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Chartered Accountants



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Overview and Opportunities in **UAE VAT**

Presented before
WIRC – ICAI
On 30th December 2017

Presented by
CA Jignesh Kansara

UAE VAT – a Paradigm Shift !!!

- No Tax to Moderate Tax
- No Compliance to Compliance
- **Present Situation**
- No Books of Accounts / Financials
- Books / Financials / Audit are maintained only by
 - ✓ MNC for consolidation
 - ✓ For Bank Finance
 - ✓ As per Requirement of FTZ
- Tax Jurisprudence – Nascent Stage
- Shortage of Skilled Man power
- Hindi is widely accepted Language
- More than 50% population of Dubai is Indian

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Opportunities for Indian CA - Broad Avenues

- VAT Impact Study for SMEs
- VAT awareness & Training
- Consultancy Services
- Compliance Services
- Information Technology Related Services
- ~~Litigation Support Services~~ (Arabic)

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VAT Impact Study for SMEs

- Identification of stress on cash flow due to VAT
- Understanding impact of VAT on key business functions
- Changes in Information Technology system.
- Vetting of Contracts. Suggestion for Modification in contracts and agreements – Transitional challenges
- Realignment of Accounting Process.
- Restructuring of key business processes i.e. supply chain, finance, cash flow, procurement

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VAT awareness & Training

- Training for management, staff, customers, vendors of clients on ongoing basis especially the operational team consisting of the marketing and purchase.
- How Business should get ready for VAT ? How to Raise Purchase Orders ? How to Raise VAT Invoice ?
- Getting Correct Invoice from Vendors
- How to Records Transactions ?
- Selection of Right Vendors to optimise tax benefits.

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VAT Consultancy Services

- Right interpretation / understanding of the law & Query Resolution
- Pricing of the products / services for ensuring prices are competitive, Customer and vendor renegotiation
- Smooth continuance of business once the taxes are implemented
- How business could safeguard their present margins in the competitive environment?
- Whether business needs restructuring due to Excise & VAT?
- Representation to FTA due to lack of clarity in the law. Sectorial Studies

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VAT Compliance Services

- Regular advice to the functional heads
- Assisting in the filing of the Returns
- Comprehensive review post January 2018 to ensure VAT compliance
- Refund claim related procedures
- Reconciliation of books with VAT transactions
- VAT Audit on annual basis or as part of internal audit

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Information Technology Related Services

- Creation / reclassification / re-grouping of Chart of accounts in ERP
- Configuring systems as per VAT requirements
- Creation, validation & enabling capturing of data for Goods / Services; Place of Supply; Taxable & Exempt
- Design of various types of Reports relating to Purchases, sales and VAT
- Automation of filing of returns. IT testing - is it working?

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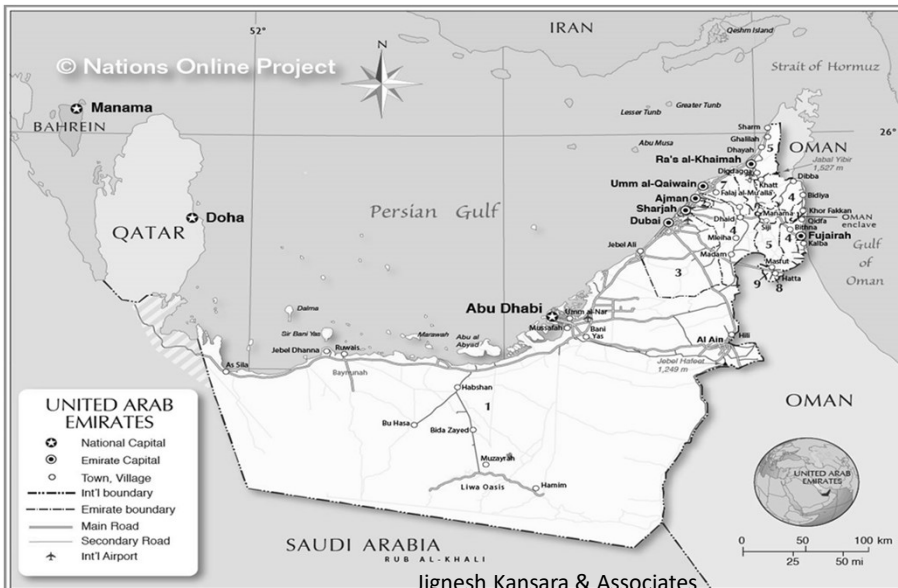
Gulf Co-operation Council(GCC) Countries



