W I L L O W

T A X & L E G A L

FTA ISSUES ITS VAT GUIDE ON THE EDUCATION SECTOR (VATGED1)

JUNE 2026

The UAE Federal Tax Authority has published its Value Added Tax Guide on the Education Sector (VATGED1), dated June 2026. This is the first edition of a dedicated VAT guide for the sector, consolidating and expanding on the FTA's existing guidance on the treatment of educational and related supplies.

In this alert, we summarise the key principles set out in the Guide and the points that schools, nurseries, universities, training providers and other education-sector businesses should consider when reviewing their VAT position.

ZERO-RATING OF EDUCATIONAL SERVICES (ART. 40 OF VAT EXECUTIVE REGULATIONS)

TWO CONDITIONS MUST BE MET – SECTION 3.3

Qualifying Educational Institution	The Services must be supplied by an institution recognised by the federal or local competent Government Entity regulating the education sector where the course is delivered. This includes nurseries, pre-schools and schools, and higher education institutions that are either owned by the federal or local government or receive more than 50% of their annual funding (in aggregate, where funded from multiple government sources) directly from the federal or local government.
Qualifying Curriculum	The Services must be delivered in accordance with a curriculum recognised by the federal or local competent Government Entity regulating the education sector. Diplomas and non-degree courses, private tutoring and home schooling, skills-development courses, and standalone education-management Services (e.g. campus oversight, supply of lecturers, assignment marking) do not qualify.

Zero-rating is stated to be an exception to the general rule and is therefore interpreted strictly and narrowly. Further, the onus to retain evidence that the institution is recognised and is funded as required above, is on the institution.

PLACE OF SUPPLY– SECTION 3.2

(ART. 30(6) OF VAT LAW)

Educational Services are treated as supplied in the UAE where performed in the UAE, and such supplies cannot be zero-rated as an export of Services – even where supplied to a Non-Resident who is outside the UAE at the time of supply. Institutions with multiple campuses must identify the establishment most closely connected to each supply.

GOODS AND SERVICES RELATED TO QUALIFYING EDUCATIONAL SERVICES (ART. 40 OF VAT EXECUTIVE REGULATIONS)

WHAT QUALIFIES AND WHAT IS EXCLUDED – SECTION 4

Goods and Services “directly related” to provision of a zero-rated educational service will also qualify for zero-rating. Such goods and services would be those that are integral part of the Qualifying Educational Services and necessary for delivering the education.

Zero-rated (examples)	Excluded from zero-rating
▪ Printed and digital reading material related to Qualifying Educational Services. ▪ Field trips directly related to the curriculum, provided not predominantly recreational. ▪ Extracurricular activities provided through the institution at no additional fee. ▪ Re-registration fees for students already enrolled. ▪ Support Services for Persons of determination, tied to a recognised curriculum.	▪ Goods and Services made available to persons not enrolled at the institution. ▪ Goods (other than educational materials) consumed or transformed by students. ▪ Uniforms or other required clothing, however supplied. ▪ Electronic devices, however supplied. ▪ Food and beverages, including vending machines and related vouchers. ▪ Recreational field trips and extracurricular activities charged for a fee.

VAT TREATMENT OF SPECIFIC SUPPLIES

SECTION 4.4

Application / registration fees	Fees charged to prospective (not yet enrolled) students are standard-rated. Fees charged to already-enrolled students qualify for zero-rating if directly related to the Qualifying Educational Service. Where a fee is later set off against tuition, a Tax Credit Note should be issued for the standard-rated invoice and a new zero-rated invoice issued for tuition.
Events	Fund-raising and similar events not integral to the course of study (e.g. a bake sale for a new library) are standard-rated, unless conducted by a non-Taxable Person such as parents. A concert or recital that forms part of a Qualifying Curriculum (e.g. a student's examination) can qualify for zero-rating.
Field trips	Zero-rated only where directly related to the Qualifying Curriculum and not predominantly recreational. Trips to waterparks, amusement parks or unrelated concerts/sporting events are treated as recreational and standard-rated.
Graduation events	Fees linked to a Qualifying Curriculum (ceremony and certificate) qualify for zero-rating. Provision of simple hospitality at the event does not change this treatment.
Special needs support	Academic support, speech and occupational therapy, behavioural support and similar Services qualify for zero-rating where directly related to delivery of the Qualifying Curriculum and supplied by a Person licensed by the competent authority (e.g. the Ministry of Community Empowerment).

