



10 Things You Need to Know About VAT

1 What is VAT?

- An indirect tax imposed on the supply of most goods and services
- Charged at each step of the supply chain
- The end-consumer ultimately bears the costs
- Businesses collect and account for the tax
- In effect, businesses will be collecting the tax on behalf of the government



2 Why is the UAE implementing VAT?

The UAE provides its citizens and residents with various high-quality public services, including hospitals, roads, public schools, parks and civil services. These services are paid for by the government.

VAT will provide the country with a new source of income, which will ensure the continued provision of high-quality public services in the future. It will also help the government achieve its vision of reducing dependence on oil and building a sustainable knowledge economy for the future.



3 Which sectors are subject to VAT?

VAT is levied on the supply of all goods and services, including food, commercial buildings and hotel services, if no explicit provision is made to impose a zero rate or an exemption.



4 What is the difference between exempt supplies and zero-rated supplies?

Businesses that supply goods or services that are subject to a zero rate are required to register for VAT, but can recover the VAT that they incurred on their purchases.

Meanwhile, businesses that supply tax-exempt goods or services cannot recover the VAT they incurred on their purchases.



5 The mandatory registration limit and the voluntary registration limit

- A business must register for VAT if their taxable supplies and imports exceed the mandatory registration threshold of AED 375,000.
- A business may choose to register for VAT voluntarily if their supplies and imports are below the mandatory registration threshold, but exceed the voluntary registration threshold of AED 187,500.
- Similarly, a business may register voluntarily if their expenses exceed the voluntary registration threshold.



6 Are there specific dates for businesses to register for VAT?

All businesses must submit an application for registration as soon as possible, in order to avoid the risk of non-registration by January 1, 2018, which would entail fines as stipulated in Cabinet Decision No. (40) of 2017 on Administrative Penalties for Violations of Tax Laws in the UAE.



7 How to register for VAT

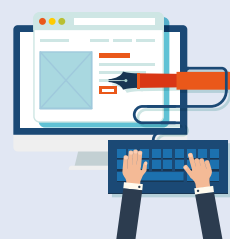
Tax registration can be done through the Federal Tax Authority's website, available 24 hours a day, 7 days a week.

All means of communication with the Authority are available on the website.



8 Will there be Tax grouping?

Businesses that satisfy certain requirements covered under the Legislation (such as having a place of residence in the UAE and being related/associated parties) will be able to register as a Tax group. For some businesses, Tax grouping will be a useful tool that would simplify accounting for VAT.



9 Can businesses begin charging VAT before January 1, 2018?

Businesses are prohibited from imposing VAT on any goods or services before January 1, 2018.



10 Records to be retained

All businesses, registered and unregistered, must retain records such as Balance Sheet, Profit and Loss, records pertaining to fixed assets, payroll, inventory and stock levels, as well as accounting records (payments, receipts, purchases, sales, revenues and expenses).

Businesses may be required to make changes to their core operations, financial management practices, the procedures they use to keep accounting books and records, and the technology they use in their accounting practices, in addition to changes in their human resources (accountants, tax advisers, etc.)





VAT Registration Now Open for All Businesses



No registration fee



Simplified process



Online registration

After completing the first phase of registration, the Federal Tax Authority (FTA) invites all businesses to register for VAT before January 1st, 2018.

The simplified VAT registration procedure is **free of charge** and can be completed online via the e-Services portal on the FTA website: eservices.tax.gov.ae

Registration Requirements:

- Applicant details (Entity and Activity Details, Trade License(s) and Manager Details)
- Contact Information (company's address, contact details)
- Authorized Signatory documents (including scanned copies of his/her Emirates ID and Passport)

A business must register if:

- The total value of its taxable supplies made within the UAE exceeds the mandatory registration threshold of AED 375,000 over the previous 12-month period.

What are taxable supplies?

Taxable supplies include the following:

- All supplies that are made in the UAE (whether subject to 5% or zero-rated tax under Article (45) of the Federal Decree Law No (8) of 2017), excluding supplies exempted under Article (46) of the Federal Decree Law No (8) of 2017.
- All goods or services imported from abroad.

A "supply" is any supply of goods or services in the UAE for consideration by any person in the course of conducting business.

All businesses must submit an application for registration as soon as possible to avoid the risk of missing the January 1, 2018, deadline, which would entail the Administrative Penalties stipulated in Cabinet Decision No. (40) of 2017 on Administrative Penalties for Violations of Tax Laws in the UAE. For more information, please consult the FTA's official website.

www.tax.gov.ae

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