- 6 Countries of Gulf Region
- 1) Kingdom of Saudi Arabia (KSA)
 - 2) Sultanate of Oman
 - 3) United Arab Emirates
 - 4) Kingdom of Bahrain
 - 5) State of Qatar
 - 6) State of Kuwait

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United Arab Emirates



- 7 Emirates of UAE
- 1) Abu Dhabi
 - 2) Dubai
 - 3) Sharjah
 - 4) Ajman
 - 5) Ras Al Khaimah (RAK)
 - 6) Fujairah
 - 7) Umm Al Qulwain

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More about UAE Constitution

- Each Emirates has Ruler
- Seven Rulers = Federal Supreme Council = Highest Authority
- Ruler of Abu Dhabi = President of UAE
- Ruler of Dubai = Vice President and Prime Minister

- Five Federal Institutions of UAE are:
 - 1 Federal Supreme Council
 - 2 President and Vice President
 - 3 Council of Minister
 - 4 Federal National Council
 - 5 Judiciary of the Union.

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More about UAE Legal System

- Sharia or Quranic Law is the Base
- Law is Promulgated in Arabic, official Language
- Unofficial English Translation is provided
- Court Proceedings only in Arabic
- Judicial system is influenced by French, Roman and Egyptian System
- Courts in Dubai International Finance Centre (DIFC) follows **common law** (like followed in India)- Provides much needed comfort and relief to Foreign Investors.

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More about UAE Trade

- Trade License is must to carry out activities
- No Business is permitted on Tourist Visa
- 3 Types of Trade License
 - 1 Professional License : Only for Professionals like CA / Doctors and Artisans
 - 2 Commercial License : For entities involved in Trading / Commercial Activities / Import and Export / Transportation etc. License can be Specific or General
 - 3 Industrial License : For entities involved in Manufacturing.

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Business Options for Setting Up

- 2 Setting up Options viz
 - Mainland Dubai** – Regulated by DED (Department of Economic Development)
Investor cannot have 100% ownership.
UAE National (“Sponsor”) will have 51% Ownership
 - Free Trade Zone (FTZ)** - Regulated by respective FTZ authorities
 - Not permitted to deal with mainland entities
 - Mainly used by Export Import entities bringing goods to UAE but to be exported to other countries.
 - No Custom Duty on Goods Imported in FTZ
 - Goods Imported into FTZ cant be moved to mainland, if moved Custom duty to be paid.
 - 100% foreign ownership to the investors
 - Whether FTZ will be notified as designated zone(DZ) ?

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Something more on "Sponsor"

- For Professional Services, Sponsor is not required but "**Service Agent**" is must.
- 100% ownership possible for Professional Firms even in mainland.
- Though Sponsor holds 51% ownership, he is not entitled to any Profit.
- Sponsor are paid Annual Fees for Sponsorship
- 100% Profit is earned and enjoyed by Expatriate Owner.
- All management powers are with Expat.

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Setting Up Process

- Takes 7 – 15 working days
- 1 Name Approval : 3 options to be given. Activities to be reflected in name.
- 2 Leasing of office
Ejari (Tenancy Contract) is must
Option of Tenancy office or Shared office
Visa Depends upon size of office.
- 3 Trade License
- 4 Investor Visa / Employee Visa / Medical / Insurance / Emirates ID
- 5 Opening of Bank Accounts
- 6 Commencement of Business.

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What is VAT?

- Value Added Tax (or VAT) is an Indirect tax
- VAT is one of the most common types of **consumption tax** found around the world. Over 150 countries have implemented VAT
- VAT is charged at each step of the 'supply chain'. Ultimate consumers generally bear the VAT cost while Businesses collect and account for the tax, in a way acting as a tax collector on behalf of the government.

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Why UAE is implementing VAT?

