الهيئة الاتحادية للضرائب
FEDERAL TAX AUTHORITY

United Arab Emirates

Education Sector

Value Added Tax Guide | VATGED1

June 2026

Contents

1. Glossary

Consideration: All that is received or expected to be received for the supply of Goods or Services, whether in money or other acceptable forms of payment.

Exempt Supply: A supply of Goods or Services for Consideration while conducting Business in the UAE, where no Tax is imposed and the Input Tax related thereto is not recovered, except according to the provisions of the VAT Law.

Goods: Physical property that can be supplied including real estate, water, and all forms of energy as specified in the VAT Executive Regulation.

Government Entities: Ministries, government departments and agencies, authorities and public institutions in the UAE, whether Federal or local, or any other entities treated with the treatment decided for Government Entities, in accordance with the decisions issued by the Cabinet for the purposes of implementing the provisions of the VAT Law.

Input Tax: VAT paid by a Person or due from him when Goods or Services are supplied to him, or when conducting an Import.

Person: A natural or legal person.

Qualifying Curriculum: Educational Services provided in accordance with a curriculum recognised by the federal or local competent government entity regulating the education sector where the course is delivered.

Qualifying Educational Institution: Entities recognised by the federal or local competent government entity regulating the education sector where the course is delivered. These can include nurseries, pre-schools and schools, or higher educational institutions which are either owned by the federal or local government or receive more than 50% of their annual funding directly from the federal or local government.

Qualifying Educational Services: Services of delivering a Qualifying Curriculum by a Qualifying Educational Institution.

Residential Building: A building intended and designed for human occupation, including residential accommodation for students and school pupils, but excluding a hotel apartment, services apartment or the like.

Services: Anything that can be supplied other than Goods.

Tax: Value Added Tax (VAT).

Tax Credit Note: A written or electronic document in which any amendment to reduce or cancel a Taxable Supply and its details are recorded, including an Electronic Credit Note, as the case may be.

Tax Invoice: A written or electronic document in which any Taxable Supply and its details are recorded, including an Electronic Invoice, as the case may be.

Taxable Person: Any Person registered or obligated to register for VAT purposes under the VAT Law.

Taxable Supply: A supply of Goods or Services for Consideration during the course of Business by any Person in the UAE, and does not include Exempt Supply.

UAE: United Arab Emirates.

2. Introduction

VAT is a general consumption tax on the supply of Goods and Services, that applies to most supplies which take place within the territorial area of the UAE.

2.1. Purpose of this document

This document contains guidance on the VAT treatment of various supplies of educational and other related Goods and Services.

2.2. Who should read this document?

This document should be read by any Person involved in the supply of educational Services.

2.3. Legislative references

In this Guide,

- Federal Decree-Law No. 8 of 2017 on Value Added Tax and its amendments is referred to as “VAT Law”,
- Cabinet Decision No. 52 of 2017 on the Executive Regulation of the Federal Decree-Law No 8 of 2017 on Value Added Tax, and its amendments, is referred to as “VAT Executive Regulation”.

2.4. Status of the Guide

This Guide is not a legally binding document, but is intended to provide assistance in understanding and applying the VAT legislation with regards to the supply of education and related Goods and Services.

The information provided in this Guide should not be interpreted as legal or Tax advice. It is not meant to be comprehensive and does not provide a definitive answer in every case. Taxpayers should also consider other relevant policy documents published on the FTA’s website, including the Taxable Persons Guide (VATGTP1).

This Guide is based on the legislation as it stood when it was published. Each Person’s own specific circumstances should be considered.

The VAT Law and VAT Executive Regulation referred to in this document set out the principles and rules relating to the supply of education. Nothing in this publication modifies or is intended to modify the requirements of any legislation. This document is subject to change without notice.

3. Supply of educational Services

3.1. What is regarded as an educational Service?

The term "education" is not defined in the VAT legislation. Hence, it is interpreted based on the common meaning of the word, e.g. the process of teaching, training and learning, especially in schools, colleges or universities, to improve knowledge and develop skills.[1] Educational Services, therefore, refer to Services delivered by an educational institution, aimed at transferring knowledge as part of a structured process, by delivering a curriculum. As further elaborated in this Guide, zero-rated educational Services refer to Services delivered by a Qualifying Educational Institution, aimed at transferring knowledge as part of a structured process, by delivering a Qualified Curriculum.

The education sector consists of various role players, including nurseries, schools, universities, colleges and training institutes.

