

## Value Added Tax ('VAT') and Frequently Asked Questions

Standard Chartered Bank has implemented changes relating to Value Added Tax (VAT) in the UAE in accordance with Federal Decree-Law No. 8 of 2017 on Value Added Tax ('Decree Law') and Cabinet Decision No. (52) of 2017 on the Executive Regulations of the Federal Decree-Law No (8) of 2017 on Value Added Tax effective on 01 January 2018.

Details of Standard Chartered Bank's VAT registration number is as follows:

Legal Entity:	Standard Chartered Bank*
VAT Registration No.:	100266463700003
<p>*Kindly note that Standard Chartered Bank has formed a tax group with the FTA. The above registration is applicable to the following:</p> <ul style="list-style-type: none"> <li>• All of Standard Chartered Bank's Branches in the UAE (Standard Chartered Bank Dubai, Abu Dhabi, Sharjah and DIFC Branches)</li> <li>• Standard Chartered Holdings (Asia Pacific) B.V. and its branches (Chartered Holdings (Asia Pacific) B.V- Abu Dhabi Branch and Dubai Branch – Marketing Office)</li> <li>• Standard Chartered Bank (Hong Kong) Limited</li> </ul>	

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 UAE. 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 Overview

#### 1 What is VAT?

VAT is a transaction based indirect tax, and 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.

#### 2 What is the rate of VAT?

There are two VAT rates applicable within the UAE:

- the standard rate of VAT – 5%; and
- the zero rate of VAT – 0%.

In addition, a certain category of supplies will be "exempt" from VAT.

#### 3 How is VAT added to goods and services?

VAT is charged on the value of goods and services. When adding VAT to the price of goods or services, the registered business should multiply the amount by the applicable VAT rate (e.g. 5%).

If the price already includes VAT, divide the price by 21 (for the 5% VAT rate) to find out the VAT amount. Subtracting this amount from the VAT-inclusive price, will give the VAT-exclusive value of the supply.

#### 4 Is Standard Chartered Bank required to charge VAT?

Yes. Standard Chartered Bank, a VAT registered business, is required to charge and collect VAT on its taxable supplies of goods and services made in the UAE. The VAT charged will then be remitted to the Federal Tax Authority ('FTA').

#### 5 Are services rendered by Standard Chartered Bank subject to VAT?

A supply of financial products/services by Standard Chartered Bank conducted in return for an explicit fee, charge, discount, commission, or similar shall be subject to VAT. However, supplies of other financial services if remunerated by way of an implicit margin (such as interest) shall not be subject to VAT as these qualify to be treated as exempt supplies. Similarly, VAT would be applicable under an Islamic financial arrangement to give an outcome comparable to that which would be the case for their non-Islamic counterparts.

Where services are supplied to a recipient that does not have a place of residence in the UAE, and who is outside the state at the time services are performed, these supplies may be zero-rated.

#### 6 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?

Standard Chartered has formed a VAT group with the Federal Tax Authority. This means the Bank currently only has one VAT Registration Number, which applies to all branches in the UAE. Kindly refer to the above section for our VAT Registration Number.

**7 I am a company established in the Jebel Ali Free zone (designated zone). Do I need to pay VAT on services acquired from Standard Chartered Bank?**

VAT treatment of a supply of any service in a designated zone will be treated as made in the UAE. Therefore, VAT shall generally be applicable on services provided by the Bank to companies established in the designated zone. Where you are registered for VAT, an input tax credit may be claimed accordingly, subject to the VAT recovery rules.

**8 When I repay an amount borrowed from the Bank (for example a loan or an amount on credit card), will I be required to pay VAT in addition to the amount borrowed?**

The repayment of the principal amount borrowed from the bank will not constitute consideration for a supply and hence will fall outside the scope of VAT. This means that VAT would not be payable in addition to the principal amount borrowed. If additional services are rendered as part of the transaction (for example administration fees) these may be subject to VAT.

## Accounts

**9 Is VAT applicable on withdrawals made from Current, Deposit or Savings Accounts?**

Any deposits into or withdrawals from current, deposit or savings accounts shall not be subject to VAT. However, if there a service charge or fee imposed by the Bank, then these services shall subject to VAT.

**10 Will I be notified of the fees and charges that are subject to VAT prior to the transaction? For example, in ATM, branches or online banking, etc**

No. However, for further details of fees and charges you may refer to the Service and Price Guides published in the Bank's website. Please note that prices which are displayed to clients which are not registered for VAT are generally inclusive of VAT, as opposed to those which are displayed to registered clients which are often marked as being exclusive of VAT.

**11 Will the VAT treatment change for transactions performed via different channels?**

No, the VAT treatment for a fee should be similar irrespective of the channel.

