

Value Added Tax ('VAT') and frequently asked questions

The United Arab Emirates ("UAE") has recently issued its domestic VAT Laws, Federal Decree-Law No. 8 of 2017 ('Decree Law') and Cabinet Decision No. (52) of 2017 on the Executive Regulations on Value Added Tax to implement Value Added Tax ("VAT") in the UAE by 1 January 2018. The publication of the domestic VAT Laws follows the signing of the GCC VAT Framework Agreement by each of GCC States to collectively implement VAT governed by common principles agreed between the countries.

Following the rules and regulations released by the UAE Ministry of Finance, Standard Chartered Bank has applied for its VAT registration with the Federal Tax Authority ("FTA"). The Bank's VAT registration number is as follows:

Legal Entity	VAT Registration No.
Standard Chartered Bank*	100266463700003

*Kindly note that Standard Chartered Bank has applied for a tax group registration with the FTA. The above registration is applicable to all our branches in the UAE (Standard Chartered Bank Dubai, Abu Dhabi, Sharjah and DIFC Branches), but also to Standard Chartered Holdings (Asia Pacific) B.V. and its branches (Chartered Holdings (Asia Pacific) B.V.- Abu Dhabi Branch and Dubai Branch – Marketing Office).

The following are the frequently asked questions ("FAQs") in relation to VAT. Standard Chartered Bank will continue updating its website with new developments relating to the introduction of VAT in the GCC. In the meantime, for further information please visit the websites of the UAE Ministry of Finance and the UAE Federal Tax Authority. They contain information and guidance on the Decree-Law, the Executive Regulations, as well as some FAQ's on the introduction of VAT. The latest announcements and information available will first be published on the sites below:

- Federal Tax Authority: <https://tax.gov.ae/>
- Ministry of Finance: <https://www.mof.gov.ae/En/>

