



# VAT Manual





# History

1918

**Dr. Wilhelm von Siemens** (German Industrialist) proposed the idea of implement VAT in Germany

1950

**France implemented VAT in entire France**

1954

**Germany also implemented VAT**

166  
Countries

**As of 2017 -166 Countries  
around the World  
implemented the VAT**

**50 % of the State Revenue of all European  
Countries is from Value Added Tax**



## Value Added Tax % Country Wise

COUNTRIES	VAT(%)
ALBANIA	20%
ALGERIA	17%
AUSTRIA	20%
BELARUS	20%
BELGIUM	12%
BRAZIL	18%
CHILE	19%
CHINA	17%
CYPRUS	18%
CZECH REPUBLIC	21%
DENMARK	25%
FINLAND	24%
FRANCE	20%
GERMANY	19%
ICELAND	26%
IRELAND	23%
ISRAEL	18%
ITALY	22%
KAZHAKHSTAN	12%
LITHUANIA	21%
NETHERLANDS	21%
NORWAY	25%
POLAND	23%
PORTUGAL	23%
ROMANIA	24%
RUSSIA	18%
SERBIA	20%
SOUTH AFRICA	14%
SOUTH KOREA	10%
SPAIN	21%
SWEDEN	25%
UKRAINE	20%
UNITED KINGDOM	20%
<b>UNITED ARAB EMIRATES</b>	<b>5%</b>



## What is VAT?

VAT is a very simple term and the full form of VAT is Value Added Tax.

A **value-added tax (VAT)** is a type of consumption **tax** (indirect tax) that is placed on a product whenever **value** is **added** at a stage of production and at the point of retail sale.



## Why there is need of VAT in UAE?

All are discussing about the doom and gloom of VAT implementation in UAE.

VAT in fact will boost UAE Economy and ultimately it will benefit the welfare of the people who lives in this Country.

VAT will be another source of raising revenues for governments in the Gulf Cooperation Council (GCC).

It is estimated that UAE will generate more than Dh 12 billion additional revenue in the first year of implementation of this new tax.



## V A T When is going to implement?

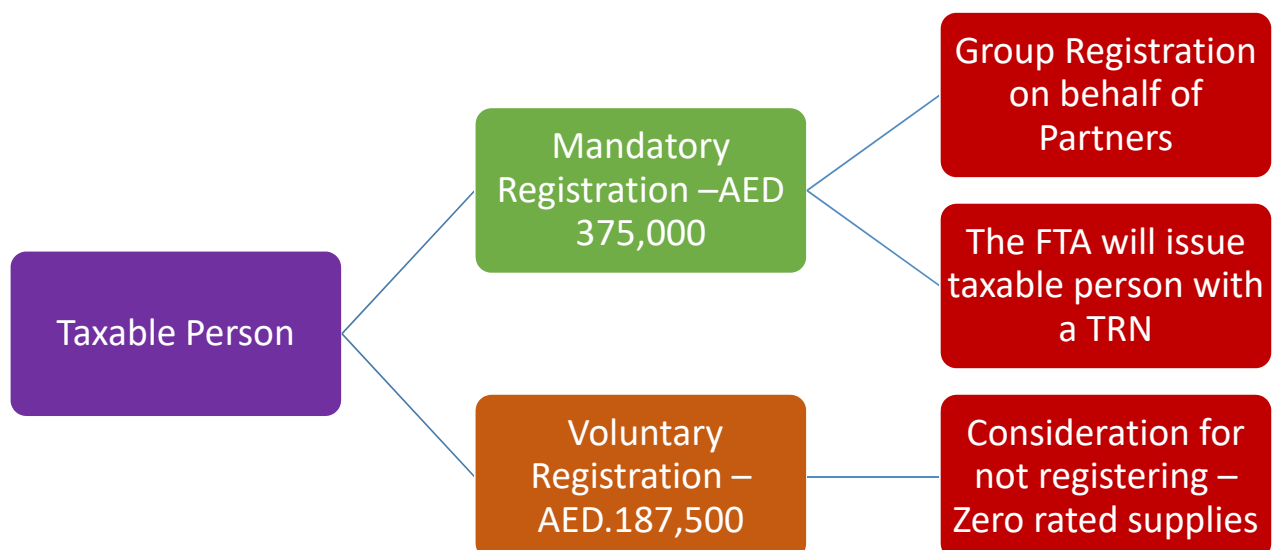
VAT will be introduced in the UAE, along with other GULF countries, from January 1<sup>st</sup> 2018.

By virtue of the Federal Law No. (8) of 2017 by Decree a public federal authority shall be established under the name of the Federal Tax Authority (FTA)

The authority shall be in charge of managing and collecting federal taxes and related fines, distributing tax-generated revenues and applying the tax-related procedures in force in the UAE.



