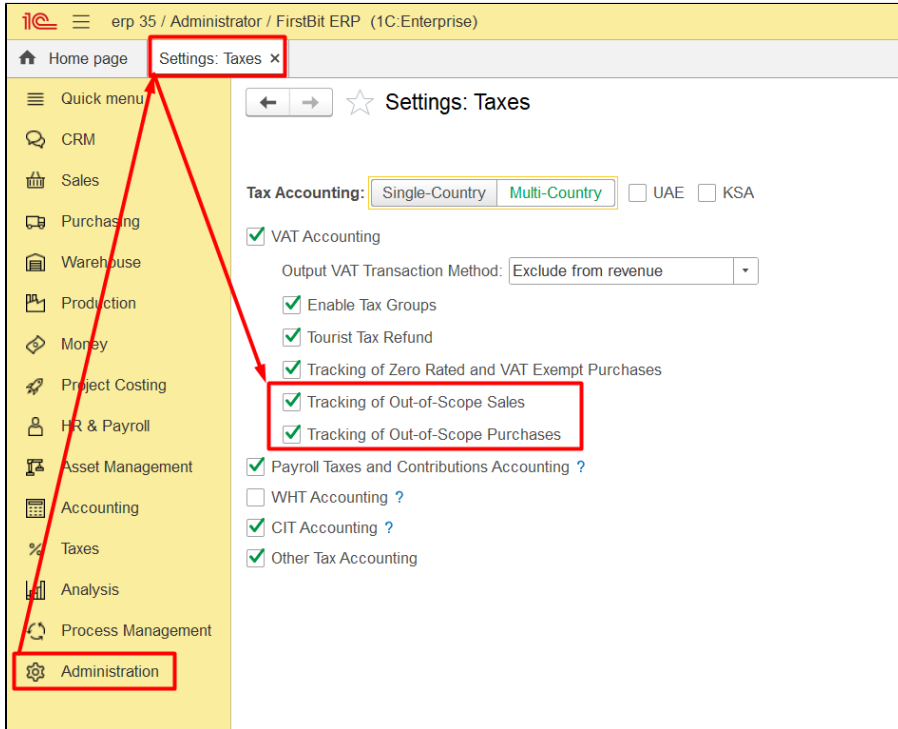


# Tracking of Out-of-Scope Sales and Purchase

## Questions:

- 1) What is Tracking of Out-of-Scope Sales and Purchase for?
- 2) Do these settings allow to enabling/disabling the Out-of-Scope taxation in documents?

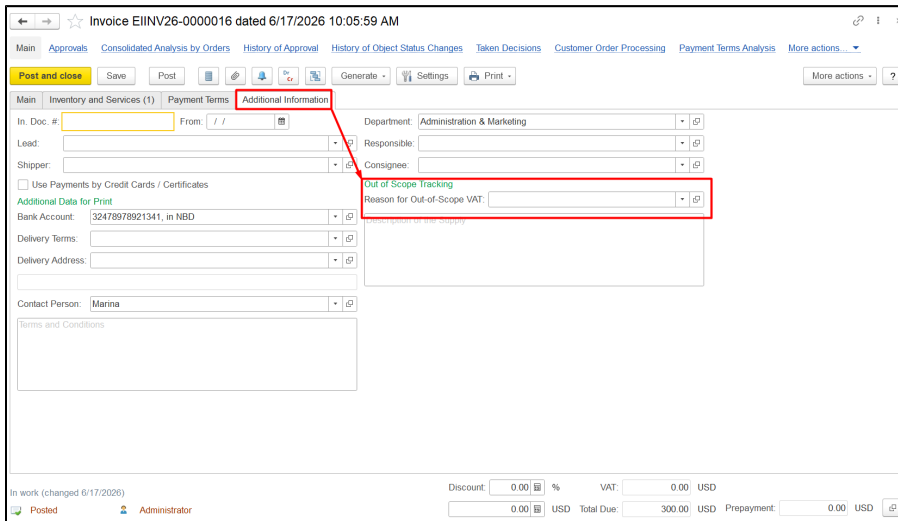
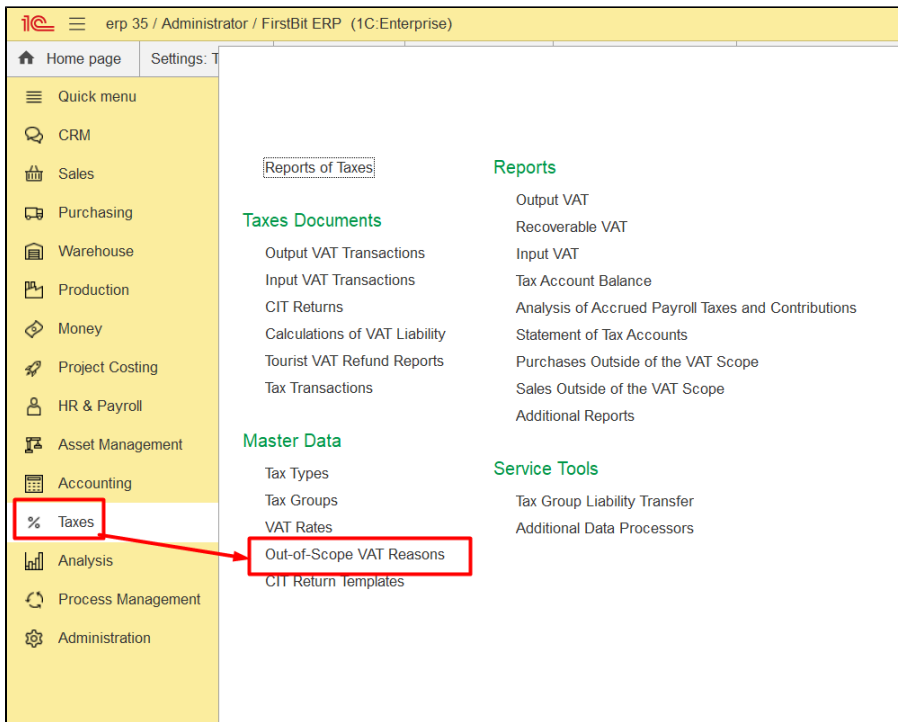


## Answer:

**Out of Scope** VAT type is available in transaction documents regardless of whether **Tracking of Out-of-Scope Purchases/Sales** is enabled. Therefore, this feature does **not** enable the Out of Scope VAT treatment itself.

Instead, the purpose of this feature is to provide **additional tracking and justification** for transactions classified as **Out of Scope**.

When **Tracking of Out-of-Scope Purchases/Sales** is enabled, the system allows users to specify an **Out-of-Scope VAT Reason** for each applicable transaction. This information is stored together with the transaction and can be used for reporting, audit purposes, and internal documentation:



In the UAE, the Federal Tax Authority (FTA) expects businesses to be able to justify why a particular transaction has been treated as **Out of Scope**. During a VAT audit, it may not be sufficient to simply classify a transaction as Out of Scope—the company may also need to demonstrate the reason for that classification.

Enabling **Tracking of Out-of-Scope Purchases/Sales** helps businesses to:

- Record the reason why a transaction is classified as Out of Scope.
- Maintain supporting information for VAT compliance and audits.
- Improve the transparency and consistency of VAT records.
- Strengthen internal controls over non-VAT transactions.

Therefore, this feature **does not affect the VAT calculation itself**. Its purpose is to enhance record-keeping by capturing the **Out-of-Scope VAT Reason**, providing better documentation and supporting compliance with FTA requirements.

**Thank you for being FirstBIT customer!**