General	
1	<p>What is VAT?</p> <p>VAT is an indirect tax and is commonly referred to as a type of general consumption tax. In a country, which has a VAT system, it is imposed on most supplies of goods and services that are bought and sold. VAT is charged at each step of the 'supply chain'. Ultimately, end-consumers generally bear the VAT cost while registered businesses collect and account for the tax, in a way acting as a tax collector on behalf of the government.</p>
2	<p>What is the rate of VAT and when will VAT be implemented?</p> <p>The current VAT rate is prescribed at 5% of the value of the goods and services supplied. The effective date for the implementation of VAT is 1 January 2018.</p>
3	<p>What are the different types of supply for VAT purposes?</p> <p>Taxable Supplies</p> <ul style="list-style-type: none"> • Standard Rate - Goods and services subject to VAT at 5%. • Zero Rate - Goods and services subject to VAT at 0%. <p>Non-Taxable Supplies</p> <ul style="list-style-type: none"> • Exempt - Goods and services subject to the VAT exemption as prescribed in the Law. • Out of Scope - Goods and services which fall outside the scope of UAE VAT.
4	<p>Do all Businesses need to register for VAT?</p> <p>Only businesses that breach the mandatory threshold of AED 375,000 of taxable supplies per annum will have to register for VAT. There is, however, a possibility for businesses to apply to be voluntarily registered. "Taxable supply" refers to goods and services that are subject to VAT.</p>
5	<p>Are services rendered by Standard Chartered Bank subject to VAT?</p> <p>Based on the VAT legislation, financial services conducted in return for a fee, commission, discount, rebate or similar shall be subject to VAT. Therefore, where applicable, Standard Chartered Bank is required by law to charge and collect VAT on behalf of the FTA.</p>
6	<p>Will the Branches of Standard Chartered Bank in Dubai, Abu Dhabi and Sharjah and Standard Chartered Bank DIFC Branch and Standard Chartered Holdings (Asia Pacific) BV Branch all have separate VAT Registration Numbers?</p> <p>Standard Chartered has applied for a VAT Group registration with the Federal Tax Authority. The bank will only have one VAT Registration Number, which will be applicable to all our branches in the UAE. Kindly refer to the above section for our VAT Registration Number.</p>
7	<p>I am a company established in the Jebel Ali Freezone. Do I need to pay VAT on services acquired from Standard Chartered Bank?</p> <p>VAT on services provided by the Bank shall also be applicable to companies established in the Freezones. Where you are registered for VAT, an input tax credit can be claimed accordingly, subject to the VAT recovery rules.</p>
Accounts	
8	<p>Is VAT applicable on withdrawals made from current, deposit or savings accounts?</p> <p>Any deposits or withdrawals from current, deposit or savings account shall not be subject to VAT. However, if there is service a charge or fee imposed by the Standard Chartered Bank, then these services shall subject to VAT. Kindly refer to sc.com/ae for our updated Service and Price Guides.</p>
9	<p>Will I get a notification from Standard Chartered Bank every time a transaction is subject to VAT?</p> <p>You will not receive a notification on a transaction basis, as VAT will be imposed on a Federal level throughout the UAE. However, for further details on which charges of the Bank VAT is applicable, kindly refer to sc.com/ae for our updated Service and Price Guides.</p>
10	<p>Will VAT be applicable on financial advisory services?</p> <p>VAT is a tax on goods and services. This includes financial advisory services. Where VAT is applicable, the Bank shall charge 5% VAT on its (financial advisory) services.</p>
11	<p>How will Standard Chartered Bank apply VAT on its charges?</p> <p>Following further guidance from the Central Bank of the UAE via Notice No.421/2017 dated 28 December 2017, please be advised of the following:</p> <ul style="list-style-type: none"> • Standard Chartered Bank will not be increasing the existing fees structure for individual and non-individual customers as a result of VAT on 1 January 2018. However, where applicable, we reserve the right to levy VAT over and above existing fees structure in future, if permitted by CB, effective 1 January 2018. • Until further notice, where applicable, existing fees structure will be considered as inclusive of VAT effective 1 January 2018. • Clients are advised that currently Standard Chartered Bank is in discussions with CB to understand the full impact of the CBN and will update clients for any changes in due course. • Please note that the Central Bank Notice does not apply to Standard Chartered Bank DIFC Branch. <p>The frequency of VAT entries shall correspond with the frequency of bank charges. Where, for example, a fee is being imposed on a monthly basis, VAT will be imposed on a monthly basis as well. Whereas for other fees, such as annual credit card fees, VAT shall only be imposed on a basis of the frequency of the charge.</p>
12	<p>Will VAT charges be refunded if my transaction is cancelled or unsuccessful?</p> <p>If a taxable fee or charge is cancelled and/or unsuccessful, the corresponding VAT amount paid by the customer shall also be refunded. Kindly note that there could be a processing or administrative fee associated with the cancellation which could be subject to VAT.</p>
13	<p>Can Standard Chartered Bank waive the VAT amount payable by me?</p> <p>VAT is a Federal Tax. The imposition of VAT is governed by the VAT Decree-Law, the Executive Regulations. Banks are not allowed to waive the imposition of VAT payable in respect of taxable supplies provided to its customers.</p>
Remittances	
14	<p>Is VAT applicable for all local payments made and/or received (e.g. telegraphic transfers and online banking)?</p> <p>Kindly refer to sc.com/ae for our updated Service and Price Guides.</p>
15	<p>How will VAT be charged where I have paid fees in a foreign currency?</p> <p>Standard Chartered Bank is required to remit VAT collected in AED to the Federal Tax Authority. Based on the VAT legislation, where fees are paid in a foreign currency, the VAT amount payable would need to be converted based on the rates prescribed by the Central Bank of the UAE.</p>
16	<p>How will a foreign currency exchange be treated from a VAT perspective?</p> <p>As mentioned above, only explicit financial services (e.g. charged on an explicit fee, commission, rebate or similar basis) shall be taxable from a VAT perspective. Foreign currency exchange is typically done on an implicit basis and should be exempt from VAT. Any service fees relating to the foreign currency exchange, will however be subject to VAT.</p>