## Who has to Register for VAT?





Transactions subject to VAT



Goods



Services



Imports



Occurrence of VAT?

**For a transaction to be subject to VAT, the following must occur:**

- ☐ Taxable supplies of goods or services made by a taxable person
- ☐ Import of Goods by any person in UAE from outside the GCC



## Registration Dead Lines



### Corporates

On or before 31<sup>st</sup> October 2017

- With 150 Million Sales Turnover

### SMEs

On or Before 30<sup>th</sup> November 2017

- Between 10 Million & 150 Million Sales turnover

### Others

On or Before 31<sup>st</sup> December 2017

- Between 375,000 & 10 Million Sales turnover



## What If Not Registered?



**FTA will impose a Fine equal to AED20,000/-**



## Segments & Types of Supplies

Sector	Tax
International Transport of passengers and goods	: Zero Rated
Local Transport	: Exempted
Food Items	: Standard rate
Real Estate	residential -exempted : all other standard rate
Education	: zero rate
Health	: zero rate
Oil & Gas	: zero rate
Air planes for passengers	: zero rate
Export of Goods & Services	: zero rate





## Documentation for VAT

- ❑ Every taxable person must issue a Tax Invoice containing all the prescribed particulars.
- ❑ All TAX invoices, books, records and accounting documents must be retained for a period of at least 5 Years from the Tax year

VAT  
Invoice  
Contents

- A Sequential Number
- Date of Issue of the Invoice
- The time of Supply/Delivery
- The Name Address & **TRN** of the Supplier
- The Name & Address of the person to whom the goods & services are supplied with their **TRN**.
- Gross amount payable in expressed in AED
- Any monitory discount offered
- The Total amount of VAT expressed in AED.



## TAX Period & Payment of TAX to FTA

### Length of TAX Period

- Tax Period refers a period which a Taxable person file the return and pay the Tax
- The General Applicable TAX period to file a return is 3 months (Quarterly) Basis

### VAT Returns & Payment of TAX

- For Large Business – Monthly Returns Filing possible
- Filing will be done ONLINE
- End of the month following the end of the return period
- Filing TOO LATE will be leads a Penalty
- Details of Suppliers in each Emirate have to be communicated.



## TAX PENALTIES

### ADMINISTRATIVE PENALTY

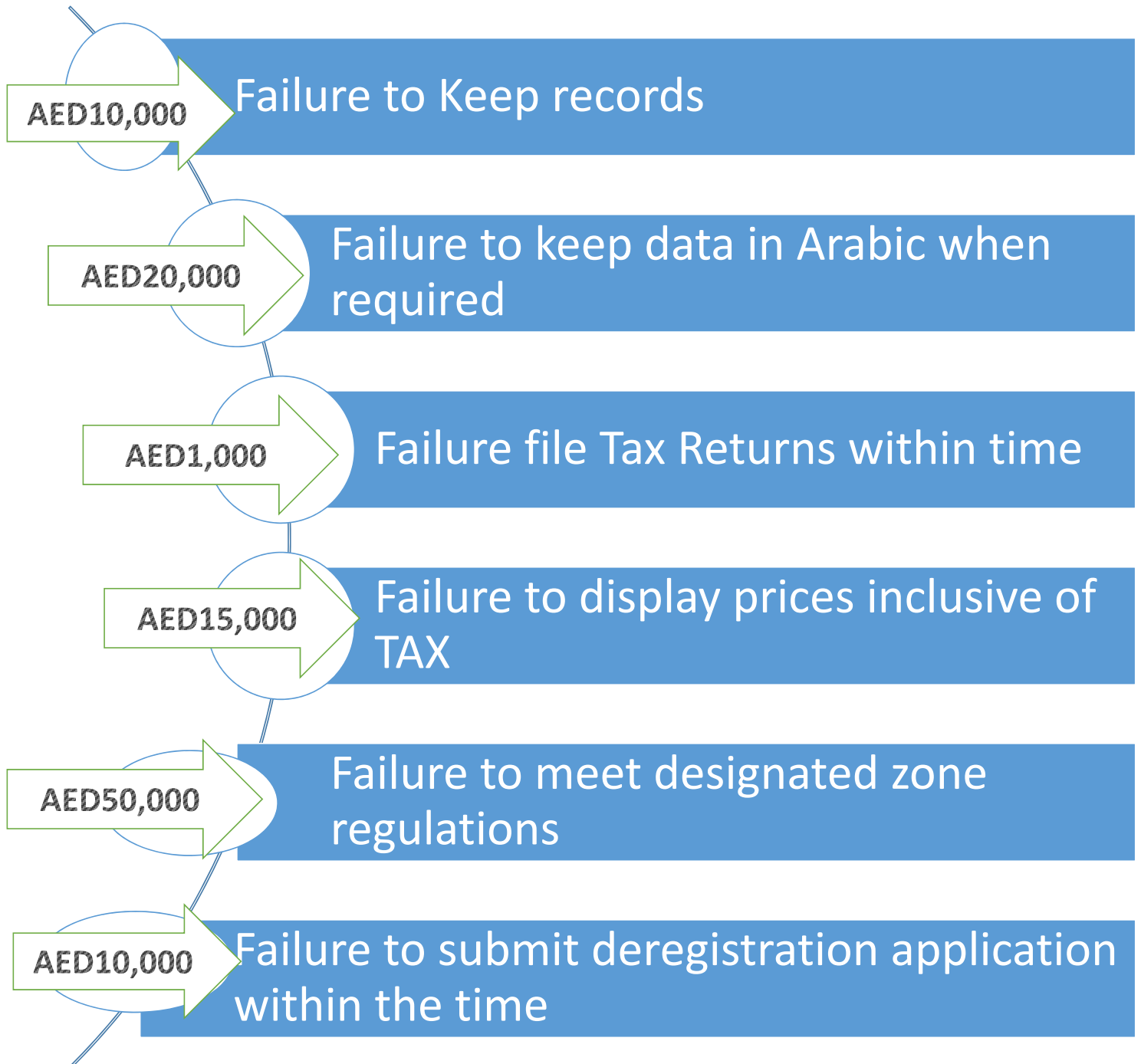
- Failure by a Taxable Person to display prices inclusive of TAX
- Failure by the Taxable Person to notify the Authority of applying Tax based on the margin.
- Failure to comply with the conditions and procedures related to keeping the Goods in Designated Zone and moving them to another zone.
- Failure to issue the Tax Invoice when making any supply

