

Tax Alert

United Arab Emirates

February 2016

This alert is designed to provide a brief update on Value Added Tax (VAT).

The Ministry of Finance confirm that the UAE will implement VAT at the rate of five per cent from January 2018.

It has been confirmed that the UAE will implement value added tax (VAT) at the rate of five per cent from 1 January 2018.

Obaid Humaid Al Tayer, Minister of State for Financial Affairs, said that “GCC countries have from 1 January 2018 to 1 January 2019 to implement VAT.” He confirmed that each country represented in the GCC can implement VAT within that time period and continued that “a lot of ground work needs to be done before implementing VAT”¹. He continued that the GCC countries are currently working on a framework, which he expects to be agreed upon and made public in June of this year².

Following the announcement, it has been confirmed that the UAE will impose five per cent VAT while exempting 100 food items, healthcare and education. It has been claimed that by imposing VAT, the country could generate upwards of Dh12 billion from tax revenue in the first year. The move to implement VAT will enable the GCC to continue diversifying the economy and hence, become less reliant on oil revenues to promote long term growth and sustainability.

“Even with a low tax rate of five per cent, with the introduction of VAT, it will not be difficult for GCC states to generate tax revenues up to two per cent to gross domestic product,” said Christine Lagarde at the Arab Fiscal Forum this month.

Following on from the statement at a press conference, Obaid Humaid Al Tayer continued and stated that the UAE is not currently undertaking any study on personal income tax and that no such proposal was under consideration. He said “that the current priority of the Ministry was to put in place the infrastructure required for the implementation of VAT”³.

Contact us

We can use a combination of reason and instinct, to work with you to develop a strategy that helps you both understand and manage your tax liability in a transparent and ethical way.

To discuss how this update may implicate your business or to have a related discussion, please do not hesitate to contact us.

Atul Varma
Director
E: atul.varma@ae.gt.com