



## Tax Guide

### **UAE VAT Treatment for the Education Sector**



## Overview of The Education Sector & VAT in The UAE

- ❑ Education is a strategic priority in the UAE, with VAT regulations designed to minimize financial impact on students and families.
- ❑ VAT treatment varies significantly based on the institution's type, the nature of the service, and its direct relation to a recognized educational curriculum.
- ❑ Ensuring meticulous compliance is crucial for all educational institutions, including nurseries, schools, universities, and training centers.

### Definitions:

#### Goods

Physical property that can be supplied, including but not limited to real estate, water, and all forms of energy, as specified in the Executive Regulation of this Decree-Law.<sup>(1)</sup>

#### Services

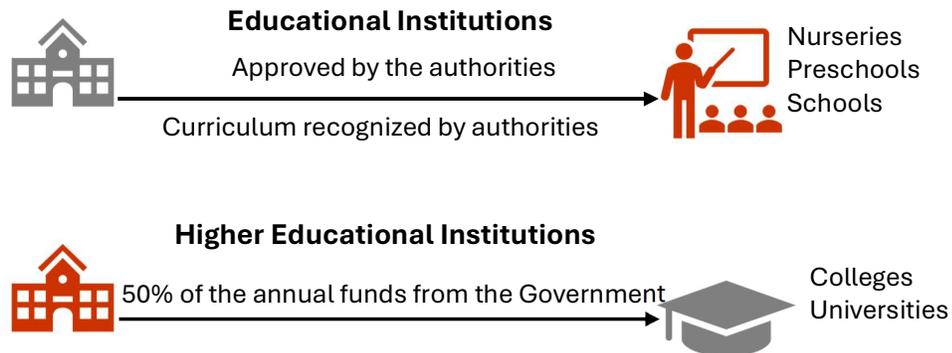
Anything that can be supplied other than goods.<sup>(2)</sup>

#### Zero-rating Education Services:

The supply of educational services shall be subject to the zero rate if the following conditions are met:

- A- The supply of educational services is provided in accordance with the curriculum recognised by the federal or local competent government entity regulating the education sector where the course is delivered.
- B- The supplier of the educational services is an educational institution which is recognised by the federal or local competent government entity regulating the education sector where the course is delivered.
- C- Where the supplier of educational services is a higher education institution, the institution is either owned by the federal or local government or receives more than 50% of its annual funding directly from the federal or local government.<sup>(3)</sup>

### ***Eligibility Criteria for Zero-Rated Educational Services***



(1) (2) (3) Article 1 – Definitions - Federal Decree-Law No. 8 of 2017

Article 45 (13) - Federal Decree-Law No. 8 of 2017

Article 40 - The Executive Regulation

### Zero-Rated Educational Services (0% VAT) <sup>(4)</sup>

- In the UAE, educational services are generally zero-rated (0% VAT) if they meet specific criteria outlined in the relevant VAT rules:
  - Services are provided by educational institutions approved by the **authorities** and delivered within a **curriculum recognized by them** (e.g., nurseries, preschools, schools).
  - For **higher educational institutions** (such as colleges or universities), the institution must be either **owned by the local or federal government** OR receive **more than 50%** of its annual funding directly from them (“qualifying institute”).
- This zero-rate ensures education remains accessible and allows qualifying institutions to recover Input VAT incurred on related business expenses.

### Practical Case No. (1)

#### Zero-Rated Educational Services (0% VAT)

- An educational institution and its curriculum are both approved and recognized by the relevant local authorities in the UAE. The educational services provided are a **zero-rated supply (0% VAT)**
- A higher educational institution receives less than 50% of its annual funding from the federal or local government.
- ✓ **VAT Treatment:**  
The institution does not meet the criteria to be a “Qualifying Higher Educational Institution.” Its supplies are therefore a **standard-rated supply (5% VAT)**

\* The institution must be either owned by the local or federal government OR receive more than 50% of its annual funding directly from them, **to be zero-rated.**

### Practical Case No. (2)

#### Standard-Rated Educational Services (5% VAT)

- A school in Dubai offers a variety of paid services alongside its core academic programs. Recently, the finance team reviewed the following transactions:

AED **5,000** from **non-accredited training programs** (e.g., leadership skills).

AED **7,000** from **professional development courses** for working professionals.