OTHER GOODS AND SERVICES SUPPLIED BY EDUCATIONAL INSTITUTIONS

SECTION 5

Accommodation to students/ staff	A supply of a Residential Building is exempt (and may in some cases be zero-rated), but additional services (in-room cleaning, laundry, catering) generally convert the supply into a standard-rated serviced unit.
Distance learning / Electronic Services	Distance learning that is automatically delivered with minimal human intervention is an Electronic Service, with place of supply determined by use and enjoyment. Where students interact with teachers or receive personal support (e.g. tutor-marked assessments), the Service is not an Electronic Service and the general place-of-supply rule for Education Services applies. The level of interaction between tutors and students plays a crucial role.

Healthcare Services	An on-campus clinic operated by the institution, where it provides healthcare services generally accepted in medical profession as "necessary for the treatment of recipient" can qualify for zero-rating only where it holds the relevant licence, the practitioner is licensed, and the Service relates to a patient's wellbeing. Administrative charges (maintaining records, clinic overheads) are standard-rated. Leasing premises to a third-party healthcare provider is standard-rated, and third-party healthcare Services supplied to the institution (rather than directly to students) are standard-rated even if the onward supply to students is zero-rated.
Transportation and buses	Local passenger transport Services (e.g. an outsourced bus service where the provider retains control of the vehicle) are exempt. The supply of a school bus itself is standard-rated, as buses restricted to a specific category of users (students) do not qualify as zero-rated public transport.
Other supplies	Standard-rated regardless of context: • sale of merchandise to students, alumni or third parties; • supply of staff to other institutions for a fee; • rental of electronic equipment such as laptops; and • replacement of access cards.

GRANT INCOME, SCHOLARSHIPS AND THIRD-PARTY FUNDING

SECTION 6

Third-party Consideration – fees paid by a parent, employer or government rather than the student do not change the VAT treatment of the underlying supply to the student.

Scholarships – an institution-funded scholarship is treated as a discount on tuition. A Tax Credit Note is required where VAT was already accounted for on the original fee. A merit-based full scholarship does not itself trigger VAT, and related input VAT is treated as an overhead cost.

Grants and donations – the label used is not determinative. The key question is whether the grantor (or a connected person) receives an identifiable, direct or valuable benefit in return. Where no such benefit accrues, the payment is outside the scope of VAT. Where a significant benefit accrues (e.g. rights to exploit research outcomes), the payment is Consideration for a taxable supply.

Research Services – research conducted for commercial reasons, or where the grantor receives a benefit such as shared intellectual property rights, is a taxable supply at the Standard Rate. Making facilities (e.g. laboratories) available to third parties for research is also standard-rated.

INPUT TAX RECOVERY

SECTION 7

Input Tax is recoverable to the extent Goods and Services are used, or intended to be used, for Taxable Supplies (including qualifying supplies made outside the UAE). Input Tax directly related to Exempt Supplies or non-business activities, including costs linked to non-business income is irrecoverable. Where an institution makes Taxable, Exempt and/or non-business supplies, an Input Tax apportionment method must be applied.

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Best regards,

Willow Tax&Legal

Maria Nikonova

PhD, Partner

m.nikonova@willow.law

Andrey Nikonov

Partner

a.nikonov@willow.law

Elizaveta Iasco

Associate

e.iasco@willow.law

Shraya Thiyagarajan

Associate

s.thiyagarajan@willow.law

The Offices 2, Level 3, One Central,
Dubai World Trade Center

+971 50 258 9570
+971 54 417 3060

info@willow.law

www.willow.law