The supply of Goods and Services made in the UAE by a Taxable Person is, generally, subject to 5% VAT,[2] except where the supply qualifies for zero-rating[3] or exemption.[4]

Article 45(13) of the VAT Law, read with Article 40 of the VAT Executive Regulation, allow certain educational Services and related Goods and Services to be zero-rated. These zero-rating provisions are interpreted strictly and narrowly, and can only be applied where all the conditions are met.

3.2. Place of supply of educational Services

Establishing the place of supply is essential to determine the VAT treatment. A supply is within the scope of VAT if the place of supply is the UAE. Further details of the place of supply can be obtained from the Taxable Persons Guide (VATGTP1). The place of supply of Services is generally the Place of Residence of the supplier.[5]

However, the place of supply of educational Services is the UAE if the Services are performed in the UAE.[6] In this context, educational Services means a course of study, or a lesson of instruction in any subject. This can include, but is not limited to, educational seminars and recreational courses.

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1 The Oxford Dictionary.
2 Articles 2 and 3 of the VAT Law.
3 Article 45 of the VAT Law.
4 Article 46 of the VAT Law.
5 Article 29 of the VAT Law.
6 Article 30(6) of the VAT Law.

Where an educational institution has multiple campuses, it must identify the campus most closely connected to the supply. Where multiple campuses are located in the UAE, the educational institution should ensure that VAT is correctly accounted for and reported in the Emirate most closely connected to the education.

Where campuses are located within the UAE (including Free Zones such as Dubai International Academic City, Dubai Knowledge Park and Masdar City) and outside the UAE, the educational institution should consider which establishment is most closely connected with the supply and, therefore, whether the supply is within or outside the scope of VAT.

Where the place of supply of the educational Services is in the UAE, the supply would not be eligible for zero-rating as an export of Services, even where such Service is supplied to a Non-Resident who is not in the UAE at the time of the supply.[7]

Where an educational institution offers exchange programs with overseas institutions, it must determine the place of supply on a case-by-case basis. For example, where students from an overseas institution spend a term in the UAE, this would constitute a supply by the UAE educational institution to either the student or the overseas institution. The place of supply of the educational services for that term would be the UAE.

3.3. Zero-rating educational Services provided in the UAE

To zero-rate educational Services provided in the UAE, the following two conditions must be met.

3.3.1 Qualifying Educational Institution

The first condition is that the Services must be supplied by an educational institution that is recognised by the federal or local competent Government Entity regulating the education sector where the course is delivered.

These educational institutions include nurseries, pre-schools and schools, and higher education institutions. Higher education institutions are only eligible if they are owned by the federal or local government, or receive more than 50% of their annual funding directly from the federal or local government. Where a higher educational institution receives funding from more than one federal or local government source, the aggregate amount received should be more than 50% in order to meet this condition.

7 Article 31(1)(a)(3) of the VAT Executive Regulation, read with Article 30(6) of the VAT Law.

The onus is on the educational institution to retain the relevant documentary evidence that it is recognised, e.g. registration/licence issued by the relevant competent authority, and proof of funding from, or ownership by federal or local government.

Other Persons supplying educational Services are not allowed to zero-rate their Services.

3.3.2 Qualifying Curriculum

The second condition is that the educational Services must be provided in accordance with a curriculum recognised by the federal or local competent Government Entity regulating the education sector where the course is delivered.

Courses that are not provided in accordance with such curriculum do not qualify for zero-rating. For example, the supply of executive education courses on leadership which do not form part of a recognised degree or accredited curriculum would not qualify for zero-rating. Another example is where a nursery is a Taxable Person and does not have an age-appropriate curriculum recognised by the relevant competent authority. In such case, the nursery would not be eligible to zero-rate their Services and the tuition charged will be considered to include VAT at 5%.

Other examples of Services that are not regarded as Qualifying Educational Services include:

- diplomas and non-degree courses,
- tutoring and home schooling provided by any Person that is not a Qualifying Educational Institution, for example a private tutor,
- skills development courses offered by training institutions, and
- education management Services supplied as a separate supply by a third party, such as overseeing the campus on behalf of another entity, the supply of lecturers, assignment marking and other day-to-day operational support provided to a Qualifying Educational Institution.

Zero-rating is an exception to the rules, and, therefore, the provisions should be interpreted strictly and narrowly.

