The UAE Ministry of Finance (MoF) recently published on its website new information on the Gulf Cooperation Council (GCC) Value Added Tax (VAT) in a question-and-answer (Q&A) format.

The Q&A’s start with general questions as to what VAT is and why the UAE would choose to implement such tax, giving readers a backdrop to this GCC-wide development. The Q&A’s communication also includes a simple illustration as to how VAT works (i.e., how is VAT collected in a supply chain and how the end-use consumer ultimately shoulders the tax burden in general).

The Q&A’s affirm previously communicated information such as the UAE’s introduction target date of 1 January 2018 and the likelihood that the initial standard rate will be 5%.

A general discussion on the impact of GCC VAT on businesses is likewise outlined in the publication. The communication clarifies that not all businesses will need to register for VAT although the specific conditions (e.g., minimum annual turnover) of who will need to register have yet to be finalized by the UAE MoF. General responsibilities that would have to be complied with are outlined alongside indicative action plans for businesses.

The publication also touches on how the cost of living will increase slightly when VAT becomes effective but this will vary depending on the individual's lifestyle and spending behavior. Measures will be implemented to ensure that businesses will not take advantage of the VAT implementation to increase their prices.
The UAE MoF further confirms it has yet to finalize the following:

- Specific conditions as to who will be required to register for VAT
- Detailed compliance requirements
- Exemptions from VAT
- Fees and penalties for non-compliance with the new tax

Finally, the Q&A’s state that more detailed information is expected over the course of 2016 through awareness and education campaigns. The UAE Government will also host a website and establish a telephone hotline to assist taxpayers’ understanding of VAT and the implications of same.

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