UAE surrounding the products certainly accompanies it.

The UAE introduced amendments to Cabinet Decision No. 59 of 2019 through Ministerial Decision No. 1 of 2025, which brought upon updates to the Harmonized System (HS) Codes applicable to electronic smoking devices & tools under the UAE excise tax regime. These changes support the UAE's alignment with the GCC Integrated Customs Tariff.

Further updates include amendments to the Administrative Exceptions Excise Tax Guide EGAE01 in alignment with the updated Executive Regulations for Excise Tax.

### 1. Nicotine Pouches

---

Nicotine pouches are flavored tiny sachets containing nicotine & other ingredients. With the surge in demand in the UAE for nicotine pouches, it has been observed that several companies have been importing, producing and selling such products in the UAE. Further, the nicotine pouches have been sighted to be on the shelves of retail markets such as Duty Free, indicating the officialization of the products by the UAE.

Considering the presence of nicotine pouches in the retail markets, we envisage that the excise tax legislation may be soon amended with the inclusion of official guidance on nicotine pouches. With the anticipation of updates to the excise tax to accommodate nicotine pouches, below are certain aspects that businesses dealing in nicotine pouches should keep in mind from a UAE excise tax perspective:



- ▶ **Applicability of Excise Tax:** while it is awaited in explicit bold print, nicotine pouches fall under the ambit of excise tax in the UAE considering they are included under Chapter 24 of the GCC Common Customs Tariff.
- ▶ **Registration of Products with FTA:** it is imperative that companies keep in mind the registration of their nicotine pouches with the FTA prior to conducting any operations.
- ▶ **Excise Price Considerations:** companies should note the implications of potential guidance of legislation on nicotine pouches with respect to excise price. Should the legislation specify pricing regulations on the products, companies would need to actively update the excise price in line with the updated regulations for compliance.
- ▶ **Raw Materials in Production:** a key consideration for businesses looking into the production of nicotine pouches in the UAE is evaluation of raw materials used in production. Should any of the raw materials, such as nicotine powders or pastes, fall under the ambit of excise tax, companies must consider the registration & reporting compliances of the raw materials.

## 2. Amendments to Cabinet Decision No. 59 of 2019

---



In a move to strengthen regulatory alignment and improve tax classification across the Gulf region, the UAE has implemented key amendments affecting excise taxation on electronic smoking products. These changes were introduced through Ministerial Decision No. 1 of 2025, updating Cabinet Decision No. 59 of 2019. The focus of these updates is the modification of Harmonized System (HS) Codes applicable to electronic smoking devices and related tools, in line with the GCC Integrated Customs Tariff.

This regulatory step underscores the UAE's commitment to regional economic integration and enhances the transparency and consistency of customs procedures related to excise-taxable goods.



### Key Highlights:

- ▶ **Regulatory Update:** The UAE issued Ministerial Decision No. 1 of 2025, amending provisions of Cabinet Decision No. 59 of 2019 related to excise tax.
- ▶ **HS Code Revisions:** Updates have been made to the Harmonized System (HS) Codes used to classify electronic smoking devices and tools. These codes are essential for identifying goods subject to excise duties.
- ▶ **Targeted Products:** The changes specifically apply to electronic smoking devices, their components, and associated accessories.
- ▶ **GCC Alignment:** The revised codes reflect the UAE's efforts to harmonize its excise tax structure with the GCC Integrated Customs Tariff, promoting consistency across Gulf Cooperation Council member states.
- ▶ **Excise Tax Compliance:** Businesses dealing with electronic smoking products should review the updated HS Codes to ensure proper tax classification and compliance with new customs procedures.
- ▶ **Implementation Objective:** The amendments aim to support streamlined trade, enhance tax collection efficiency, and reinforce public health policies through more effective taxation of tobacco-related products.

## 3. Amendments to Administrative Exceptions Excise Tax Guide EGAE01

---



In March 2025, the Federal Tax Authority (FTA) introduced important amendments to the Administrative Exceptions Excise Tax Guide (EGAE01). These changes are aimed at providing greater clarity and guidance on the documentation requirements related to direct and indirect exports under the UAE excise tax regime. The updated guide aligns with the amended Executive Regulation and ensures that businesses understand the specific documents required to support excise tax exception requests.

This guide also outlines the eligibility criteria and procedural steps involved in applying for administrative exceptions, helping taxpayers navigate the process more effectively and remain compliant with tax regulations.