AED **3,000** from a **ticketed concert** held at the school auditorium.

AED **10,000** from **private tutoring sessions** for high school students (evenings, outside curriculum hours)

AED **6,000** from **technical workshops** in coding and robotics for adults

**Finance Manager:** Mr. Ali is unsure whether these services qualify for zero-rate as “educational services” or should be subject to the standard rate.

Based on the UAE VAT law, should Mr. Ali apply VAT to these services?

If so, how much VAT should be declared for these supplies?

✓ **VAT Treatment:**

Only **core curriculum-based education** offered by **recognized institutions** qualifies for **zero-rating (None of the above).**

Services provided independently or not linked to the official curriculum are typically **standard-rated 5% (All of the above).**

### Practical Case No. (3)

#### VAT on School Fees & Additional Charges

- An international school in Abu Dhabi charges standard tuition fees that qualify for **zero-rating** under the UAE VAT Law. However, in **Q2 of 2025**, the school also collected the following **ancillary revenues:**
  - AED **25,000** from **extracurricular activity fees** (football, music, art clubs)
  - AED **18,000** from the **sale of uniforms and branded clothing**
  - AED **30,000** from selling **electronic tablets** required for classroom use
  - AED **22,000** from the **school cafeteria** and **prepaid meal vouchers.**

Finance Officer: Mr. Hassan believes all school income is zero-rated. However, the tax consultant has questioned this assumption and raised concerns during a VAT compliance review.

Should Mr. Hassan apply 5% VAT to these additional charges?

How much VAT is due on these supplies if they are taxable?

✓ **VAT Treatment:**

As educational institutions expand their offerings beyond traditional academics, many supplementary services are subject to 5% VAT. Below are common examples of standard-rated supplies:

	Extracurricular Activities	5%	If charged separately from core tuition	
	Uniforms & Clothing	5%	Always subject to 5% VAT, even if linked to school services	
	Electronic Devices	5%	Similar items are taxable at 5%, regardless of usage context	
	Food & Beverages	5%	Canteens, vending machines, or vouchers are fully taxable	

**VAT on Other Education-Related Supplies**

- **Field trips:** Generally taxable at the **standard rate 5%**, unless they are directly related to the curriculum of a **zero-rated 0%** education service and are not predominantly recreational in nature.
- **Membership in student organizations:** Subject to the **standard rate 5%**.
- **Supplies to non-student persons:** Qualify as **standard-rated 5%**, given that the customers are not students formally enrolled in the curriculum.
- **Other goods from campus shops/restaurants:** Items sold from campus shops, restaurants, vending machines, and admissions to plays, concerts, dances, and museums are **standard rated 5%**.
- **Renting grounds and conference halls:** The rental of grounds or conference halls in a higher education institute will be **subject to a standard rate 5%**.

**Exempted Supplies<sup>(5)</sup>:**

- **School Transportation:** Transportation services provided by the school itself are often **exempt**. In case the transportation is a part of a **recreational trip**, it will be taxable charged with **5% VAT**.
- **Student accommodation:** is treated as residential accommodation. Therefore, the supply of student accommodation (other than the first supply of a new residential building) will be **exempt from VAT**.

**Practical Case No. (4)**

**VAT on Other Education-Related Supplies**

A university in Sharjah provides accredited undergraduate and postgraduate programs that are **zero-rated for VAT**. However, during **the academic year 2024–2025**, the university also generated income from various non-core services:

- AED **12,000** from **student club memberships**
- AED **28,000** from **renting conference halls** for external events
- AED **16,000** from **ticket sales for campus theater and concerts**
- AED **8,000** from **a field trip to a cultural museum**
- AED **15,000** from selling items to **non-student visitors**
- AED **20,000** from providing **daily school transportation** for students.

**Finance Team Lead:** Ms. Rana assumes most of these activities are related to student engagement and, therefore, **zero-rated**. However, the VAT consultant reviewing the school's VAT return raised flags regarding the VAT classification.

Based on the UAE VAT Law, which of the above supplies should be treated as **standard-rated (5%)** and which may be **exempt or zero-rated?**

Educational institutions must differentiate between **core curriculum services, incidental exempt services** (e.g., transportation), and **commercial taxable supplies**. The **nature and purpose** of the supply — not just the fact it's done “by a school” — determines the VAT treatment.