**12 How will Standard Chartered Bank apply VAT on its charges?**

Taxable goods and services are charged VAT at the rate of 5%. 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. For other fees, such as credit card fees, VAT will be charged as a separate entry for each transaction where it is applicable.

**13 Will VAT charges be refunded if my transaction is cancelled or unsuccessful?**

If a taxable fee or charge is cancelled and/or unsuccessful, the corresponding VAT amount paid by the client 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.

**14 UAE Client requests for Duplicate Statement at the branch, where Standard Chartered Bank levies fees for Duplicate Statement. How will be VAT computed?**

Taxable goods and services are subject to VAT at the rate of 5%. Say, for example, if Standard Chartered Bank levies a VAT-exclusive fee of 25 AED for Duplicate Statements, VAT on this service fee would be 25 AED \* 5% = 1.25 AED. Total amount payable to Standard Chartered Bank inclusive of VAT would be 25 AED + 1.25 AED = 26.25 AED.

**15 Can Standard Chartered Bank waive the VAT amount payable by me?**

VAT is a Federal Tax. The imposition of VAT is governed by the VAT Decree-Law, and its Executive Regulations. Banks are not allowed to waive the imposition of VAT payable in respect of taxable supplies provided to its clients.

## Remittances

**16 Is VAT applicable for all local payments made and / or received (e.g. telegraphic transfers & Online Banking)?**

Supply of financial products/services by Standard Chartered Bank conducted in return for an explicit fee, charge, discount, commission, or similar shall be subject to VAT. Where Standard Chartered Bank levies explicit fees for Outward/ Inward Remittance Advice Requests, standard rate of VAT would be applicable.

**17 How will VAT be charged where I have paid fees in a foreign currency?**

Where fees are paid in a foreign currency, the VAT amount payable to Standard Chartered Bank would be in foreign currency.

Based on the VAT legislation, when issuing tax invoice to the client, Standard Chartered Bank is required to convert foreign currency to local currency (AED) based on the rates prescribed by the Central Bank of the UAE.

**18 How are foreign currency exchange transactions treated from a VAT perspective?**

Foreign currency exchange is typically on an implicit margin basis and would be exempt from VAT. Any service fees relating to the foreign currency exchange, will however be subject to VAT.

**19 If VAT is reversed on a fee paid in a foreign currency, which exchange rate will be used to reverse the VAT amount?**

Where a reversal of a transaction is applied, the original exchange rate shall be used for reversal of the VAT amount.

## Transitional period

**20 Are supplies / services performed before 01 January 2018 subject to VAT?**

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.

**21 I am a Standard Chartered Bank corporate client and have paid a commission on Trade guarantee issuance on 01 December 2017. Will Standard Chartered Bank impose VAT on guarantee issuance commission?**

The VAT legislation prescribes that commission on issuance of trade guarantees shall be subject to 5% UAE VAT. Commission on Trade Guarantee issuance is charged by banks to their clients to cover the continuous risk during the lifetime of this product and therefore, are in scope of the transitional rules.

Therefore, 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 will be required to raise an additional invoice for VAT on fees paid in 2017 but which relate to services also performed into 2018.

## Statements & Tax Invoices

### 22 Will I receive a tax invoice from Standard Chartered Bank?

Where you are a corporate client of the Bank, or an individual client who is registered for VAT with the FTA, you will receive a tax invoice from Standard Chartered within 14 days after the end of each calendar month.

Individual clients of the Bank who are not registered for VAT with the FTA will not automatically receive a tax invoice until 31 December 2018<sup>1</sup>. Where you would like to receive a separate tax invoice, kindly send a request to [GCC.VAT@sc.com](mailto:GCC.VAT@sc.com) and we shall send you your tax invoice accordingly.

For the avoidance of doubt, clients will continue to receive their monthly bank statements.

### 23 What is the purpose of a valid tax invoice?

A valid tax invoice is a document that will serve as evidence for an input tax claim by a VAT Registrant from FTA.

It should contain all information as prescribed by the VAT-Decree Law and the VAT Executive Regulations, such as (but not limited to) a supplier's VAT registration number, the client's VAT registration number (if applicable), the appropriate VAT rates and the amount of VAT payable by the client.

If you are registered for VAT with the FTA and you have not provided us with your Tax registration number (TRN), please immediately send the following to [GCC.VAT@sc.com](mailto:GCC.VAT@sc.com) so that we can include your TRN on all future tax invoices:

- Your TRN along with a copy of the VAT Registration Certificate
- Your Standard Chartered Bank Account Number (if not available, please provide us your most recent deal number or transaction reference);
- Legal Name of the entity to which you are registered at Standard Chartered Bank.

