



AUSTRIAN BUSINESS COUNCIL SEMINAR ON VAT AND CORPORATE TAX IN THE UAE

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TAXATION

- There are Decrees already promulgated in all the Emirates imposing corporate income tax on businesses operating in each Emirate. These Decrees have, however, not been implemented in practice, except for banks foreign oil and insurance companies. Accordingly, at present there are no tax requirements to be complied with by companies operating in the UAE;

TAXATION

- As four out of six GCC countries already have operating corporate tax laws, it would be easier and simpler for the UAE to levy Corporate Tax in the UAE.
- At this stage we do not know, if and when a federal tax law would be issued, or the scope or administration of the potential Tax Law;
- In order to be proactive, and based on our knowledge of the tax decrees that already exist, and the taxation laws of the neighboring countries, we may make an educated guess about provision of the potential corporate tax law:

TAXATION

- The following possible provisions are based on our knowledge of the tax environment in the region. These are only a guesswork at this stage and may or may not correspond with the actual tax law, as and when it is issued:
- A low rate of taxation may be imposed, initially;
- Free zones may continue to be tax exempt;
- All corporate entities in the UAE, wholly or partly owned by non-GCC citizens, may be required to file tax declarations with supporting information and pay tax.

TAXATION

- The following possible provisions are based on our knowledge of the tax environment in the region. These are only a guesswork at this stage and may or may not correspond with the actual tax law, as and when it is issued: (continued)
- The information to be submitted may include payments made to non-resident affiliates and third parties, interest earned and paid, etc.
- For mixed companies, tax may, only be imposed on the portion of the income of the non-GCC citizen;
- There would be procedures for submission of tax declaration, payment and assessment of tax; There may also be provision for audit of the tax payers' books by Tax inspectors;

TAXATION

- The following possible provisions are based on our knowledge of the tax environment in the region. These are only a guesswork at this stage and may or may not correspond with the actual tax law, as and when it is issued: (continued)
- Payment to non-UAE resident third parties and affiliates may be subject to withholding tax to be deposited with the Treasury at regular intervals;
- Tax payers' licenses may be tied up with the compliance with the tax law.
- There might be stringent requirements for issuance of Tax Residence Certificates for obtaining benefits under the Treaties for Avoidance of Double Taxation entered into by the UAE;

VAT

- Recent press reports indicate that all the six Gulf Cooperation Council Countries (GCC), which include, Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the UAE, have reached an agreement to impose VAT in their respective countries in the near future.
- Although no draft law has been issued as yet, the press reports indicate that the VAT in the UAE would:
 - come in to effect from 1 January 2018;
 - the rate of the VAT may vary between 3 to 5%;
 - essential commodities such as food, educational material, medicine, etc, may be exempted from the VAT

VAT

- It is noteworthy that the GCC countries are also members of the GCC customs union, which provides for payment of duty at the first port of entry for the imported goods in the GCC. Hence in order to avoid any complications for imposition and collection of the VAT, there may be a need to have an uniform rules and implementation procedures for the VAT throughout the GCC;
- A study of the VAT in other countries indicate that detailed rules, which might be quite complicated, may be needed to avoid double charge of the VAT, particularly for the manufactured goods, where there may be initial VAT charge on the raw material and a separate charge on the finished goods sold in the market;

VAT

- Imposition of the VAT would be a game changer for the businesses operating in the UAE. The VAT rules may require documenting details of each transaction undertaken by the entity. The accounting and other supporting record may be inspected by the VAT inspectors;
- Also there might be onerous requirements for deposit of the VAT periodically in the national exchequer;

VAT

- The Authorities are well aware of the need for providing detailed guidance and training for the business enterprises in the UAE and we may see detailed directives from the authorities in the coming days, well before the actual imposition of the VAT.

Potential Practical Impact on VAT in the UAE

Private Sector



Professional
Service
Industry

Companies in the
UAE

Professional
Education &
Qualification

Potential Practical Impact on VAT in the UAE

RECEIPT

Equip 5 - Operator 999
SHIFT 89 - Transaction no 21357
Type NORM - Ticket no : 21903
RECEIPT No:1
Entry : 14/03/16 10:01
Payment : 14/03/16 11:41
Duration. : 1H 40Mn
Tariff: 1

AMOUNT PAID :AED 20.00
(Paid VAT █████%:AED █████)

Payment on : CASH

RECEIPT

Equip 5 - Operator 999
SHIFT 89 - Transaction no 23212
Type NORM - Ticket no : 24372
RECEIPT No:1
Entry : 20/03/16 10:27
Payment : 20/03/16 11:07
Duration. : 40Mn
Tariff: 1

AMOUNT PAID :AED 10.00
(Paid VAT █████%:AED █████)

Payment on : CASH

Potential Practical Impact on VAT in the UAE

Company

- Direction to use a more standardized accepted accounting software for:
 - Transaction recognition – taxable or not – which rate?
 - Issuance of prescribed sales invoices
 - Issuance of tax declaration form
- More attention to the potential tax liability by business owners/management → more attention on good corporate governance
- More qualified accountants are required

Potential Practical Impact on VAT in the UAE

Professional Service Industry

- Introduction of potential tax liability
 - more regulated environment for accounting profession – not only auditors
 - Increase pressure on accuracy of the deliverables → increase of service quality to the client

Professional Education & Qualification

- Increased focus on taxation subjects and its quality

Thank you