- All the above are taxable supplies at the **standard rate 5%**, except that local transportation is **exempted**.



## VAT on Educational Materials & Supplies

### Educational Materials: Curriculum vs. Separate Sales:

- **Zero-Rated (0% VAT):**
  - The supply of goods and services directly related to a zero-rated supply of education also qualify for zero-rating. This includes books and digital reading material supplied **in direct relation** to a curriculum where the tuition fee is zero-rated.
- **Standard-Rated (5% VAT):**
  - Materials not provided in direct relation to a zero-rated education service (e.g., when the education service itself is taxed at 5%).
  - Books, stationery, and learning resources sold **separately** from the school/university's direct curriculum (e.g., via separate bookstore operations).
  - Any goods, other than specific educational materials, that are consumed or transformed by the students.

### Practical Case No. (5)

#### VAT on Educational Materials & Supplies

A school in Dubai offers a British curriculum with zero-rated tuition fees. During the first term of 2025, they issued the following charges:

AED **60,000** for **textbooks** included in the tuition package

AED **25,000** for **activity books** sold separately at the school's book fair

AED **35,000** for **school-branded stationery and backpacks** sold at the campus store

AED **12,000** for **reading material** used in an **after-school English club**

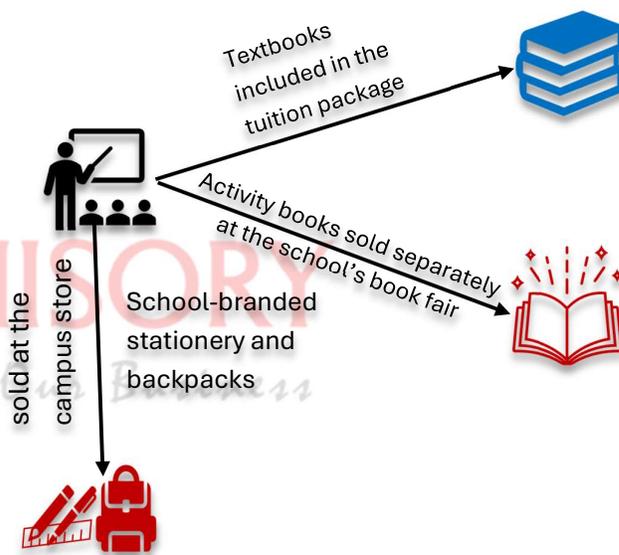
The **accountant** assumed all these were "educational" and applied **0% VAT** across the board.

Which of the above items should be **zero-rated** and which should be **standard-rated at 5%** under UAE VAT law?

#### ✓ VAT Treatment:

Only materials that are directly linked to a zero-rated curriculum-based education can qualify for 0% VAT (Only the Textbooks). Anything sold separately or used in non-core activities must be standard-rated at 5% (Other supplies).

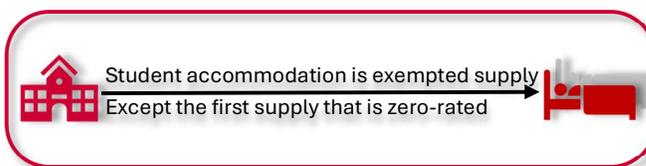
## Educational Materials & Supplies



## VAT Treatment on Student Accommodation

### Student Accommodation is Generally Exempt

- The supply of student accommodation (e.g., dormitories) is generally exempt from VAT in the UAE. An exception applies only to the first supply of a new residential building.
- Implication: Educational institutions that also provide student accommodation will be unable to recover Input VAT incurred on costs directly related to the provision of this exempt accommodation. This can impact overall VAT recovery.