- New Source of Income.
- Reducing dependence on oil and other hydrocarbons as a source of revenue.
- **More accountability in Finance System.**

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Reading Material on UAE VAT

- GCC VAT Framework
- Law on Tax Procedures
- Law on VAT (Federal Decree Law) – FDL – Akin to “**Act**” in India
- Executive Regulations on Tax Procedures
- Executive Regulations on VAT Law - Akin to “**Rules**” in India
- Clarification/ Notification from FTA. Also www.mof.gov.ae , www.thenational.ae

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Purpose of GCC VAT framework

- To provide uniform definition and taxing principle
- To Prescribe Special Treatment to GCC national
- Introduce VAT in Time bound manner
- Dispute Settlement mechanism amongst GCC countries
- Each Country will have its own VAT Law, treating GCC VAT framework as International Obligation.

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Some Basics of UAE VAT

- When will the VAT go into effect?
- VAT will be introduced across the UAE (“**State**”) & KSA (“**Implementing State**”) on 1 January 2018

- What will be the VAT rates?
- Standard rate of 5%.

- Will VAT cover all Products and Services?
- VAT will apply at 5% on all transactions of **Supply of goods and services** UNLESS
 - ✓ Goods and Services is **Exempted**
 - ✓ Goods and Service is **Zero Rated**

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Some Basics of UAE VAT

- Who will Regulate VAT ?
- Highly empowered Authority called “**FTA**” (**Federal Tax Authority**)

- What are major Role and Responsibilities of FTA ?
 - Collecting Tax and Review of Compliance

 - Provide Guidance to Taxable Person

 - Conducting Tax Audit

 - Administering Penalties

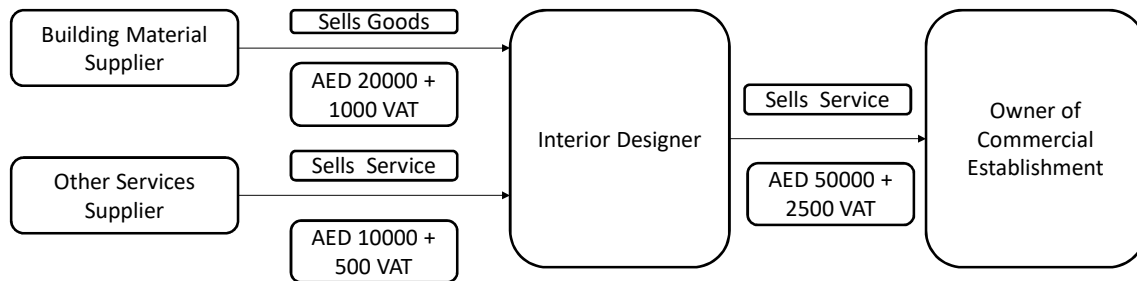
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Pictorial Presentation of VAT

- Mr. A is a Building Material Supplier.
- Mr. B is Service Provider.
- Mr. N is Interior Designer.
- Mr. P is Customer availing Service of Mr. N for Interior Service of its commercial premises

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Pictorial Presentation of VAT



	VAT Charged on Sale AED	VAT Paid on Purchase (VAT recoverable) AED	Net Payable to FTA (AED)
Building Material Supplier	1000	800	200
Other Services Supplier	500	200	300
Interior Designer	2500	1500	1000

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Important Definitions

Taxable Supply

A supply of Goods or Services for a Consideration by a person conducting business in the State, and does not include Exempt Supply

