

VATuae

VAT IN UAE

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Introduction of VAT in UAE 2018

VAT will be implemented in the UAE, along with other Gulf countries, from 1, January 2018 at 5 per cent. All GCC States have agreed on unified VAT framework agreement. According to VAT framework agreement the basic rate of VAT of five percent as well as allowing for certain supplies of goods and services to be zero-rated or VAT-exempt. Some sectors like as Education, Health, Real Estate, Local transport will be exempted from VAT.

Coverage

- Taxable Person – anyone doing an economic activity for gain.
- Applicable to all businesses with a annual turnover of over AED 375,000

Registration

- Compulsory registration for turnover over AED 375,000. Voluntary registration for turnover over AED 187,000
- Registration opens from Oct 1 2017 and deadline is Dec 31st 2017. Voluntary/early registration allowed from July 1st 2017.

VAT Rates

VAT Rates	Detail
Exempt	<ul style="list-style-type: none">• Residential Property Old• Foodstuff
Zero Rate	<ul style="list-style-type: none">• Education• Healthcare• Residential Property New (after Jan 1 2018)• Investment & Precious Metals (bullion)• Local Transport – mix rates
Standard Rate (The standard rate is 5%)	<ul style="list-style-type: none">• Jewelry• Second hand cars – margin scheme• Financial services – standard rate on Fee income. Margin based income is exempt. Islamic banking products to be treated same as equivalent conventional products.• Insurance premium except Life insurance is taxable.

Goods & Services:

- **Goods** – Place of supply rules apply. Where goods are physically present when sold.
- **Goods for export will be zero rated.** Export has to be done within 3 months and BL/ documentary evidence required.
- **Import of goods** – no VAT but Reverse Charge applies. Has to be accounted for on the VAT return.
- **Import & transshipment to other GCC countries** – Pay VAT and UAE will transfer it to the other GCC country.
- **Services** – based on where the Business is based. Alternatively, a Consumption based rule will apply. E.g. telecom or software services will be taxed where services are used and enjoyed.

Free Zones

Rules are still not clear but VAT may apply in a non-fenced free zone and not apply in a customs controlled free zone like Jebel Ali.

VAT Returns

- The return will include only summary data of purchases and sales, Input & Output tax and which Emirate the sale has been done.
- Returns will be quarterly and must be filed and tax paid within 28 days of quarter end.
- All returns and tax payment will be fully electronic.

Accounting and Audit

- Proper accounting records to be kept.
- Time of supply rules will determine when to account for output VAT. Goods – when goods are made available to customers and Services – earlier of issuance of Invoice or receipt of payment.
- VAT is a rules based law and accounting principles of accrual or cash basis do not apply.
- Minimum data requirements defined to be included in Invoices. TRN No, Date of sale, Emirate of sale, clear description and quantity of goods, amount of sale etc.
- All accounting records to be kept for minimum of 5 years.
- No action can be taken by Federal Tax Authority after 5 years but no limit in case fraud is found.
- External Audit of accounts is not mandatory.

Appeals Process

- Level 1 – FTA reconsideration
- Level 2 – Disputes Resolution Committee
- Level 3 – Federal Courts litigation

References Links

<https://eservices.mof.gov.ae> (Online Portal of Ministry of Finance)

<https://www.vatuae.me/vat-registration/> (Know the more about VAT Registration in UAE)

<https://www.vatuae.me/general-faqs/> (Frequently asked questions on VAT in UAE)