

# Value Added Tax (VAT) in UAE

## What is VAT?

VAT is a type of consumption tax that is levied on use or consumption of goods and services and it falls in the category of indirect taxes. It is charged by business entities or individuals that are registered for VAT on account of supplies of goods/services to customers. VAT is levied at each stage in the supply chain. It is the end-consumer of the goods/services that bears the VAT cost. VAT registered businesses act as agents of government and therefore they first collect and then they account for the collected tax on behalf of the government.

## VAT Registration

Businesses with annual supplies of more than AED 375,000 must register for VAT whereas, businesses with annual taxable supplies falling in between AED 187,500 and AED 375,000 can register voluntarily for VAT. Businesses that are yet to register for VAT cannot charge VAT on supply of goods or services to their customers and also are not entitled to reclaim the VAT they have paid.

## VAT Compliance Requirements

A tax registered Entity must record, assess and report its VAT obligations and entitlements, in accordance with the law. Below are the key compliance requirements of VAT:

- Filing of periodic VAT returns
- Remitting any VAT payable
- Record keeping:
  - Tax invoices (according to VAT regulations)
  - Debit or credit notes
  - Import and export records

## Tax Point

It is defined as earliest of the following:



# Cash Flow Implications

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1- Issuance of tax invoice in too much advance of delivery of goods / services when there is no need	2- Paying the creditors before the agreed credit period with suppliers
3- Ineffective credit control policies leading to delayed collections from customers	4- Management of tax liability payments to the FTA

## How Push Digits can help you !!

Push Digits Accountants and Tax Consultants is a well reputed and recognized accounting and tax consultancy firm operating in the UAE. We provide our clients with high quality audit, accounting and tax consultancy services executed by highly trained and experienced professionals.

Below highlights our scope of work when providing our professional VAT consultancy services:

- Providing initial VAT consultancy based on the existing structure
- Providing VAT consultancy upon detailed review of operations
- Coordination with company regarding necessary amendments to system
- Reviewing and submitting tax reports to FTA
- Providing technical support and guidance for tax accounting
- Reviewing tax calculations payable to FTA
- Reviewing of tax and recovery options from FTA
- Providing necessary guidance in dealing with FTA

## VAT Rates in UAE

VAT registered businesses are required to charge VAT on goods/services at the rate of 5% except for the following:



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