# Applicability of UAE VAT for Designated Zone

#### What is a Designated Zone?

**Designated Zone**: Any area specified by a decision of the Cabinet upon the recommendation of the Minister, as a Designated Zone for the purpose of the Decree-Law. (As per Article 1 of Executive Regulation)

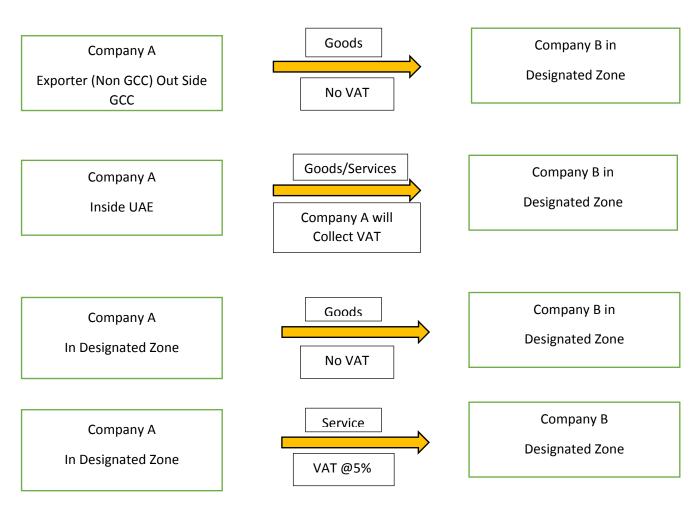
The Designated Zone is a VAT free Zone which is considered to be outside the State of UAE for the purpose of VAT. As a result, on any transfer of goods between Designated Zones, VAT will be not be levied

There are 20 free zone across the country that are treated as Designated Zone.

#### Conditions for Designated Zone ( As per Article 51 of Executive Regulation)

- ➤ The Designated Zone is a specific fenced geographic area and has security measures and Customs controls in place to monitor entry and exit of individuals and movement of goods to and from the area.
- ➤ The Designated Zone shall have internal procedures regarding the method of keeping, storing and processing of Goods therein.
- > The operator of the Designated Zone complies with the procedures set by the Authority.

### How the Purchase are handled in Designated Zone



Consumer

Outside UAE

## How the Sale are handled in Designated Zone

Services Company B Company A In side UAE Designated Zone DG will charge VAT Goods Company B Company A In side UAE **Designated Zone** Company B will pay VAT as a importer Goods/Services Consumer Company A (Unregistered) **Designated Zone** Company A will collect In side UAE VAT Company **Outside UAE** Company A Goods/Services No VAT **Designated Zone**