17	<p>If VAT is reversed on a fee paid in a foreign currency, which exchange rate will be used to reverse the VAT amount?</p> <p>Where a reversal of a transaction is applied, the original exchange rate shall be used for reversal of the VAT amount.</p>
Transitional period	
18	<p>Are supply/services performed before 1 January 2018 subject to VAT?</p> <p>No, VAT shall be due on supplies of goods and/or services which have been completed before 1 January 2018. Where, however, the supply continues from 2017 into 2018, VAT may be payable on the portion of the service rendered in 2018.</p>
19	<p>I am a Standard Chartered Bank credit card holder and have paid a credit card fee on 1 December 2017. Will Standard Chartered Bank impose VAT on my credit card fee?</p> <p>The VAT legislation prescribes that annual credit card fees shall be subject to 5% UAE VAT. Where payments are received in 2017, but effectively relate to services in 2018, VAT may be payable on the portion of the service received in 2018 (if any). Therefore, Standard Chartered Bank may be required to raise an additional invoice for VAT on fees paid in 2017 but which relate to services also performed into 2018.</p>
Statements and Tax Invoices	
20	<p>How do I know which transactions are subject to VAT in the list of transactions on my bank statement?</p> <p>Where VAT is applicable, we shall indicate so accordingly by mentioning the VAT payable amount on your bank statement and/or invoice.</p>
21	<p>What is the purpose of a valid Tax Invoice?</p> <p>A valid Tax Invoice is a document that will serve as evidence for an input tax claim by a VAT Registrant from Federal Tax Authority.</p> <p>It should contain all information as prescribed by the VAT-Decree Law and the Executive Regulations, such as a supplier's VAT registration number, the appropriate VAT rates and the amount of VAT payable by the customer.</p>
22	<p>How will Standard Chartered Bank provide me with a Tax Invoice for VAT on its fees and charges?</p> <p>Tax invoices shall be provided to our customers either in hard copy or electronically. Where allowed under the VAT legislation, the Bank shall issue simplified invoices, which will have fewer requirements on the invoice and are typically used for supplies of a low(er) value.</p>
23	<p>What is a Tax Credit Note? And how often will Standard Chartered Bank issue this?</p> <p>A Tax Credit Note is issued only when where the value of a supply of an original charge that was subject to VAT has changed.</p>
Custody	
24	<p>Will the services provided by the Custody department of Standard Chartered Bank be subject to VAT?</p> <p>As mentioned above, financial services conducted in return for a fee, commission, discount, rebate or similar shall be subject to VAT. As a vast majority of services provided by our Custody department is fee or commission based, we would need to charge VAT on these service effective 1 January 2018. Examples in this respect are: Safe Keeping Fees, Portfolio Fees, Trade settlement fees and Transaction fees. Where applicable, we shall issue you with tax compliant invoices, which will serve as your evidence in reclaiming the input tax credit on the services we provide.</p>
Cash	
25	<p>Are Cash products subject to VAT?</p> <p>Products offered by our Cash division follow the same rules for financial services as our other products. In general, all fees and commissions charged by the Bank shall be subject to tax. However, if you are established outside the UAE, we would not need to levy any tax, as you would likely have to pay tax in your own country.</p>
Trade	
26	<p>Are Trade Finance products subject to VAT?</p> <p>Generally, all fees and commissions charged for trade finance products and services are subject to 5% VAT. Export services, however, will be subject to 0% VAT ("zero-rated"). The interest/profit charged on the financing of the trade finance product and services is VAT exempt.</p>
27	<p>I am a business established outside the UAE, acquiring services from the trade division of Standard Chartered Bank, would I need to pay VAT in the UAE on the services I am acquiring?</p> <p>Where Standard Chartered Bank is providing services to customers established outside the UAE, then these services should not attract any VAT.</p>
28	<p>An Iraqi company recently won a project to develop power plants in Baghdad from the Iraqi Government. The company is required to furnish a bank guarantee to ensure the project is completed satisfactorily and on time. Will the guarantee charged on bank guarantee issued by Standard Chartered Bank be subject to VAT?</p> <p>The bank guarantee is regarded as an export of service as it is issued to a business customer established in Iraq. Hence, there will be no VAT charge on the commission since this is a zero-rated supply.</p>
Financial Markets	
29	<p>Will VAT be applicable on Derivatives, Foreign Currency Exchange or Swaps?</p> <p>VAT should only be applicable on financial services where these are conducted against an explicit fee or commission. Where financial services are conducted on an implicit margin, interest- or spread-basis, these services should be qualified as VAT Exempt.</p> <p>With Derivatives, Foreign Currency Exchange services or the provision of Swaps typically the latter is the case and, as such, no VAT should be applicable on these products. However, where there is an administration/processing type fee associated with one these products, which are both examples of explicit fees, VAT would be applicable on the fees charged.</p> <p>Islamic Finance FM Transactions shall be treated in parity with conventional FM transactions.</p>
Wealth Management	
30	<p>What is the VAT treatment for Wealth Management products?</p> <p>VAT is applicable on financial services where these are conducted against an explicit fee or commission. Where financial services are conducted on an implicit margin, interest or spread-basis, these services should be qualified as VAT Exempt.</p> <p>With Wealth Management products, such as Bonds, Mutual Funds, Structured Notes and WRAP products, the charges an upfront commission to the client. There will be 5% VAT applicable on the commission the Bank charges to its client.</p>
Islamic Finance	
31	<p>What is the VAT treatment for Islamic banking products?</p> <p>Islamic banking products are subject to the same VAT treatment as conventional products in order to ensure tax neutrality. Where, in example, a service charge or fee (including Wakalah fee) is being charged to the customer, it shall be subject to VAT.</p>