



VAT IN THE UAE

It will apply from 1 January 2018.

Standard VAT rate will be 5 percent. Certain transactions will be zero-rated and other exempt or outside the scope of VAT.

Main factors

The scope of VAT in the UAE: It is chargeable when a taxable supply of goods and services is made by a taxable person (VAT registered or liable to be VAT registered) in the UAE (under the place of supply rules) in the course or furtherance of business. A transaction which does not meet all of the above conditions is outside the scope of VAT. Therefore, supplies made outside the UAE will be outside the scope of VAT.

The VAT by nature will be applicable on all the UAE resident entities, including companies and structures registered with various free zones, and that have an annual turnover in excess of AED 375,000 (US\$ 100,000, equivalent). VAT is not chargeable on goods that never enter the UAE.

Non-resident entities including UAE registered Offshore/International companies, notably JAFZA offshore and RAK ICC companies, do not fall under the scope of VAT as they do not engage into any direct business within UAE and cannot transact with UAE resident entities, save for certain exemptions which are not relevant.

Mandatory registration threshold: AED 375,000 (US\$ 100,000)

Voluntary registration threshold: AED 187,500 (US\$ 50,000) as a minimum

Mandatory threshold will be calculated as follows: Taxable supplies in the previous 12 months (backward looking test) or taxable supplies of the next 30 days alone (forward looking test). This includes zero-rated supplies, but excludes exempt supplies and non-business activities when calculating taxable supplies.

Transactions in capital assets must not be taken into consideration while calculating the mandatory or voluntary threshold.

We will be pleased to offer guidance and practical assistance on matters of VAT registration and compliance and can also assist you with accounting and bookkeeping work and issues including the submission of VAT returns.

PLEASE FEEL FREE TO CONTACT US WITH ANY QUESTIONS OR QUERIES.

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