UAE VAT Update – Reverse Charge on Metal Scrap

Overview

The Ministry of Finance ("MoF") has issued Cabinet Decision No. 153 of 2025, introducing the reverse charge mechanism (RCM) for the trading of metal scrap between VAT-registered persons in the UAE. The Decision will be effective from 14 January 2026.

The Decision has been issued under Federal Decree-Law No. 8 of 2017 on Value Added Tax, as amended, and Cabinet Decision No. 52 of 2017 (VAT Executive Regulations).

Purpose of the Decision

The new measure aims to:

- Reduce VAT fraud in the metal scrap sector
- Improve efficiency of VAT administration and refunds
- Promote tax fairness and voluntary compliance
- Support transparency and business confidence in the UAE

Scope of Application

The **reverse charge mechanism applies to domestic supplies of metal scrap** where:

- **Both** supplier and buyer are **VAT-registered**, **and**
- The buyer intends to resell the metal scrap or use it in processing/manufacturing.

VAT Treatment under the Reverse Charge Mechanism

Party	VAT Treatment
Supplier	**Does not charge VAT** on qualifying supplies and **does not report output VAT**
VAT Registered Buyer (Recipient)	Self-accounts for VAT and fulfils all VAT obligations related to the supply under **Domestic Reverse Charge Mechanism**

Procedural Requirements

Buyer's obligations (before supply):

- Provide a **written declaration** confirming:
  - the metal scrap is intended for resale or processing, and
  - VAT registration with the Federal Tax Authority ("FTA").

Supplier's obligations (before supply):

- Obtain and retain the **buyer's declarations**
- Verify the buyer's VAT registration status with the FTA

- Clearly mention on the tax invoice that **"Reverse Charge Mechanism applies**

Expected Impact

The Ministry expects this mechanism to:

- Significantly reduce tax evasion in the metal scrap sector
- Enhance efficiency in VAT refund processing
- Align the sector with existing RCM frameworks already applied to electronic devices, gold, and
- other precious metals

Key Takeaway

Effective Date	Main Change
14 January 2026	VAT on qualifying metal scrap supplies will be accounted for by the buyer instead of the supplier