4. Goods and Services related to Qualifying Educational Services

A supply of Goods or Services made by Qualifying Educational Institutions qualify for zero-rating where the supply is directly related to the provision of a zero-rated educational Service.[8]

4.1. Meaning of related Goods and Services

A Qualifying Educational Institution may supply various Goods and Services to students. The Goods or Services are "directly related" if they are an integral part of the Qualifying Educational Services and necessary for delivering the education. For example, a Qualifying Educational Institution may supply lab materials for use by students enrolled in a science degree course that may be eligible for zero-rating. The lab materials are not regarded as an aim in themselves, but incidental to the supply of the Qualifying Educational Services. Therefore, the provision of these materials will be eligible for zero-rating.[9] (See Section 4.3.)

A Qualifying Educational Institution may supply various Goods and Services for a single price (e.g. inclusive tuition fees), where only some of the Goods and Services are related to the Qualifying Educational Service. The Qualifying Educational Institution should consider whether it is making a single composite supply or multiple supplies. For further information on single composite and multiple supplies, please refer to the Taxable Persons VAT Guide (VATGTP1).

4.2. Zero-rating of related Goods and Services

As per Article 40 of the VAT Executive Regulation, the following are examples of supplies that qualify for zero-rating:

- Printed and digital reading material provided by Qualifying Educational Institutions related to Qualifying Educational Services.
- Field trips that are directly related to the Qualifying Curriculum, provided it is not predominantly recreational.
- Extracurricular activities provided by or through the Qualifying Educational Institution where no additional fee is charged, e.g. soccer training provided at a school for no additional fees.

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8 Article 40(2) of the VAT Executive Regulation.

9 Article 40(4)(c) of the VAT Executive Regulation.

Other supplies related to the Qualifying Educational Services may also be zero-rated. Examples include:

- Re-registration of students that are already enrolled at the Qualifying Educational Institution.
- Support Services supplied to Persons of determination in accordance with a recognised curriculum.

4.3. Supplies that are excluded from zero-rating

Though the following supplies may relate to the provision of educational Services, they are not eligible for zero-rating:[10]:

- Goods and Services that are made available to Persons who are not enrolled in the Qualifying Educational Institution.
- Goods other than educational materials that are consumed or transformed by the students undertaking the Qualifying Educational Service for the purposes of education.
- Uniforms or other clothing which are required to be worn, irrespective of whether or not they are supplied by the Qualifying Educational Institution as part of the supply of Qualifying Educational Services.
- Electronic devices, irrespective of whether they are supplied by the Qualifying Educational Institution as part of the supply of Qualifying Educational Services.
- Food and beverages supplied at the Qualifying Educational Institution, including supplies from vending machines or of vouchers in respect of food and beverages.
- Field trips, unless they are directly related to the curriculum of a Qualifying Educational Service and are not predominantly recreational.
- Extracurricular activities provided by or through the Qualifying Educational Institution for an additional fee.

4.4. VAT treatment of specific types of supplies

4.4.1. Application and registration fees

A Qualifying Educational Institution may charge an application or registration fee to prospective students. Goods and Services that are made available to persons who are not enrolled in the Qualifying Educational Institution are not eligible for zero-rating (see Section 4.2). Where such fees are charged in respect of Persons who are not yet enrolled in the institution, the supply is, generally, subject to 5% VAT.

In some instances, where the application is successful, Qualifying Educational Institutions may set off the enrolment/registration fee against tuition. The Qualifying

[10] Article 40(4) of the VAT Executive Regulation.

Educational Institution should then issue a Tax Credit Note in respect of the standard rated Tax Invoice for the application or registration fee, and issue a new Tax Invoice for the zero-rated tuition.[11]

Registration fees charged to students who are already enrolled in a program qualify for zero-rating, provided the fees are for an integral part of, and directly related to zero-rated Qualifying Educational Services.

Where students leave the educational institution before the end of the academic year or term, the educational institution may refund part of the registration or enrolment fee. Where VAT was accounted for on the fee and a Tax Invoice was issued, the educational institution should issue a Tax Credit Note for the amount refunded.

4.4.2. Events

Fees charged by a Qualifying Educational Institution for fund raising and similar events will be subject to VAT where the event is not directly linked to, and integral to the course of study. For example, an event to sell Goods (e.g. cakes) to raise funds for a new library is not primarily carried out for the purposes of delivering the education. The sale of the Goods would be subject to VAT, except where the sale is conducted by and on behalf a non-Taxable Person, e.g. the parents of the students. However, where the Goods are sold by a Taxable Person, e.g. a caterer, the supply would, generally, be subject to VAT and the Taxable Person would be required to account for the VAT.

