



UAE VAT Tax Alert on Education sector

Federal Tax Authority issues VAT guide on the Education sector

July 2026

INTRODUCTION

The Federal Tax Authority (FTA) has recently released the VAT Guide on the Education Sector (VATGED1), dated 29 June 2026. This long-awaited guidance provides much-needed clarity on the VAT treatment of supplies made by educational institutions in the UAE and will serve as a valuable reference for the sector in understanding and applying the relevant VAT provisions.

The guide clarifies various aspects of the VAT treatment of educational services, beginning with the conditions that must be satisfied for such services to qualify for the zero rate of VAT. It also provides guidance on the VAT treatment of specific supplies commonly made by educational institutions, including application fees, events, field trips, and similar charges, student and staff accommodation, distance learning, and healthcare services.

Furthermore, the guide also discusses the VAT implications of grant income and other funding arrangements that are prevalent in the education sector. It also provides clarification on the recovery of input tax in specific scenarios, including expenses relating to events, bus rentals, and staff accommodation.

While the conditions for zero-rating educational services remain unchanged, educational institutions should assess the impact of this guidance on their invoicing processes, the VAT treatment on various supplies made, input tax recovery methodologies, and ERP/system configurations to ensure compliance with the FTA's latest guidance. A timely review of existing policies and practices will help institutions align with the updated interpretations and mitigate potential VAT risks.

UAE VAT IMPLICATION ON EDUCATIONAL SERVICES

Zero rating of educational services and related goods and services

- The recent guide confirms and elaborates on the application of Article 45(13) of the VAT Law, read with Article 40 of the VAT Executive Regulation. The guide emphasizes that the zero rating of educational services and related goods and services is not automatic and applies only where all statutory conditions are satisfied.
- **To zero-rate educational Services provided in the UAE, the following two conditions must be met.**
 1. 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. 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.
 2. 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.
- In case the above conditions are not met, the supply of educational Services are not allowed to zero-rate their services.

Place of supply of educational Services

- The place of supply of educational Services is the UAE if the Services are performed in the UAE. 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.

VAT TREATMENT OF SPECIFIC TYPES OF SUPPLIES

The guide also provides guidance on the VAT treatment of specific supplies made by the education sector. The following sections briefly discuss the VAT treatment applicable to these supplies.

Sr. No.	Type of Supplies	VAT Considerations
1	Application and registration fees	<ul style="list-style-type: none"> Where an application or registration fee is charged by a Qualifying education institute to a Person who is not yet enrolled in the institution, the supply will be subject to VAT@5%. If the enrollment or registration fee is set off against the tuition fee, then the Qualifying education institute will have to raise a Tax credit note for the VAT charged on the application or registration fee and issue a new Tax invoice for the zero rating of the registration fee. Similar situations may occur when the students leave before the end of the academic year or term. Registration fee charged to students who are already enrolled can be taxed at 0%, provided such fee directly relates to education services qualified for zero rating.
2	Events	<ul style="list-style-type: none"> Fee raised by the qualifying educational institute for fund raising or similar events will be subject to VAT@5% where such event is directly not linked to the course of study and is not done by and on behalf of a non-taxable person. However, where such an event is directly linked to the provision of education and part of the approved curriculum, then the fee collected shall qualify for zero rating.
3	Field trips	<ul style="list-style-type: none"> Fee charged for a field trip by a Qualifying educational institution may be subject to VAT @0% where the trip is directly related to the qualifying curriculum and the trip is not predominantly recreational in nature. In case the above conditions are not met, then the fee collected would generally be subject to VAT@5%.

VAT TREATMENT OF SPECIFIC TYPES OF SUPPLIES

Sr. No.	Type of Supplies	VAT Considerations
4	Graduation events	<ul style="list-style-type: none">• Where students are required to pay a fee on completion of a program (e.g. graduation ceremony) from a Qualifying educational institution, such fee will qualify for zero rating if it is linked to a qualifying curriculum. Provision of catering at such events can also qualify for zero rating provided such catering comprises of simple hospitality.
5	Special needs support services	<ul style="list-style-type: none">• An additional fee collected by Qualifying educational institution for providing support services to students of special needs will qualify for zero rating, if such services are directly related to the delivery of Qualifying Curriculum.• Such services can include academic support, speech therapy, occupational therapy, or other support services that are approved by a competent authority.

OTHER GOODS AND SERVICES SUPPLIED BY EDUCATIONAL INSTITUTIONS

Sr. No.	Supplies	VAT Considerations
1	Accommodation	<ul style="list-style-type: none"> • Education institutions often provide accommodation to students and staff. The VAT treatment for services would depend on whether it's the first supply of residential building which may qualify for zero rating or subsequent supply which may be exempt under VAT. • In case additional services are provided along with providing residence then the same can be treated as supplying of serviced unit. Supplying of serviced unit would be treated as taxable with VAT@5%. • Where the staff accommodation qualifies as a Residential Building and is provided for no Consideration or housing allowance and such accommodation is provided in terms of the employment contract, then the supply will not constitute a Deemed Supply, and no Output Tax will be due. In contrast if educational institution provides a serviced unit for no consideration, then it should consider whether it is making a Deemed Supply. • 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.

OTHER GOODS AND SERVICES SUPPLIED BY EDUCATIONAL INSTITUTIONS

Sr. No.	Supplies	VAT Considerations
2	Distance learning and Electronic Services	<ul style="list-style-type: none">• The educational institution needs to identify if they are making a supply of electronic services as this can impact the place of supply and VAT implications in the UAE.• Home schooling courses which are delivered electronically may qualify as electronic services. For eg pre recorded classes and automatic assessments with / without a small degree of human intervention. Also, the place of supply for such services shall be in the UAE if they are used and enjoyed in the UAE. If used and enjoyed outside the UAE, then the place of supply shall be outside the UAE.