Exempt Supply

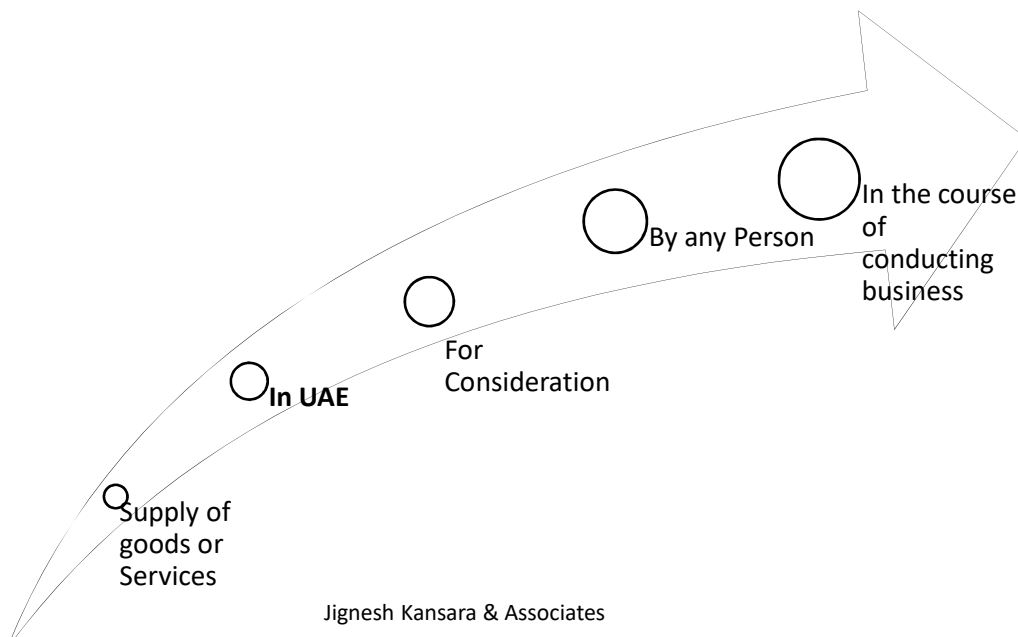
A supply of Goods or Services for Consideration while conducting Business in the State, where no Tax is due and no Input Tax may be recovered, except according to the provisions of this Decree-Law