This can be contrasted with a concert held by a school to showcase student achievement and progress in music or the performing arts, and where this is part of the Qualifying Curriculum. The sale of tickets to a ballet or musical recital that forms part of the student's examination under a Qualifying Curriculum would qualify for zero-rating if it can be evidenced that the concert or event is directly linked to the provision of education, e.g. where it forms part of a music student's examination.

4.4.3. Field trips

Fees charged for a field trip by a Qualifying Educational Institution may be subject to VAT at the zero-rate where the following conditions are met:[12]

- the field trip is directly related to the Qualifying Curriculum, and
- the field trip is not predominantly recreational in nature.

Where the field trip does not meet both conditions, the supply would, generally, be

[11] Where the conditions in Article 59(3) of the VAT Executive Regulation are met, the Qualifying Educational Institution is not required to issue a Tax Invoice for a wholly zero-rated supply.

[12] Article 40(4)(f) of the VAT Executive Regulation.

subject to 5% VAT.

For example, a school may arrange a field trip to an art museum as students are learning about art in class. Students are required to pay a fee to go on the field trip. Assuming the trip is not provided for any other purpose, such as recreation, but is a means to deliver the education, the additional fee paid by the student for the trip also qualifies for zero-rating.

A field trip will be regarded as predominantly recreational where the main purpose of the trip is to provide entertainment to the students, with no or limited link to the curriculum of their course of study. For example, trips to waterparks and amusement parks, or attending concerts or sporting events that are not linked to the Qualifying Curriculum.

4.4.4. Graduation events

Where students are required to pay a fee on completion of a program to graduate from a Qualifying Educational Institution (typically for the graduation ceremony and certificate), the fee will qualify for zero-rating where it is linked to a Qualifying Curriculum. This is on the basis that the fee is directly related to a Qualifying Educational Service.

The provision of catering at such events will not change the nature of the supply, provided that it comprises simple hospitality. For further information please refer to VAT Public Clarification – Non-recoverable Input Tax – Entertainment Services (VATP005).

4.4.5. Special needs support services

Qualifying Educational Institutions may charge an additional fee to provide support services to students of determination and special needs. Where the special needs support services are directly related to the delivery of the Qualifying Curriculum, these qualify for zero-rating.

Such services can include academic support, speech therapy, occupational therapy, behavioural support or other support services that are approved by a competent authority, for example educational support Services supplied to persons of determination in accordance with a curriculum recognised by the Ministry of Community Empowerment, provided that Person supplying the Services is licensed by that Ministry to supply such Services.

5. Other Goods and Services supplied by educational institutions

Educational institutions (qualifying and non-qualifying) may provide a range of other Goods and Services to students, and the institutions should determine the correct VAT treatment thereof. Some commonly provided Services and their VAT considerations are set out below.

5.1. Accommodation

Educational institutions often provide accommodation to students and staff. In some cases, this may qualify as a supply of a Residential Building. A supply of a Residential Building[13] is exempt from VAT, but can in some instances qualify for zero-rating. Further information on what qualifies as a Residential Building and the VAT treatment thereof is set out in the Real Estate VAT Guide (VATGRE1).

Where additional Services or facilities are provided, the educational institution should consider whether it is supplying a Residential Building or a serviced unit. The supply of units with additional services constitutes a Taxable Supply at the Standard Rate of 5%.

5.1.1. Student accommodation

Educational institutions may provide additional services with the accommodation, often for a single fee. The educational institution must consider whether it is making a single composite supply or multiple supplies.

For example, where an educational institution makes available a shared lounge for residents or cleans common areas of the campus, this will be regarded as closely linked to and, therefore, part of a single composite supply of accommodation.

In contrast, the provision of components such as cleaning inside the rooms, laundry facilities and catering would, generally, be considered a supply of a serviced unit. A supply of a serviced unit is subject to VAT at the Standard Rate, regardless of whether the supply qualifies as a single composite supply.[14]

5.1.2. Staff accommodation

Where an educational institution provides a Residential Building to staff for a charge or a salary deduction (for example, in lieu of a living allowance), this would, generally,

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[13] Article 37 of the VAT Executive Regulation.

[14] Article 4 of the VAT Executive Regulation.

be treated as an Exempt Supply, unless it qualifies for zero-rating. The educational institution will also have to consider whether it is making a supply of a serviced unit which is taxable at the Standard Rate.