OTHER GOODS AND SERVICES SUPPLIED BY EDUCATIONAL INSTITUTIONS

Sr. No.	Supplies	VAT Considerations
2	Distance learning and Electronic Services (contd.)	<ul style="list-style-type: none"> • In case the educational institution provides distance learning where the students is able to interact with their fellow students or teachers, then the services cannot be regarded as electronic services due to the degree of human involvement. The place of supply for such services shall be where the services are performed. • Where the services are provided under both i.e. electronic as well as otherwise, the educational institution needs to determine whether the supply constitutes a single composite supply or mixed supply and apply the place of supply rules accordingly. • 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.
3	Fines and penalties	<ul style="list-style-type: none"> • 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. For example: fines on late payment of tuition fees or damage to property. • Whereas the payments will be subject to VAT@5% where they relate to an administrative Service, even if they are referred to as a fine or penalty.

OTHER GOODS AND SERVICES SUPPLIED BY EDUCATIONAL INSTITUTIONS

Sr. No.	Updates	Technical Considerations
4	<p>Healthcare Services</p>	<ul style="list-style-type: none"> • Clinics or medical facilities may be provided by educational institutions for the benefit of students. The VAT treatment for the specific scenarios is as follows: • Where an educational institution operates its own clinic and charges an amount from the Person for providing the related services, then such services shall be subject to 5% VAT. This is because the services provided by an educational institution shall not be considered as supply of healthcare services which qualifies for zero rating. • VAT at 5% will apply to the rent or other fees charged by the educational institution on leasing premises to third party healthcare providers. • Where an educational institution engages a third-party to offer healthcare Services to students, then the third-party supplies healthcare Services directly to the students. The third-party will need to determine the VAT treatment of its supplies. Where the third-party supplies healthcare Services to an educational institution, the Service would be subject to VAT@5%. • A fee charged by the educational institution for the medical services that may be provided over the course of a term or year will not qualify for zero-rating as this is not Consideration for healthcare Services. This will be regarded as an administrative service.

OTHER GOODS AND SERVICES SUPPLIED BY EDUCATIONAL INSTITUTIONS

Sr. No.	Updates	Technical Considerations
5	Retention of overpaid amounts	<ul style="list-style-type: none"> Students may make overpayments which are retained by the educational institution. If 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.
6	Transportation and leasing of school buses	<p>The VAT treatment of transportation service and the supply of leasing a school bus as follows:</p> <ul style="list-style-type: none"> Supply of local passenger transport services in a qualifying means of transport which includes a bus or taxi or railway tram designed for transport of passengers is exempt for VAT purposes. For example, where a school engages third party (who provides vehicle with driver and retains control over it) to transport students to and from school will be an exempt service. Supply of school bus will be subject to VAT@5%, as the same will be restricted for specified users such as students or staff. 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 bus which is taxed @5% or supply of transportation service which is exempt.

OTHER GOODS AND SERVICES SUPPLIED BY EDUCATIONAL INSTITUTIONS

Sr. No.	Updates	Technical Considerations
7	Other Goods and Services	<p>The other supplies which are subjected to VAT @5% include:</p> <ul style="list-style-type: none"> • sale of merchandise to students, alumni and third parties • a supply of staff to other educational institutions for a fee • rental services of electronic equipment such as laptops and • Replacement of access cards



GRANT INCOME AND OTHER FUNDING ARRANGEMENTS

The educational institutions often receive grant funding and endowments to support their activities. Below is the VAT considerations in respect of such income as well as other funding arrangements received by the Educational institutions.

Third-party Consideration

- If the fees for educational Services is paid by the third party, for example the parent or guardian, employer or a local or foreign government and the third party receive nothing in return, then 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.

Scholarships

- The educational institution is effectively providing a discount (when providing full or partial scholarship) 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.
- 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.

- 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.

Grants

- 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.

Research Services

- Educational institutions often receive grants to undertake research. In instances where specific research is conducted for commercial reasons, the educational institution is regarded as making a supply of Services for consideration. Similar treatment would apply where the grantor receives an identifiable, direct or valuable benefit in return for the funding.
- Where educational institutions make their facilities available to other persons to conduct research. The making available of such facilities constitutes a Service which is subject to VAT @5%.

INPUT TAX RECOVERY FOR SPECIFIC CASES

Events

- Where the event organized by the educational institution is educational in nature, for example a National Day or cultural day event, 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 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.

Rental of buses

- The recovery of VAT paid by the educational institution on renting of buses from the Taxable person 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.

Staff accommodation

Where residential accommodation (serviced apartment) is provided to **staff for no charge, the educational institution can recover VAT incurred** on such costs only in the following instances

- Such accommodation was provided under a legal obligation as per the labour laws in the UAE or Designated Zone
- The educational institution can demonstrate that 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

ACQUISORY COMMENT

The release of VATGED1 marks an important step in providing greater certainty to the education sector on the application of UAE VAT rules. While the guide does not introduce changes to the existing law, it offers valuable interpretative guidance that may require educational institutions to revisit their current VAT positions and compliance processes.

Accordingly, the educational institutions should proactively assess the impact of the guidance to ensure that their VAT treatment, systems, and documentation are aligned with the FTA's expectations.



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