### Key Highlights:

- ▶ **Documentation Requirements:** The amended guide clearly specifies the supporting documents and evidence that must be collected and retained when applying for exceptions related to direct and indirect exports of excise goods i.e.,
  - a customs declaration, and Commercial Evidence that proves the Export of the Excise Goods, or
  - a Shipping Certificate and Official Evidence that prove the Export of the Excise Goods, or
  - a customs declaration that proves the suspension arrangement of customs duties
- ▶ **Direct vs. Indirect Exports:** The guide distinguishes between the two types of exports and details the documentation requirements applicable to each.
- ▶ **Administrative Exception Process:** Step-by-step procedures are outlined for businesses seeking to apply for excise tax exceptions, including what to submit and how to maintain compliance throughout the process.
- ▶ **Compliance and Risk Mitigation:** By adhering to the updated guidance, businesses can minimize the risk of non-compliance and ensure smoother processing of their excise tax exception requests.

## Conclusion: Staying Ahead in a Rapidly Evolving Excise Tax Environment

As the excise tax regime in the UAE continues to evolve, businesses must remain vigilant and adaptive to regulatory developments. The first quarter of 2025 has already seen noteworthy changes, from updates to HS Codes under Ministerial Decision No. 1 of 2025 to revisions in documentation requirements under the Administrative Exceptions Guide (EGAE01). These developments signal the UAE's intent to enhance tax governance, ensure alignment with GCC standards, and drive public health objectives through more effective excise regulation.

Of particular note is the growing prominence of nicotine pouches in the local market. As these products gain traction in retail and manufacturing sectors, businesses should proactively prepare for their formal inclusion under the excise tax regime. Whether it's ensuring product registration with the FTA, understanding excise pricing impacts, or evaluating raw materials for tax implications—strategic planning is critical.

Additionally, businesses should prioritize readiness for potential tax audits. With evolving legislation and increased scrutiny from the FTA, it is essential to implement robust compliance monitoring frameworks, maintain accurate and complete records, and regularly review internal controls. Proactively actioning on obligations, such as documentation for exports, product registrations, and excise declarations, will not only support audit readiness but also reduce the risk of penalties or disputes.

At this juncture, we strongly advise businesses operating in excisable goods to review internal compliance processes, evaluate product classifications, and prepare for potential legislative changes. Staying informed and ready will not only support compliance but also provide a competitive edge in navigating the UAE's dynamic tax environment.



## Customs and Global Trade



The first quarter of 2025 marked another progressive phase in the UAE's journey toward a more efficient, transparent, and digitally driven customs ecosystem. In alignment with the country's economic diversification and global trade ambitions, UAE Customs authorities have introduced several updates that reflect their commitment to simplifying trade, minimizing risk, and strengthening compliance across industries.



**Trade+ Digital Delivery Order Platform:** Dubai Trade has upgraded its Digital Delivery Order platform to **Trade+**, reducing transaction times by up to 90%. This next-generation solution enables seamless exchange of cargo release documents, fully paperless processing, and significant environmental benefits—aligning with Dubai's Economic Agenda D33 and Smart City vision.



**Implementation of Temporary Anti-Dumping Measures:** The United Arab Emirates has introduced a temporary anti-dumping measure aimed at addressing concerns over unfair trade practices in the importation of white mushrooms from the Islamic Republic of Iran. This action specifically targets the manipulation of market prices through the dumping of white mushrooms at artificially low rates, which has disrupted fair competition within the UAE market.



**Expansion of Voluntary Disclosure (VD) Mechanism:** Following its successful implementation in 2024, the **Voluntary Disclosure** framework was further expanded in Q1 2025 to cover a broader range of customs declaration types. Businesses now have increased flexibility to correct errors related to customs valuation, HS codes, origin misclassification, and duty payments without facing punitive penalties. This enhancement not only supports compliance but also encourages proactive risk management among importers and exporters.

