



Application of Reverse Charge Mechanism on metal-scrap trading between parties in the UAE

Cabinet Decision No. 153 of 2025

Tax News Alert | UAE VAT



Application of Reverse Charge Mechanism on Local Supplies of Metal Scrap (Cabinet Decision No. 153 of 2025) (issued 14 November 2025) (Applicable from 14 January 2026)

Background

The Ministry of Finance has announced the issuance of Cabinet Decision No. 153 of 2025 regarding the application of reverse charge mechanism (RCM) for local supplies of metal scrap between VAT-registered businesses in the UAE. Under this Decision, the obligation to account for VAT shifts from the supplier to the recipient, subject to meeting prescribed conditions. The measure aims to reduce VAT leakage and strengthen compliance in the scrap trading and recycling sector. The new rules will **apply from 14 January 2026**.

Scope of the Reverse Charge

The reverse charge mechanism applies where:

- Both the supplier and the recipient are VAT-registered in the UAE; and
- The supply involves metal scrap; and
- The recipient acquires the scrap for resale or for processing.
- Where these conditions are met, VAT should not be charged by the supplier, and the recipient must self-account for VAT under the reverse charge.

Key Requirements

Eligibility and Verification: Confirm that both parties are VAT-registered, verify the recipient's TRN, and obtain a written declaration confirming eligibility and intended use (resale or processing).

Invoicing requirements: Issue VAT invoices without charging VAT, clearly stating that the reverse charge mechanism applies, and ensure all mandatory VAT particulars and prescribed wording are included.

Reporting and accounting: Ensure the recipient accounts for VAT under the reverse charge in its VAT return, with input tax recovery applied in line with normal rules.

Systems and controls: Maintain proper records for audit purposes, update ERP/accounting systems for RCM treatment, and implement internal controls and staff training to ensure consistent compliance.

Actions Required

Impacted businesses should review their supply chains to identify transactions subject to the reverse charge, update invoicing and ERP systems accordingly, and put processes in place to obtain and retain buyer declarations.



Contact Us

If you require assistance, please reach out to our Tax Team.

We can guide you in ensuring the compliance of reverse charge mechanism on Local Supplies of Metal Scrap.

Our Team



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