

VAT: Exempt vs Zero-Rated Supplies

A one-glance reference of which supplies are zero-rated, which are exempt and why it matters.

Zero-rated and exempt supplies both carry no VAT for the customer — but they are treated very differently for the supplier.

	Zero-rated (0%)	Exempt
VAT charged	0%	No VAT
Can supplier recover input VAT?	Yes	No (for related costs)
Counts towards registration threshold?	Yes	No

Typical zero-rated supplies

- Exports of goods and services outside the GCC implementing states (conditions apply)
- International transport of passengers and goods
- Certain investment-grade precious metals (gold, silver, platinum of 99% purity)
- First supply of residential buildings within three years of completion
- Certain education services and related goods
- Certain healthcare services, medicines and medical equipment
- Crude oil and natural gas

Typical exempt supplies

- Certain financial services not charged by an explicit fee (e.g. interest margins, life insurance)
- Residential buildings (other than zero-rated first supply)
- Bare land
- Local passenger transport

Classification depends on the facts and conditions in the VAT law. Confirm treatment before invoicing or filing.

Need help applying this to your business?

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