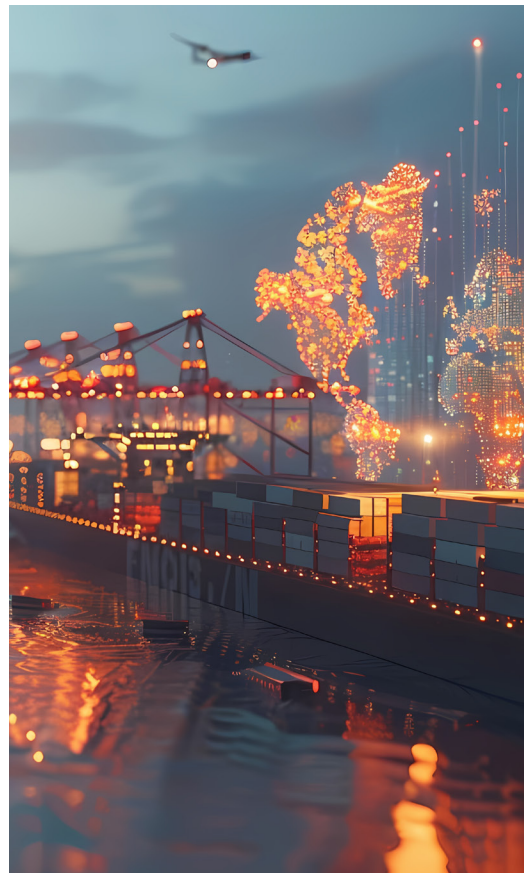


**Regulatory Cooperation - UAE Ministry of Finance (MOF):** JAFZA continues to work closely with the MOF to facilitate tax information sharing in line with international agreements. Businesses are encouraged to respond promptly and accurately to tax-related requests, ensuring ongoing regulatory compliance. All shared information remains confidential and is managed in accordance with strict data protection standards.

Further information is available via the official Dubai Trade announcement, <https://www.dubaitrade.ae/en/news-announcements/jafza/cooperation-with-ministry-of-finance-mof-on-tax-information-requests>

## Strategic Insights: Preparing For the Future of Trade

- ▶ The UAE, in collaboration with global logistics partners, launched a pilot program for a digital trade corridor between Dubai and Europe. The system integrates blockchain for enhanced traceability, helping traders comply with origin verification and Environmental, Social and Governance (ESG) standards. Q1 saw a growing focus on environmental and social governance in trade practices. UAE Customs has started exploring green corridors and low-carbon incentives, rewarding companies that align their supply chains with sustainability goals.
- ▶ The UAE continues to strengthen its global trade presence through active engagement in major free trade agreements (FTAs). Following the successful implementation of the **Comprehensive Economic Partnership Agreement (CEPA)** with India, the UAE has signed a similar agreement with Mauritius. Set to take effect on April 1, 2025, this partnership is expected to enhance bilateral trade, reduce tariff barriers, and create new opportunities for businesses in both markets. Companies are encouraged to stay informed on such agreements to leverage preferential tariff structures and access emerging trade corridors.
- ▶ Jebel Ali Free Zone (JAFZA) launched a Smart Customs Clearance system in Q1, streamlining import/export cycles by reducing manual intervention and accelerating processing.



## UAE Innovates 2025 Events



Dubai Customs held the Future and Impactful Innovations Forum as part of the UAE Innovates 2025 events, bringing together experts, innovation leaders, and strategic thinkers. The forum emphasized the importance of institutional innovation, future foresight, and digital transformation in shaping the future of customs. Key speakers highlighted Dubai Customs' role in leading innovation, investing in talent, and aligning with Dubai's Economic Agenda D33. Discussions covered AI, smart solutions, and Fourth Industrial Revolution technologies, stressing their impact on enhancing customs services and operational efficiency. The forum also featured project showcases, panel discussions on customs innovations, and recognition of employees and graduates from the Global Institute of Innovation Management. The event reaffirmed Dubai Customs' commitment to building a proactive, future-ready customs ecosystem that supports Dubai's global competitiveness.

For more details,  
<https://www.dubaicustoms.gov.ae/en/mobile/Pages/newsdetails.aspx?itemid=2089>