Where a staff member is required to live in staff accommodation in terms of the employment contract but there is no provision for a housing allowance, there is no Consideration for a supply. Where the accommodation qualifies as a Residential Building and is provided for no Consideration, the supply will not constitute a Deemed Supply, and no Output Tax will be due.[15] Where an educational institution provides a serviced unit for no Consideration, it should consider whether it is making a Deemed Supply.[16]

VAT incurred on costs related to the provision of residential accommodation will be recoverable if the conditions set out in Article 53 of the VAT Executive Regulation are met. For example, if staff are required to stay on campus due to the nature of their duties, the costs will be treated as an overhead cost and subject to the normal VAT recovery rules.

5.2. Distance learning and Electronic Services

It needs to be established whether the educational institution is making a supply of Electronic Services as this can impact the place of supply and VAT registration obligations.

For VAT purposes, certain supplies of distance learning qualify as "Electronic Services", meaning Services which are automatically delivered over the internet, an electronic network, or an electronic marketplace.[17] Home schooling courses which are delivered electronically may also qualify as Electronic Services, for example pre-recorded classes and automatic assessments.

Although a small degree of human intervention is acceptable to enable or complete a supply, this intervention should not change the nature of the Service as being essentially automated. For example, where an educational institution sends a student a manually generated email with a link to access and download pre-recorded lectures, this is treated as an Electronic Service since the human involvement of sending the email is not sufficient to change the nature of the supply.

In contrast, if an educational institution provides distance learning where students have the ability to interact with teachers or fellow students, or receive personal support, the Services would not be regarded as Electronic Services, due to the degree

[15] Article 12(2) of the VAT Law.

[16] Article 11 of the VAT Law.

[17] Article 23(2) of the VAT Executive Regulation.

of human involvement. The level of interaction between tutors and students plays a crucial role in determining whether the Services will be regarded as "automatically supplied" with minimum human intervention. As an example, a course that was delivered electronically but which is assessed by a personal tutor who reviews the exams and provides feedback, will not be regarded as an Electronic Service. This is in contrast to an online multiple-choice assessment which is marked electronically.

Where elements of the educational Service are supplied electronically, (e.g. pre-recorded lectures and online auto assessments/multiple choice questions) and other elements are not (e.g. live lectures and discussion classes, tutor marked assessments and live forums), the educational institution should determine whether the supply constitutes a single composite supply or multiple supplies[18] and apply the relevant place of supply rules accordingly.

Where distance education does not qualify as an Electronic Service, the place of supply rule under Section 3.2 would apply. In such instance, the location of the supplier's establishment most closely connected to the Service would be regarded as the place where the Services were performed for purposes of Article 30(6) of the VAT Law.

5.2.1. Place of supply of Electronic Services

Where an educational institution provides distance learning that qualifies as Electronic Services, the place of supply is:[19]

- in the UAE, to the extent that the use and enjoyment of the supply is in the UAE, and
- outside the UAE, to the extent that the use and enjoyment of the supply is outside the UAE.

A Non-Resident educational institution that provides distance learning that qualifies as an Electronic Service to students in the UAE, needs to consider its VAT registration obligations in the UAE. Where the Services are used and enjoyed in the UAE, the supply will be subject to VAT, which may create a VAT registration obligation for the educational institution. Further details on Electronic Services can be obtained from the E-commerce Guide (VATGEC1).

[18] Article 4 of the VAT Executive Regulation.

[19] Article 31(1) of the VAT Law.

5.3. Fines and penalties

An educational institution may charge fines and penalties, for example on late payment of tuition fees or on damage to property. Fines and penalties imposed for contravening the terms of an agreement or performing an unlawful act are, generally, not Consideration for a supply, and are outside the scope of VAT.

In contrast, payments will be subject to VAT at the Standard Rate where they relate to an administrative Service, even if they are referred to as a fine or penalty. The VAT treatment should be assessed by reference to the specific facts. Further information can be obtained from VAT Public Clarification - Treatment of Compensation-Type Payments (VATP001).

5.4. Healthcare Services

Clinics or medical facilities may be made available on-site by educational institutions for the benefit of students. The VAT treatment will depend on the specific facts. Some common scenarios under which educational institutions are involved with medical Services or suppliers, are set out below.

5.4.1. Educational institution operating a clinic

Where an educational institution operates its own clinics, it should consider whether it is making a supply of healthcare Services which qualifies for zero-rating.