Business

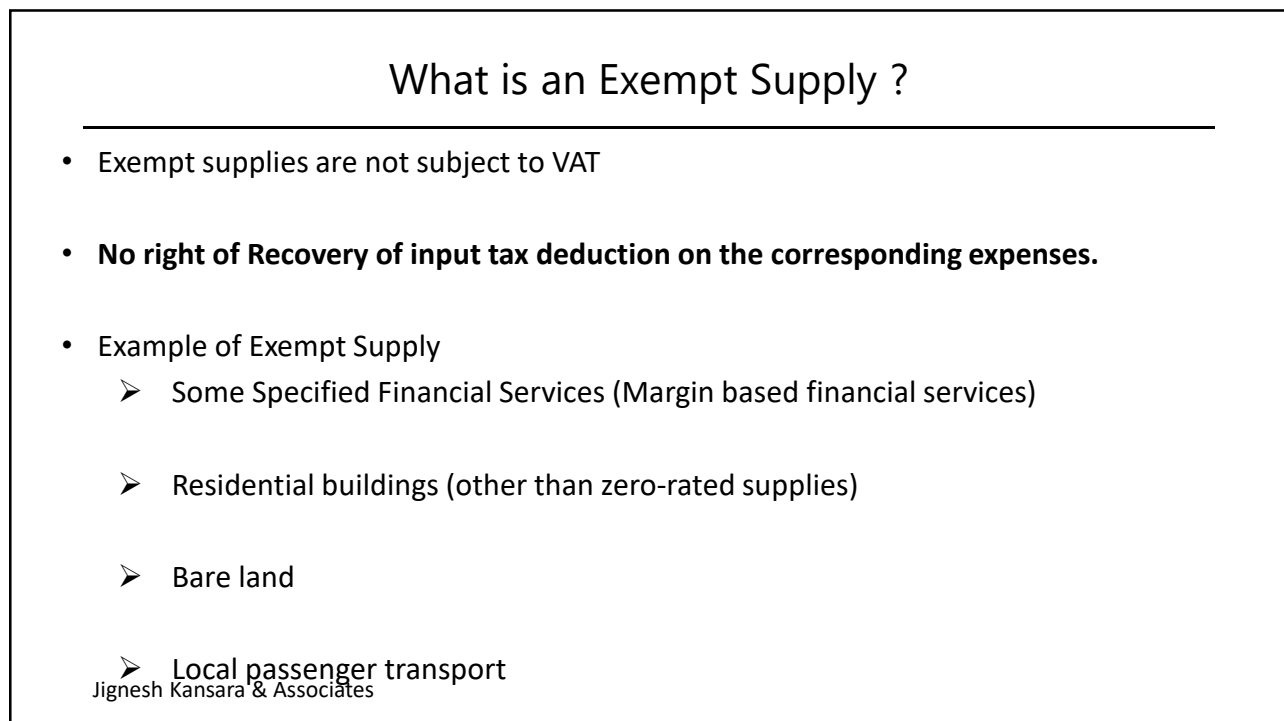
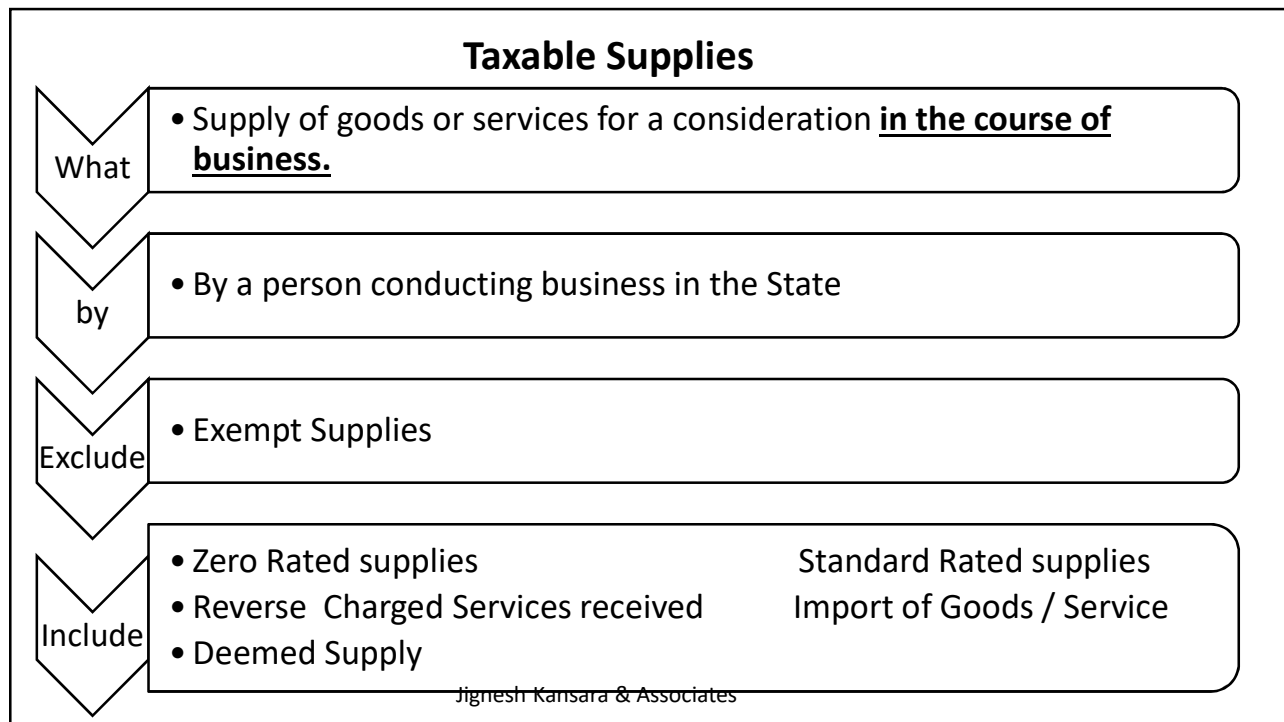
Any activity conducted **regularly, on an ongoing basis** and independently by any Person, in any location, such as industrial, commercial, agricultural, professional, service or excavation activities or anything related to the use of tangible or intangible properties

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Taxable Event – Taxable Supply



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Meaning of Goods, Services and Consideration

- What is Goods and what is Service ?
- Goods >>>>Physical Property including Real Estate, Water and Energy
- Service>>>>> Left over. **What is not Goods is a Service !!!**

- What is Consideration ?
- Any thing received in return of supply
- Partly in money and Partly in Kind
- Whether Barter is consideration ????

- How do we find out whether supply is made in UAE ?
- Separate Articles for Place of Supply

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Basics of UAE VAT

- When UAE VAT shall be levied ? (Scope of Tax)
 - On every Taxable Supply and Deemed Supply made by the Taxable Person
 - on import of Concerned Goods / (Services) except as specified in the Regulations

- Import of Concerned Goods / Services

Concerned Goods : Goods that have been imported, and would not be exempt if supplied in the State.

Concerned Services : Services that have been imported, where the place of supply is in the State, and would not be exempt if supplied in the State.