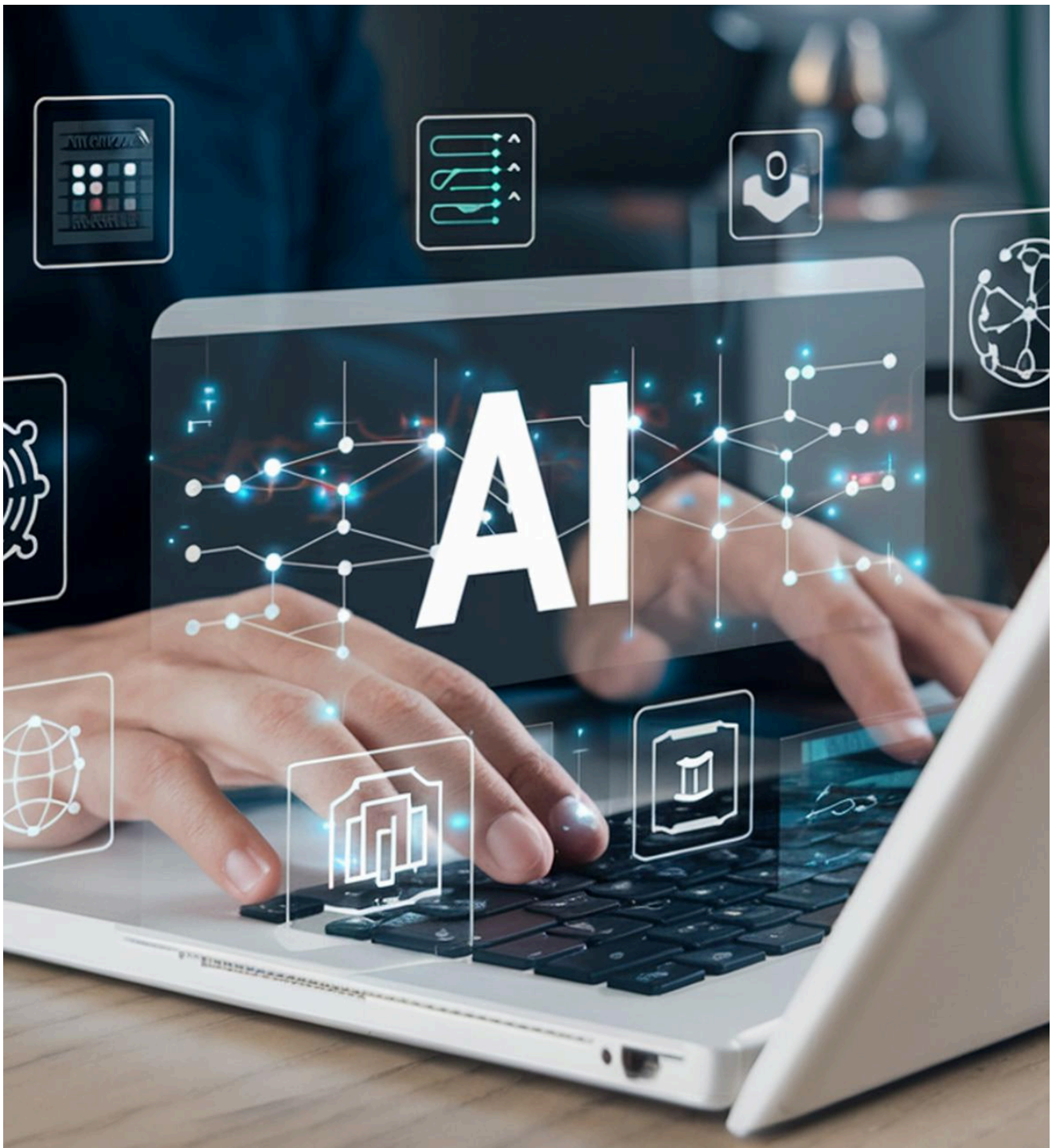


## Dubai Customs Launches AI-Powered “AI Munasiq” Platform

In line with Dubai’s AI strategy, Dubai Customs has launched “AI Munasiq,” an advanced AI-based tool that helps classify goods using HS Codes quickly and accurately. The platform allows users to search by text, voice, or image and provides full product details, duty rates, and trade restrictions.

The app supports faster, smarter customs process and reflects Dubai Customs’ push toward innovation, efficiency, and global trade leadership. Available on mobile stores and online, AI Munasiq is a major step toward making Dubai a leader in AI-driven government services.

For further details, <https://www.dubaicustoms.gov.ae/en/mobile/Pages/newsdetails.aspx?itemid=2088>



## Meet the team

---



**Anurag Chaturvedi**

CEO

[anurag.chaturvedi@ae.andersen.com](mailto:anurag.chaturvedi@ae.andersen.com)



**Gaurav Chugani**

Director, Indirect Tax

[gaurav.chugani@ae.andersen.com](mailto:gaurav.chugani@ae.andersen.com)



**Gurleen Sethi**

Associate Director, Indirect Tax

[gurleen.sethi@ae.andersen.com](mailto:gurleen.sethi@ae.andersen.com)



**Simon Zaater**

Associate Director, Indirect Tax

[simon.zaater@ae.andersen.com](mailto:simon.zaater@ae.andersen.com)



📍 402 Arento Tower, Dubai Media City, Dubai  
AB 1002, Jafza One, Jebel Ali Free Zone, Dubai  
803, New Global Tower, Electra Street Abu Dhabi

☎ 800-ATAX

✉ [info@ae.andersen.com](mailto:info@ae.andersen.com)