A supply of healthcare Services generally accepted in the medical profession as necessary for the treatment of the recipient can qualify for zero-rating where the supply is:[20]

- made by a healthcare body or institution licensed by the Ministry of Health and Prevention or by any other competent authority. This means that the educational institution's clinic should hold the relevant licence,
- provided by a practitioner such as a doctor or nurse who is licensed by the Ministry of Health and Prevention or by any other competent authority, and
- related to the wellbeing of a human being.

Charges to cover the expenses of maintaining a clinic and having medical staff and opening and maintaining medical records of patients do not qualify as healthcare services and are, therefore, subject to 5% VAT if charged by an educational institution that is a Taxable Person.

[20] Article 41(1) of the VAT Executive Regulation.

5.4.2. Educational institution leasing premises to healthcare providers

An educational institution may lease or make property available to third-party healthcare providers. The educational institution will then be making a supply of standard-rated Goods. VAT at 5% will apply to the rent or other fees charged by the educational institution.

5.4.3. Educational institution outsourcing healthcare Services to third parties

An educational institution may engage a third-party provider to offer healthcare Services to students. Where the third-party provider supplies healthcare Services directly to the students, the third-party will need to determine the VAT treatment of its supplies.

Where the third-party healthcare provider supplies healthcare Services to an educational institution, the Service would be subject to VAT at the Standard Rate of 5%. This is on the basis that zero-rating of healthcare Services is limited to supplies made to natural person recipients, i.e. students in this case. This will be the case even where the educational institution makes an onward supply of zero-rated healthcare Services to students. Please refer to VAT Public Clarification – Business-to-Business Supplies of Healthcare Services (VATP016) for further details.

5.4.4. Educational institution charging fees to students

An educational institution may charge a fee for medical Services that may be provided over the course of a term or year, for example, an annual medical fee payable by all students. Where there is no direct nexus to the actual provision of healthcare Services which are necessary for the treatment or wellbeing of the student, this will not qualify for zero-rating, as this is not Consideration for healthcare Services. This will be regarded as an administrative service.

Where an educational institution charges a fee to open a medical record (for example to record the student’s vaccination history), this will also not qualify for zero-rating as the Service is administrative in nature.

5.5. Retention of overpaid amounts

Students may make overpayments which are retained by the educational institution. Generally, where VAT was accounted for on the fee as this was Consideration for a Taxable Supply, no adjustment is required unless the payment is refunded to the student.

The educational institution should consider whether the payment is compensatory in nature and, therefore, outside the scope of VAT. This will be fact specific, and further information can be obtained from VAT Public Clarification – VAT Treatment of Compensation-Type Payments (VATP001).

5.6. Transportation and leasing of school buses

The VAT treatment of transportation Services differs from the supply of leasing a school bus. As such, the educational institution should determine the nature of the supply.

5.6.1. Supply of transportation Services

The supply of local passenger transport Services in a qualifying means of transport, which includes a bus, is exempt from VAT.[21] Where an educational institution acquires such Services, it would expect not to incur VAT. The onward supply of such Services to students will also be exempt. For example, where a school engages a third party (who provides the vehicle and the driver and retains control over the vehicle) to transport students to and from school, the supply will qualify for exemption.

5.6.2. Supply of a school bus

The supply of a qualifying means of transport which includes a bus designed or adapted to be used for public transportation of 10 or more passengers can be zero-rated. However, this does not apply to buses which are restricted to a specific category of users, such as students. Therefore, the supply of a school bus is subject to VAT at the Standard Rate of 5%. For further information, please refer to VAT Public Clarification on Public Transportation (VATP007).

Where a driver and a school bus are provided, the educational institution will need to consider whether it is receiving separate supplies of a driver and the bus, or whether it is receiving a single supply of transport services, which includes the driver and the bus.

Where an educational institution makes available its bus to other educational institutions or third parties, it should consider whether it is making a supply of the bus, which is standard-rated, or a supply of transport Services. This should be reviewed by reference to the facts and the contractual position.

5.7. Other Goods and Services

Further examples of supplies which are subject to VAT at the Standard Rate include:

- sale of merchandise to students, alumni and third parties,
- a supply of staff to other educational institutions for a fee,

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[21] Article 46(4) of the VAT Law, read with Article 45 of the VAT Executive Regulation.

- rental services of electronic equipment such as laptops, and
- replacement of access cards.

6. Grant income and other funding arrangements

Educational institutions often receive grant funding and endowments to support their activities. This section sets out the VAT considerations in respect of such income as well as other funding arrangements common in the sector.

