



## GOLD & DIAMONDS

### WHAT WILL BE THE VAT TREATMENT OF GOLD & DIAMONDS?

Where a business supplies gold or diamonds to a VAT-registered recipient, and the recipient is purchasing the goods in order to either resell, produce or manufacture gold and diamond based products, the supplier will not be required to account for VAT on such sales or report it on its VAT return.

Instead, the VAT-registered recipient will be required to account for the tax and include the output tax due on the supply on its VAT return.

The recipient will then also be able to recover the VAT on the supply on the same VAT return, subject to its normal input tax recovery position.

As a result, fully taxable businesses which purchase gold and diamonds for resale, production or manufacture will not have to make payment of the VAT due on the supply.

### WHAT ARE THE CONDITIONS TO APPLY THE MECHANISM?

In order to apply the mechanism on the supply of gold or diamonds, the following conditions must be met:

- The recipient of the goods must be registered for VAT in the UAE at the date of supply.
- The recipient must be purchasing gold or diamonds, or products where the principal component is gold or diamonds.
- The recipient must be purchasing the goods in order to resell, produce or manufacture them into another product where the principal component is gold or diamonds.
- The recipient business must have provided confirmation in writing that it is registered for VAT at the date of supply, that the purposes of obtaining the goods is for resale, production or manufacture of such goods, and that it will account for the VAT due on the supply.

### WHAT TYPE OF GOODS WILL THIS MECHANISM APPLY TO?

The scheme will apply to the following goods only:

- Gold
- Diamonds
- Products where the principal component is gold or diamonds e.g. jewellery

### WHAT ARE THE OBLIGATIONS ON THE SUPPLIER?

Before applying the mechanism, the supplier needs to:

- Obtain a written declaration from the recipient (template shall be provided by FTA).
- Confirm that the recipient is registered for VAT as per the validation checks provided by the FTA.

### WHAT TYPE OF GOODS WILL THIS MECHANISM NOT APPLY TO?

The mechanism will not apply to goods that are subject to the zero rate, namely:

- exports of gold, diamonds and products where the principal component is gold or diamonds
- supplies of investment precious metals.

### WHAT GOLD AND DIAMOND PRODUCTS WILL BE SUBJECT TO VAT AT 5%?

Gold, diamonds and products of gold and diamonds shall be subject to 5% in any of the following cases:

- Where the recipient of such goods is not registered for VAT at the date of supply.
- Where the recipient's purpose of purchasing such goods is not to resell, produce or manufacture goods or diamonds or products where the principal component is gold or diamonds.
- Where the supply is of a product where gold and diamonds are not the principal component.