



Introduction of VAT in the United Arab Emirates (UAE)

I. VAT system in the UAE

❖ Definition

Value added tax (VAT) is a direct tax on consumer expenditure, included in the sales prices of goods and services. End consumers pay the cost of the VAT, whereas organisations subject to VAT (companies, certain self-employed professions and associations) collect it on behalf the State. They then pay the VAT to the State in accordance with its “added value” which is the difference between the final value of the goods and services (sales price) and the value of the goods and services used in the manufacturing process.

❖ Introduction of VAT in the UAE

VAT will be introduced in the UAE in principle on January 1st 2018. All companies subject to VAT must be registered with the UAE Ministry of Finance before this date.

❖ Rates

VAT will be introduced at a standard rate of 5%. VAT will be applied to the majority of goods and services, unless they are specifically exempt or excluded by the law.

A VAT rate of 0% will apply to exports outside the GCC, international transport, some investments in precious metals, new residential buildings and some goods and services related to the health and education sectors.

Exemption from VAT will apply to the provision of certain financial services, residential buildings, national passenger transport, life insurance and non-serviced land.

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❖ Aims

VAT will provide the UAE Federal Government with a new source of revenue which will help to improve the provision of new public services (hospitals, roads, state schools, parks, waste collection services and police services).

VAT is also a means for the UAE to reduce its dependency on oil and other hydrocarbons by developing new sources of revenue.

❖ Obligations of organisations subject to VAT

▪ Registration

All companies whose taxable turnover is higher than the compulsory registration threshold of 375,000 AED must be registered for VAT.

Companies whose taxable turnover is lower than the compulsory registration threshold of 375,000 AED but higher than the voluntary registration threshold of 187,500 AED may choose whether or not to register for VAT.

Companies whose expenditure is higher than the threshold of 187,500 AED will also have the option of registering for VAT.

▪ Account keeping

All companies registered for VAT must have up to date accounts and keep all invoices received and issued with VAT for a minimum period of 5 years.

▪ Output and input VAT

Organisations subject to VAT must declare to the Ministry of Finance on a quarterly basis, the amount of VAT collected on the sales of taxable goods and services, and the amount of VAT paid to their suppliers. They must then pay to or claim from the State the difference between the total VAT collected (output) and the total VAT deductible (input) on their costs. Any delay will be penalised with fines and late payment interest.

II. Our services

❖ VAT advice

Steering assists companies, in particular to:

- Determine whether they are subject to the VAT system in the UAE
- Define the place of supply of their goods and services in order to determine the applicable VAT system.
- Register with the Ministry of Finance.
- Determine whether they are eligible for consolidated payment of VAT.

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- Choose accounting software and train employees to use this software.
- Determine the applicable rate of VAT depending on the type of products and/or services supplied, and any exemptions from VAT.
- Fill in VAT returns.
- Avoid any penalty or late interest payment imposed by the Ministry of Finance for non-compliance with the VAT system.
- Manage transitional situations likely to occur during the introduction of VAT.
- Issue invoices with VAT in compliance with the format imposed by the law.
- Determine the amount of deductible VAT.

❖ Accounting services

Steering has entered into a partnership with a qualified Franco-British accounting firm based in Dubai, which offers a certain number of on-site and external services, such as the:

- Setting up of an accounting plan adapted to the company.
- Setting up of accounting procedures and management guidelines.
- Monitoring and keeping of accounts
- Auditing of accounts departments.
- Preparation of interim statements, balance sheets and profit and loss accounts.
- Preparation of financial forecasts.
- Preparation of group accounts, consolidated balance sheets and accounts.
- Preparation of a general ledger.
- Preparation and auditing of a cash book.
- Preparation and auditing of fixed asset register and write offs.
- The installation of accounting software and solutions.
- Coordination with auditing firms.
- Accounting assistance of all types.

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We are here at your service to help you with any problems linked to the introduction of VAT in the UAE, or to give you any details about that which precedes it. Please feel free to contact us at dubai@steeringlegal.com or on +971 (0)4 513 5220.

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