### Practical Case No. (6) Grants & Sponsorship Income

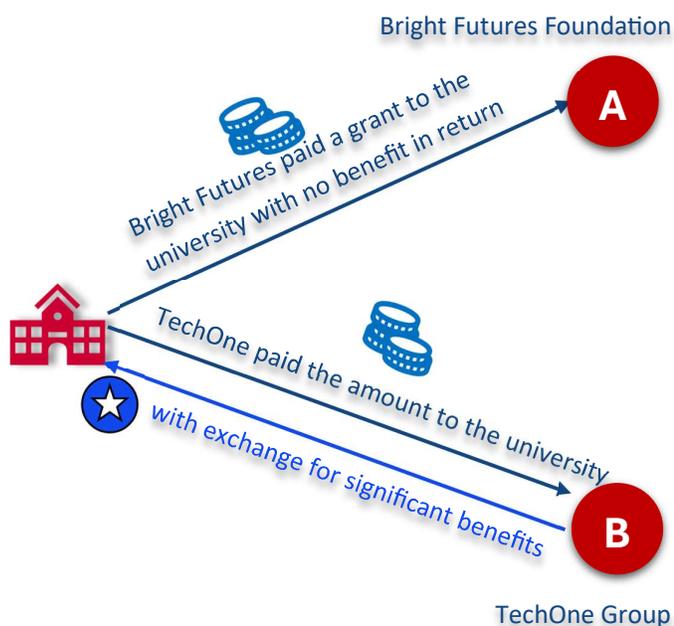
ABC University receives two types of income in Q1 2025:

- 1- AED **250,000** from **Bright Futures Foundation**, labeled as a grant to support low-income student scholarships. No conditions were attached — no publicity or branding was requested.
- 2- AED **180,000** from **TechOne Group**, in exchange for:
  - Naming rights for the annual graduation ceremony
  - Placement of their logo on all event materials
  - 20 free VIP seats at the event

Accounts Manager, Mr. Ravi, is unsure whether these funds are taxable sponsorships or non-taxable grants. He initially marked both as outside the scope of VAT.

Based on UAE VAT principles, which of the two contributions is **taxable at 5%**, and which is **outside the scope of VAT**?

- ✓ **VAT Treatment:**
- The VAT treatment hinges on whether the donor receives a **specific, measurable benefit in return**. If yes, it's a **taxable supply (AED 180,000)**.
- If not, it's likely **outside the scope (AED 250,000)**.



### Practical Case No. (7) Research Funding

A Science Institute received separate research funding agreement in 2025: AED 400,000 from GreenFuture Foundation to explore sustainable building materials. The agreement only requires basic updates and a final report showing that the research was conducted. No intellectual property (IP) or commercial deliverables are transferred to the funder.

The tax manager is unsure whether to apply VAT on these funds or to treat them as “outside the scope.” Which funding arrangement is outside the scope of VAT, and which should be treated as a taxable supply at 5%?

- ✓ This research funding is generally a taxable supply. (AED 400,000) <sup>(6)</sup>

### Practical Case No. (8) Input Tax Recovery for the Education Sector

XYZ Science Institute receives two separate research funding agreements in 2025:

BrightMind University operates a large campus in the UAE that includes academic buildings (used for zero-rated educational services) and several student dormitories (residential accommodation, which is **VAT-exempt**).

In Q2 2025, the university incurred the following Input VAT expenses:

- 1- AED **90,000** VAT on maintenance and cleaning contracts covering **both** academic buildings and student dormitories.
- 2- AED **45,000** VAT on new air conditioning systems **installed only in the dormitories**.
- 3- AED **12,000** VAT on shared administrative software licenses used across the entire institution.

**Finance Coordinator**, Ms. Salma, is preparing the VAT return and is unsure how much of the VAT is recoverable. She wants to claim all of it, arguing it's part of running the university.

- ✓ Only VAT tied to **taxable activities** is eligible for full recovery.
- ✓ Mixed-use costs (overhead) must be **apportioned** based on the ratio of **taxable (zero + standard) to total supplies**.
- ✓ Input VAT on **exempt supplies** (e.g., residential accommodation) is **not recoverable**.



## **The Conclusion:**

The VAT in the UAE presents a complex landscape for educational institutions, with varying tax treatments depending on the type of service, curriculum, and provider status.

While certain core education services may qualify for zero-rating, numerous ancillary or commercial supplies remain fully taxable.

Given the intricate nature of VAT law and its interpretation, minor variations in the facts or contract structures can result in significantly different VAT outcomes. It is therefore critical for institutions to ensure their finance and administrative teams are well-versed in VAT compliance, reporting, and documentation.

The handling of VAT depends largely on whether the supply forms part of the approved curriculum and whether the educational institution is recognized by the relevant competent authority (e.g., KHDA, ADEK, MOE).

**Ultimately, VAT is not a one-size-fits-all system. Proactive analysis, correct classification of supplies, and regular reviews of your business model are essential to avoid costly missteps and ensure full compliance.**



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