UAE requires “large” taxpayers to register for VAT by 31 October 2017

Executive summary

The United Arab Emirates (UAE) Federal Tax Authority (FTA) has announced that “large” taxpayers, defined as businesses with an annual turnover exceeding AED150 million (US$40.8 million), must register for UAE Value Added Tax (VAT) by 31 October 2017.

In addition, businesses with annual turnover in excess of AED10 million (US$2.7 million) must register for VAT by 30 November 2017.

Businesses failing to register for VAT by their respective deadlines may be subject to a late registration penalty.

Detailed discussion

In order to manage the significant number of UAE VAT registrants, the FTA is requiring certain businesses to register for VAT by specific deadlines prior to the official implementation date (1 January 2018), as follows:

- All businesses with annual turnover in excess of AED150 million must register for VAT on or before 31 October 2017
- All businesses with annual turnover in excess of AED10 million must register for VAT on or before 30 November 2017

If businesses fail to comply with the respective VAT registration deadlines, they may be subject to a late registration penalty, which according to Cabinet Resolution No. (40) of 2017 on Administrative Penalties for Violations of Tax Laws in the UAE, is AED20,000 (US$5,444).
Application for VAT Grouping may be made either as part of the initial registration, or at a later date.

Aside from the specific deadlines, all businesses making taxable supplies in the UAE must consider whether they are required to register for VAT ahead of the implementation of VAT on 1 January 2018.

The mandatory VAT registration threshold has been set at AED375,000 (US$102,000), and businesses must register for VAT if the value of their taxable supplies exceeded this amount over the preceding 12 months, or if they anticipate that their taxable supplies will exceed this amount over the next 30 days.

The voluntary VAT registration threshold has been set at AED187,500 and there is no VAT registration threshold for non-established businesses (i.e., foreign businesses without a UAE legal presence making taxable supplies within the UAE).

Taxable supplies are defined by the FTA as "a supply of goods or services made by a business in the UAE that may be taxed at a rate of either 5% or 0%. Imports are also taken into consideration for this purpose, if a supply of such goods or services would be taxable if made within the UAE."

Next steps

The VAT registration portal is now open on the FTA’s website and therefore, businesses required to be VAT-registered in the UAE should register for VAT as soon as possible and within their respective deadlines based on their annual turnover.

Given the imminence of the VAT implementation date in the UAE, all businesses should have assessed whether they are required to be registered for UAE VAT and where appropriate, should have significantly progressed their implementation activities. If not, immediate steps to prepare for the implementation should be taken as a matter of urgency to ensure VAT-compliance from 1 January 2018.

EY | Assurance | Tax | Transactions | Advisory

About EY
EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit ey.com.

© 2017 EYGM Limited. All Rights Reserved.

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, or other professional advice. Please refer to your advisors for specific advice.

ey.com/mena
Important commercial e-mail notice:

This e-mail may constitute an advertisement or solicitation under MENA law, if its primary purpose is to advertise or promote EY products or services. Our principal postal address is Ernst & Young LLC, 5th floor, Landmark Building, Opposite Al Ameen Mosque, Bowsher, P.O. Box: 1750, Ruwi 112, Muscat, Sultanate of Oman.

Please click here to remove this e-mail address from the subscription list for this communication.

Use the link below to opt-out if you would prefer not to receive any advertising or promotional e-mail from us. Your e-mail address will be immediately removed from our central mailing list for newsletters and alerts, and all e-mails designated as advertising or promotional will be automatically blocked as soon as necessary modifications to our e-mail system are completed.

click here to remove yourself from all our commercial emails.