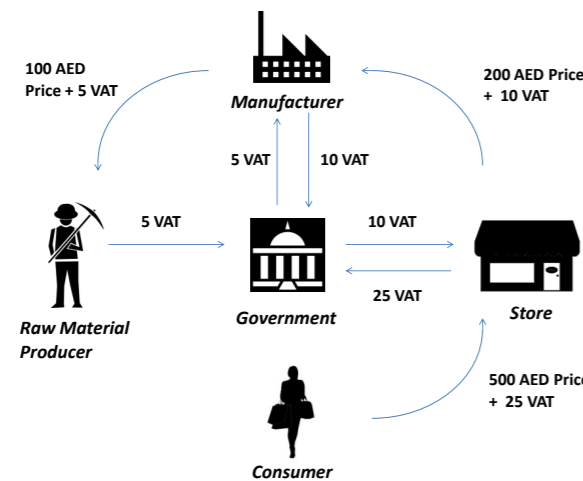




Overview of VAT in the U.A.E.

How Does VAT Generally Work?

- Valued Added Tax (VAT) is a tax on the consumption of goods and services.
- VAT-registered businesses levy VAT on the sales of goods and services and pay this VAT to the government.
- VAT-registered businesses can reclaim from the government the VAT they paid on inputs into their goods and services.
- In this way, VAT is ultimately paid by the end consumer.
- There are two exceptions to these rules:
 - *Zero-rated goods:** Businesses cannot levy VAT on the sale of zero-rated goods and services. However, businesses can reclaim the VAT they paid on inputs into such goods and services.
 - *Exempt goods:** Businesses cannot levy VAT on exempt goods and services and cannot reclaim VAT they paid on inputs.



<https://home.kpmg.com/ae/en/home/services/tax/valueaddedtax.html>

How Will it Be Implemented in the U.A.E.?

- The U.A.E. is preparing to implement a 5% VAT on most goods and services from 1 January 2018.
- This tax is being introduced in coordination with other GCC states.
- The U.A.E. has established a federal tax authority to enforce the tax.
- VAT revenues will be shared between the federal government and individual Emirates.
- Registration for VAT will open towards the end of Q3 2017.
- Businesses with annual revenue between 187,500 AED and 375,000 AED have the choice to register.
- Those businesses with annual revenue below 187,500 AED will be excluded from VAT requirements.
- The U.A.E. has suggested that the below categories of goods and services will be exempt or zero-rated.

Zero-Rated Goods and Services

- Healthcare services
- Education services
- Some medicines/medical equipment
- Investment gold, silver, and platinum

Exempt Goods and Services

- Supplies of residential property (sales and leases), with the exception of the first sales of new residential property
- Supplies of bare land
- Some financial services
- Life insurance
- Supplies of local transport, such as taxis, buses, and trains

<http://www.ey.com/gl/en/services/tax/international-tax/alert--uae-ministry-of-finance-presents-key-information-in-relation-to-proposed-vat-regime>

How Should Businesses Prepare?

- Businesses should determine whether VAT is applicable to them.
- If applicable, businesses should prepare to register for VAT in Q4 2017.
- Businesses should then ready to implement this VAT in Q1 2018. This may involve replacing or updating IT systems, developing new procedures, and training or hiring staff.
- Businesses should avail of a series of seminars being held by the Ministry of Finance about VAT. They should also look for expert reporting and commentary about these seminars.
- Businesses can also participate in a host of other seminars being held by other private-sector organizations.
- Businesses should consider whether to employ expert guidance from a reputable accounting firm or law firm.