### TAX EVASION PENALTY

- Cover scenarios where a taxable person has used illegal means to lower their TAX liability or obtain a Tax Refund to which they are not entitled.



## FEES & FINES FOR VAT VIOLATIONS





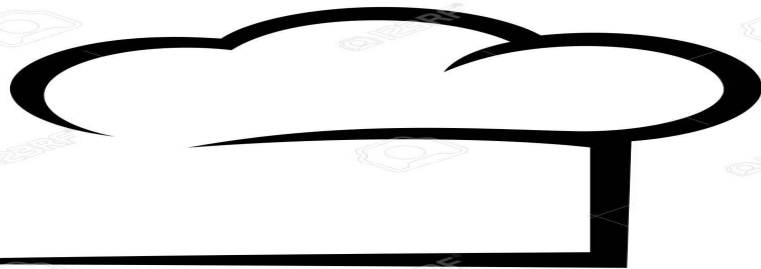
# TAX CALCULATIONS



S.L. #	Description	Input Tax paid to Wholesaler	Out put Tax collected from Customer	Final Tax -payable to FTA by Supermarket
1	Supermarket purchased goods from wholesaler worth AED5,000 and the Supermarket shall pay VAT	5000 X 5%  <b>250.00</b>		
2	Sold the same goods to customer for AED7,000		7000 X 5%	
	Collected from Customer		<b>350.00</b>	
	So VAT Payable to FTA by Supermarket ---- > AED350 - AED 250 =			<b>100.00</b>



# TAX CALCULATIONS



## Restaurant

### VAT Calculations in Restaurants

S.L. #	Description	Input Tax paid to Wholesaler	Out put Tax collected from Customer	Final Tax - payable to FTA by Supermarket
1	Restaurent purchases rice, chilly, chicken, oil	1000 X 5%		
	sugar, tea and vegetables worth -1000 from			
	Supermarket and pays VAT	50.00		
2	The Restaurent collects the VAT from the Customer		1500 X 5%	
	for Tea, Meals, Break fast, Dinner..etc for AED1500		75.00	
	So VAT Payable to FTA by Supermarket ----> AED50 - AED 75 =			25.00



## TAX CALCULATIONS



#39317456

### VAT Calculations in Import & Export for General Trading

S.L. #	Items imported	Value of Goods- AED	Taxable Goods	Non Taxable Goods	VAT 5% payable to FTA	Paid to FTA
1	Basic Commodities which is not exempted	2,000	2,000		100	-
2	Exempted Food products (will notify by FTA)	5,000		5,000	-	-
3	Sold both goods in UAE with 10% profit	7,700	2,200	5,500	110	110
4	Sold both goods outside UAE or GCC where VAT not implemented	7,700		7,700	-	100





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# VAT



**VAT REGISTRATION  
STARTED IN UAE**

AVOID PAYING FINE **DHS20,000/-**

For Registration assistance  
call us : +971 55 413 0555  
: +971 4 266 2663

Mail : info@trustedpartner.ae

