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## UAE domestic VAT Law released

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On 27 August 2017, the United Arab Emirates (the "UAE") published the text of its **domestic Value Added Tax** (the "VAT") Law, shortly after releasing the text of its Excise Tax Law last week, and the Federal Tax Procedures Law earlier this month. It will be followed by implementing regulations, which will provide more detail on application of the VAT Law.

The UAE Government is still planning to introduce VAT on **1 January 2018**.

The main features of the new tax may be summarised as follows:

- The **standard VAT rate of 5%** will be applied to all transactions involving goods and services (e.g. food, consulting services, maintenance works etc.) that are not VAT-exempt or zero-rated (the zero rate means that there is no charge of VAT on the supply but allows a full VAT recovery for the supplier, which is not possible for VAT-exempt supplies).
- The **zero rate** will be introduced on some services, such as international transportation of passengers, education and health care. The zero rate will also apply to some supplies of goods, including crude oil and gas, gold and precious metals, as well as to the first supply of residential buildings within 3 years of their completion.
- A **VAT exemption** will be available for some real estate transactions, local passenger transportation and some financial services.
- The **VAT treatment of free zones** will be clarified in the implementing regulations.
- Specific rules will apply to the **transfer of vouchers for goods or services**, the transfer of a business, agent/commissionaire activities and to composite supplies.
- The **public sector** will also be impacted by the VAT Law as some transactions by government entities will be subject to VAT.
- The concept of a **Tax Group** (VAT unity) will be introduced.
- **General rules** about the date of supply and the place of supply are provided in the VAT Law as well as many other aspects in relation to VAT deduction, bad debts, capital assets schemes, etc.

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- Businesses have to register with the tax authorities when they expect to meet the mandatory registration threshold (expected to be of AED 375,000). It should be possible to start the VAT registration request from the **middle of September 2017** on the website of the UAE government ([www.tax.gov.ae](http://www.tax.gov.ae)).

The new Federal Tax Authority (the "FTA") website has been launched and can be accessed [here](#). You can access the UAE VAT law in [Arabic](#) and [English](#).

Many aspects still have to be explained and detailed by the government in the implementing regulations that are expected to be issued shortly.

Should you need any assistance in identifying and optimising the VAT issues affecting your organisation or should you need any support to accompany you in the implementation of the VAT Law, please feel free to contact us.

#### A tailor-made service offer

- **VAT scan: order a VAT scan** of your business to obtain a rapid and concrete diagnosis of your VAT compliance.

- **Training sessions: be compliant.** In order to help you to become compliant with the new VAT regulation, Arendt Institute is organising training sessions.

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This publication is intended to provide information on recent legal developments and does not cover every aspect of the topics with which it deals. It was not designed to provide legal or other advice and it does not substitute for the consultation with legal counsel before any actual undertakings.

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