### 24 How will Standard Chartered Bank provide me with a Tax Invoice for VAT on its fees and charges?

Tax invoices shall be provided to our clients either in hard copy or electronically.

### 25 What is a Tax Credit Note? And how often will Standard Chartered Bank issue this?

A tax credit note is issued only when where the value of a supply of an original charge that was subject to VAT has reduced or cancelled. The frequency of reversal of VAT entries shall correspond with the frequency of reversal of charges.

## Custody

### 26 What is the VAT treatment of safe keeping and custodial services?

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 such as Safe Keeping Fees, Portfolio Fees, Trade settlement fees, Transaction fees etc. is fee or commission based, VAT would be applicable.

## Cash Management

### 27 How is VAT charged on Cash management products and services?

Products offered by our Cash division follow the same rules for financial services as our other products. In general, all fees and commissions such as Domestic transfers RTGS and Cashier Order charged by the Bank shall be subject to VAT. However, if you are established outside the UAE, VAT may not apply as the services are likely to be treated as "exported" from a VAT perspective meaning it qualifies for a zero-rated treatment.

## Trade

### 28 Are Trade Finance products subject to VAT?

Generally, all fees and commissions charged for trade finance products and services such as Trade structuring fees, facility fees, commission on issuance of guarantees etc. are subject to 5% VAT. Exported 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.

### 29 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?

Where Standard Chartered Bank is providing services to clients established outside the UAE, then these services may qualify for zero rated treatment and will not attract any VAT.

### 30 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 commission charged on a bank guarantee issued by Standard Chartered Bank to an Iraqi company be subject to VAT?

Where the Bank guarantee is issued to a business client established in Iraq, it is regarded as an exported service. Hence, there will be no VAT charge on the commission since this is a zero-rated supply.

## Financial Markets

### 31 Will VAT be applicable on Derivatives, Foreign Currency Exchange or Swaps?

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 treated as VAT Exempt.

<sup>1</sup> - Decision No 2 of 2018 on Tax Invoices allows the banks to make a supply without issuance of tax invoice subject to condition that the financial institution must issue a tax invoice to the client if requested until 31 December 2018.

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.

Islamic Finance Financial Markets Transactions shall be treated in parity with conventional Financial Markets transactions.

## Wealth Management

### 32 What is the VAT treatment for Wealth Management products?

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. With Wealth Management products, such as Bonds, Mutual Funds, Structured Notes and WRAP products, bank charges are often in the form of an upfront commission. There will be 5% VAT applicable on the commission which the bank charges to its clients.

## Islamic Finance

### 33 What is the VAT treatment for Islamic banking products?

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 client, it shall be subject to VAT.

## Impact of Central Bank Notice (CBN) 157/2018

### 34 Will Standard Chartered Bank be adjusting its fees and prices as a result of CBN 157/2018?

Effective 01 January 2018 until 18 June 2018, Central Bank Notice 421/2017 dated 28 December 2017 mandated that banks and finance companies were not able to increase their existing fee structures for individual and non-individual clients because of the enactment of the UAE VAT law; and stipulated banks will absorb any applicable VAT until further instruction.

However, effective 19 June 2018, Central Bank issued Notice 157/2018 that supersedes the Old CBN and allows the UAE banks and finance companies to now charge UAE VAT in addition to the fees/charges for all businesses.

In view of the above, Standard Chartered Bank will be allowed to charge VAT where applicable, by increasing the existing fee structures for both individual and non-individual clients for an additional amount equal to the underlying payment multiplied by the appropriate rate of tax, effective from 19 June 2018 on a prospective basis in accordance with UAE VAT law.

### 35 Does Central Bank notice apply to DIFC?

Please note that the Central Bank notice does not apply to Standard Chartered Bank DIFC Branch.

## Other Information

### 36 Whom should the client contact in case of any query related to VAT?

In case of any queries, please send your queries to [GCC.VAT@sc.com](mailto:GCC.VAT@sc.com) or your usual points of contact. For further information please visit the website of the UAE Federal Tax Authority <https://tax.gov.ae>. Standard Chartered Bank will continue updating its website ([sc.com/ae](http://sc.com/ae)) with new developments relating to the introduction of VAT in the UAE.

The above Frequently Asked Questions are for general reference only and shall not be capable of creating any contractual commitment on the part of the Bank. While every reasonable care has been taken to ensure the accuracy of the information contained in this document, the Bank does not accept any responsibility or liability (whether arising in contract, tort or otherwise) for any loss, damage and liability arising out of, or in connection with, any use or reliance placed upon this document.

Further, these FAQs do not purport to constitute tax advice and should be used as a guide only. For all updated pricing of our fees and products, please refer to our Service and Price Guides.