

UAE VAT Update

Salik Charges
and Parking Fees
Subject to VAT from
1 June 2026



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Salik (Dubai's Exclusive Toll Gate Operator) and Dubai's Parkin have simultaneously announced that, effective **1 June 2026**, VAT at the standard rate of **5%** will be applied to toll gate usage charges, Salik tag activation fees, and public parking services.

The VAT will be accounted for and remitted to the [Federal Tax Authority \(FTA\)](#) in accordance with UAE VAT legislation.



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Background — Change in VAT Treatment

Historically, Salik and parking charges were treated as [outside the scope of UAE VAT](#), on the basis that these services were considered governmental activities carried out by government bodies. However, following the listing of both [Salik](#) and [Parkin](#) as publicly listed commercial companies on the Dubai Financial Market (DFM), their activities are no longer considered governmental in nature. As a result, the services provided by these entities are now subject to the standard UAE VAT rules applicable to commercial activities, rendering the charges subject to VAT at the standard rate of 5% with effect from 1 June 2026.



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Sectors Most Impacted

This change is expected to have a significant impact on businesses that are heavy users of toll and parking services as part of their core operations. The most affected sectors include:

Car Rental Companies — with fleets regularly passing through Salik toll gates and utilizing public parking across Dubai, car rental operators will face a material increase in VAT costs. Businesses will need to assess whether these costs are recharged to customers and whether such recharges are subject to VAT.

Logistics and Transportation Companies — logistics operators running large vehicle fleets across Dubai will experience a notable increase in their operational costs. The recurring nature of toll charges across multiple vehicles and routes will require careful VAT accounting, input tax recovery assessment, and potentially a review of customer pricing and contract terms.

Automotive Sector — dealerships, service centres, and fleet management companies that operate or manage vehicles on behalf of clients will need to review their VAT treatment of Salik and parking costs, particularly where such costs are recharged or embedded within service agreements.



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VAT and Compliance Implications

From a VAT and compliance perspective, businesses should consider the following:

- | **Input VAT Recovery:** assessing eligibility and substantiation of claims on Salik and parking-related expenses.
- | **Expense Classification:** updating VAT coding from out-of-scope to standard-rated treatment, where applicable.
- | **Accounting Treatment:** ensuring correct recognition and reconciliation within VAT returns.
- | **Recharge Mechanisms:** reviewing intercompany or customer recharges for potential VAT impact, particularly in sectors where costs are passed on to end users or clients.
- | **Contract Reviews:** businesses with existing contracts that embed Salik or parking costs should review whether VAT can be recovered from counterparties or whether it represents an additional cost to the business.
- | **System Readiness:** updating ERP configurations and controls to ensure correct tax application from the effective date.



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Given the recurring nature of **Salik** and **parking** expenses across transport-intensive businesses, alignment of **VAT treatment** across finance, procurement, and reporting functions will be key to ensuring **consistent compliance**.

This development serves as an **important reminder** that the VAT treatment of expenses linked to government-related entities may evolve as those entities transition from governmental bodies to commercial companies. Businesses are therefore advised to periodically review the **VAT classification** of such costs in line with **evolving regulatory** and **commercial developments** in the UAE.





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