6.1. Third-party Consideration

Fees for educational Services may either be paid by the student or a third party, for example the parent or guardian, employer or a local or foreign government. Third-party Consideration does not change the nature of the supply made to the student.

Third parties may also agree to fund a number of student seats at the educational institution. Where the funding is gratuitous and the third parties receive nothing in return it will be treated as third-party Consideration for the supply of educational Services to the students. The educational Services may then be zero-rated where the conditions are met.

6.2. Scholarships

An educational institution may offer a full or partial scholarship which it funds. The educational institution is effectively providing a discount to the student on their tuition fees, and VAT, if applicable, is due on the discounted price.

Where an educational institution has accounted for VAT on fees which are subsequently discounted, it should issue a Tax Credit Note to the student. For example, a student pays an annual fee for a course which is subject to VAT at the Standard Rate. Following the first term results, the educational institution offers a partial scholarship to the student for the remainder of the year. A Tax Credit Note should be issued for the value of the scholarship.

An educational institution may offer devices, equipment or materials to support students in need. Where such items are offered to students for no Consideration, the educational institution should consider whether it is making a Deemed Supply.[22] Where a Deemed Supply is made, the educational institution must account for Output Tax.

Where the educational institution awards a full scholarship on account of the student's merit, VAT incurred on related costs is treated as an overhead cost.

Where a third party pays for scholarships offered to students, this will be considered third-party Consideration as per Section 6.1. Where the student receives a third-party

[22] Article 11 and 12 of the VAT Law.

funded scholarship partway through the academic year, no adjustment to VAT previously accounted for will be required i.e. no Tax Credit Note will be required. This is on the basis that the supply remains made to the student.

6.3. Grants

The terms “grant” or “donation” are not determinative of the VAT treatment. What matters is whether the payer receives a benefit that has a direct link to the payment. The terms often refer to a sum of money freely given in return for which no specific Goods or Services are received. Where the payment is not made for a supply received by the grantor (or a Person connected to the grantor), the supply will be outside the scope of VAT. For a payment to be outside the scope of VAT, it must be gratuitous and the grantor/donor must not receive anything in return other than mere acknowledgement or an insignificant token of gratitude.

To determine the VAT treatment, the educational institution should consider the following:

- Where no benefit accrues to the grantor (or a Person connected to the grantor), the payment will be outside the scope of VAT.
- Where some benefit accrues to the grantor (or a Person connected to the grantor), but it is not an identifiable, direct or valuable benefit, the payment will be outside the scope of VAT.
- Where an identifiable, direct or valuable benefit accrues to the grantor (or a Person connected to the grantor), the payment will be regarded as Consideration for a supply and subject to VAT. For example, a payment made in return for intellectual property from research, or rights to commercially exploit the research, will be regarded as Consideration for a supply. Furthermore, where a token of gratitude or acknowledgement has a significant value, the payment will also be regarded as Consideration for a Taxable Supply made by the educational institution.
- Whether an identifiable, direct or valuable benefit accrues to the grantor (or a Person connected to the grantor) should be determined on a case-by-case basis. For example, where an educational institution receives an endowment that is conditional on naming a campus building on request of the grantor, this will constitute a supply of promotional or advertising Services and be subject to VAT.

Grantors may impose certain conditions to the payment. For example, a request that the funding is spent on a particular project (provided the grantor does not receive an identifiable, direct or valuable benefit in return) or a requirement to provide a budget or proof of how the funds were spent. The fulfilment of such conditions alone is not regarded as providing the grantor a direct or valuable benefit, hence, the grant received may still be outside the scope of VAT.

6.4. Research Services

Educational institutions often receive grants to undertake research. The VAT treatment depends on the conditions related to the funding. In instances where specific research is conducted for commercial reasons, the educational institution is regarded as making a supply of Services for consideration.

The same would apply where the grantor receives an identifiable, direct or valuable benefit in return for the funding. Examples of benefits that the grantor could receive include shared rights to the intellectual property or the ability to exploit the outcome of the research for a commercial application, e.g. the right to market or use a newly developed product. Such a supply will be subject to VAT at the Standard Rate if the place of supply is the UAE.

Educational institutions may also make their facilities available to other persons to conduct research. This may, for example, include providing access to laboratories to post graduate students at a private university. The making available of such facilities constitutes a Service which is subject to VAT at the Standard Rate.

