

“All GCC countries have agreed that it will be mandatory for companies with revenue of over approx. USD 100k to be VAT registered with the Federal Tax Authority, while it is voluntary for companies with a turnover of more than USD 50k. With thresholds so low, the majority of companies in the UAE will pay VAT. With the go-live date of VAT in the region just 6 months away (as per the announced implementation date of 01.01.2018), the UAE is looking to publish its VAT law by the third quarter of 2017.

The first-ever iteration of Value Added Tax will be rolled out in the UAE with the Ministry of Finance having specified a 5 per cent VAT on transactions for various goods and services, as well as on the use of public infrastructure and services.

However, an interesting point to note is that healthcare, education, charity, residential real estate purchase, export goods and services, international/local transport of people, investment in gold, silver, platinum, and financial services, are all expected to be classified as ‘zero rated’ in the UAE. Zero-rated means that the goods are still VAT-taxable, however the rate of VAT that companies charge their customers is 0%.

Needless to say, businesses will be required to restructure their operations, financial management and book-keeping, technology, and human resource mix, in order to prepare for the new tax regime. At this stage, well-planned change management and implementation would be of utmost importance to local business success in implementing VAT across all sectors. And this is where UK firms, with their VAT experience, will be much sought after in the months to come.”

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