



VAT to be introduced in the UAE

Earlier this year, GCC Member States signed the Unified VAT Agreement, demonstrating their commitment to the introduction of VAT in their respective countries, which is a tax levied on the provision of goods and services.

The UAE Ministry of Finance has confirmed that personal income will remain untaxed.

The provisional date for the introduction of a Federal VAT law in the UAE is the 1st of January 2018. The law is currently awaiting approval by the UAE government and it is anticipated that it will be implemented within the upcoming months. Once implemented, the law will be made available online on the website of the UAE Ministry of Finance.

It is anticipated that VAT in the UAE will be charged at a rate of 5% at every stage of the supply chain. Only those businesses which satisfy a minimum annual turnover requirement (to be specified in the law) will need to file for VAT

registration (the exact amount of minimum annual turnover required will be made public by the UAE Ministry of Finance once it has been confirmed). Registration for VAT will be made available three months prior to the official launch date, and businesses who meet the minimum turnover requirement are advised to apply for registration as early as possible, in order to address any potential issues before they arise.

The ultimate consumer will bear the VAT costs and it will be chargeable on most transactions involving goods and services, although there will be a number of exemptions. Younis Al-Khoury, the undersecretary at the UAE Ministry of Finance, has stated that the GCC Member States have agreed to exempt ninety-four food products (including essential staple foods) from the application of VAT, as well as sectors such as healthcare and education, so as to alleviate the marginal increase in the UAE's cost of living which will result from the introduction of VAT.

There will be no particular VAT exemptions for individuals and as such, visitors and tourists of the UAE will not be exempt from paying VAT, although it is still unclear whether or not they will be entitled to VAT refunds.

The UAE's position regarding UAE-incorporated Free Zone entities will also need to be clarified, as it is unclear whether or not the law will apply to goods and services obtained from UAE Free Zone entities.

Although businesses and consumers within the UAE will undoubtedly be affected by the introduction of VAT in the UAE, the rate of VAT to be charged has purposely been kept low and therefore is expected to cause these groups minimal disruption and will, in the long term, aid in bolstering the UAE's economy.

For more information on how this could affect your business in the UAE, contact us on:
info@yungo.ae