7. Input Tax recovery

7.1. General principles

An educational institution is entitled to recover Input Tax incurred on the purchase of Goods and Services to the extent that the Goods and Services are used, or intended to be used for making Taxable Supplies or supplies outside the UAE which would have been considered taxable had they been made in the UAE.[23]

Input Tax that is directly related to an Exempt Supply or a non-business activity is not recoverable.[24] In addition, VAT is specifically blocked from recovery on certain costs, for example entertainment expenses.[25]

Where an educational institution makes Taxable and Exempt and/or non-business supplies, VAT recovery should be calculated by using an Input Tax apportionment method. Further information on Input Tax apportionment can obtained from the VAT Input Tax Apportionment Guide (VATGIT1).

Where an educational institution receives non-business income, for example grant funding, VAT incurred on related costs will be irrecoverable. For example, an educational institution incurs legal costs on an endowment. Assuming the endowment is a freely given donation that is outside the scope of VAT, the VAT incurred on the related legal costs will be irrecoverable.

For completeness, Input Tax recovery of Goods and Services acquired using the grant funding follows the normal rules. Where grant funding is used to purchase laboratory equipment for student use, the VAT will be recoverable if the educational institution makes a Taxable Supply of education.

Where an educational institution acquires or imports a Capital Asset, it should consider its obligations under the Capital Assets Scheme. For purposes of the Capital Assets Scheme, a Capital Asset means a single item or combination of certain items where the Business has incurred expenditure of AED 5,000,000 or more (excluding VAT) on which VAT is payable and which has an estimated useful life equal to or longer than ten years (or part thereof) for buildings, or five years for all other Capital Assets.[26] The use of the Capital Assets has to be monitored and adjusted over the period.[27]

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[23] Article 54 of the VAT Law.

[24] Article 55(6)(b) of the VAT Executive Regulation.

[25] Article 53 of the VAT Executive Regulation.

[26] Article 57(1) of the VAT Executive Regulation.

[27] Article 58 of the VAT Executive Regulation.

7.2. Events

Educational institutions may organise events for no fee which are intended to foster the provision of education. Input Tax recovery on costs will depend on the nature of the event.

Where the event is educational in nature, for example a National Day, cultural day event, or a student showcase, costs incurred to organise the event, such as on décor or food will be considered to be business expenses. Where an event is held to drive student recruitment and retention and to promote the institution, the costs will be considered to be a business expense.

VAT incurred on costs will be recoverable if it is directly related to an onward Taxable Supply, subject to the normal rules and conditions.

At events where food and drinks are provided free of charge, the educational institution should consider the nature and purpose of the event to assess whether the VAT incurred on these costs is recoverable. Where the entertainment or hospitality provided at the event constitutes an end in itself (e.g. an iftar or dinner event), it will be regarded as the provision of entertainment. VAT incurred on the provision of entertainment is not recoverable.[28] For further details, see VAT Public Clarification - Non-Recoverable Input Tax – Entertainment Services (VATP005).

7.3. Rental of buses

Where an educational institution acquires or leases a school bus it should expect to incur VAT at the Standard rate of 5% where the seller is a Taxable Person as the bus would, generally, not be regarded as a means of transport for zero-rating purposes due to it not being intended to be used to provide public transport. Only buses or trains which are designed or adapted to be used for the mass transport of individuals, without being restricted to a specific category of users, qualify to be supplied at the zero rate.[29]

VAT recovery on the costs is subject to the normal rules. For example, if the school bus is used by the educational institution to make an onward Exempt Supply of local passenger transport Services, the VAT incurred on the acquisition of the bus (and ongoing operation and maintenance costs) will be irrecoverable

7.4. Staff accommodation

The supply of residential buildings is, generally exempt, unless the unit is serviced.

Where residential accommodation is provided to staff for no charge, the educational

[28] Article 53(1)(a) of the VAT Executive Regulation.

[29] VAT Public Clarification – Public Transport VATP007.

institution will need to consider whether the VAT incurred on costs is recoverable.

VAT incurred by the educational institution will only be recoverable in the following instances:[30]

- the accommodation was provided under a legal obligation as per the labour laws in the UAE or Designated Zone,
- the educational institution can demonstrate the following:
  - there is a contractual obligation or documented policy to provide staff accommodation,
  - it can be proven to be normal business practice in the course of employing those people, and
  - the staff accommodation is necessary for the employees to perform their roles.
- the supply of the Goods or Services is a Deemed Supply.

[30] Article 53(1)(c) of the VAT Executive Regulation.

8. Updates and Amendments

Date of amendment	Amendments made
June 2026	• First version