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Basics of UAE VAT

- Who is required to pay Tax?
 - ❖ A Taxable Person / Registered person who makes any taxable/deemed supply
 - ❖ The Importer of Concerned Goods / Services

- How Reverse Charge will be Taxed ?

If taxable person imports Concerned Goods or Concerned Services **for the purposes of his Business**, then he shall be treated as making a Taxable Supply to himself, and shall be responsible for all applicable Tax obligations and accounting for Due Tax in respect of these supplies

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Deemed Supply

- VAT is chargeable on taxable Supply as well as **Deemed Supply**
- Following will constitute Deemed Supply
 1. **Free supplies** made by a taxable person to any person including employees and customers.
 2. **Self movement of assets** by a taxable person from/to UAE to/from another implementing state unless such movement is temporary or made as part of another taxable supply.
 3. Use of business assets or services for **non business purpose** and personal purpose
 4. Whatever business owns on the date of tax **deregistration** would be considered as deemed supply
and tax would be payable on the same.

- Law also provides few situations where supply will not be treated as Deemed Supply.

- Value of deemed supply will be equal to the total cost incurred by the Taxable Person to make deemed supply.

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Zero Rated Supply

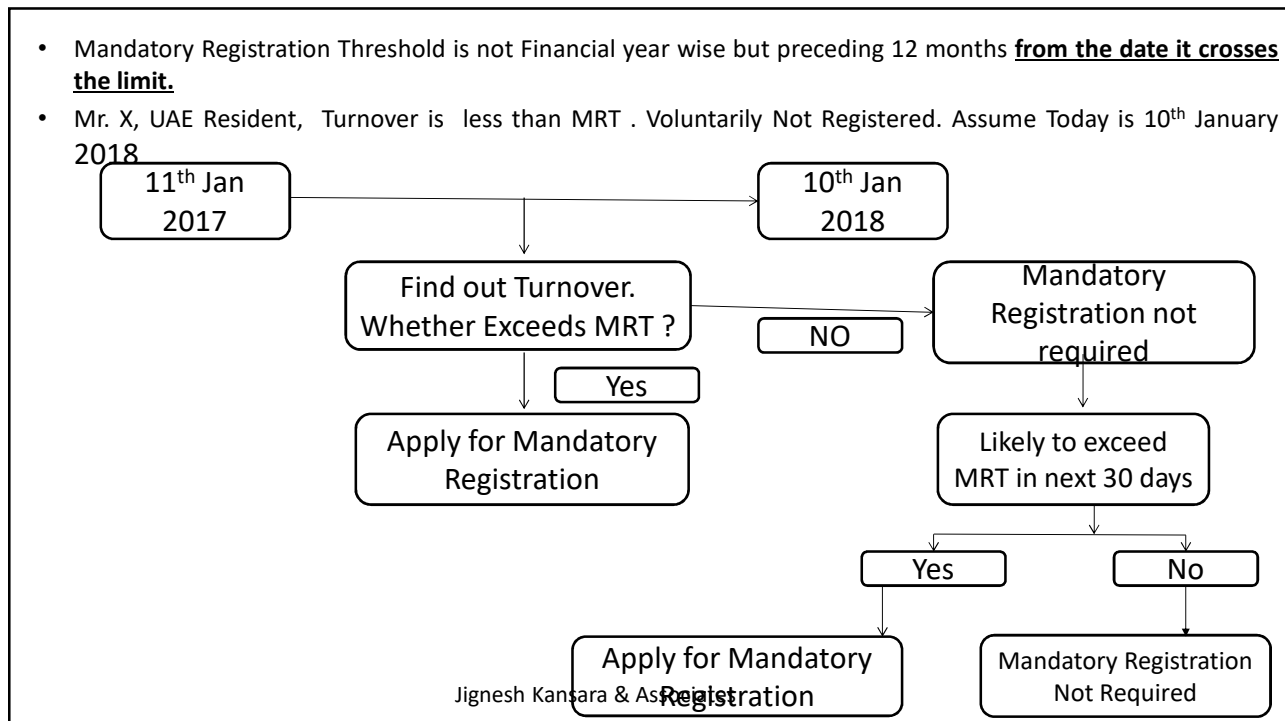
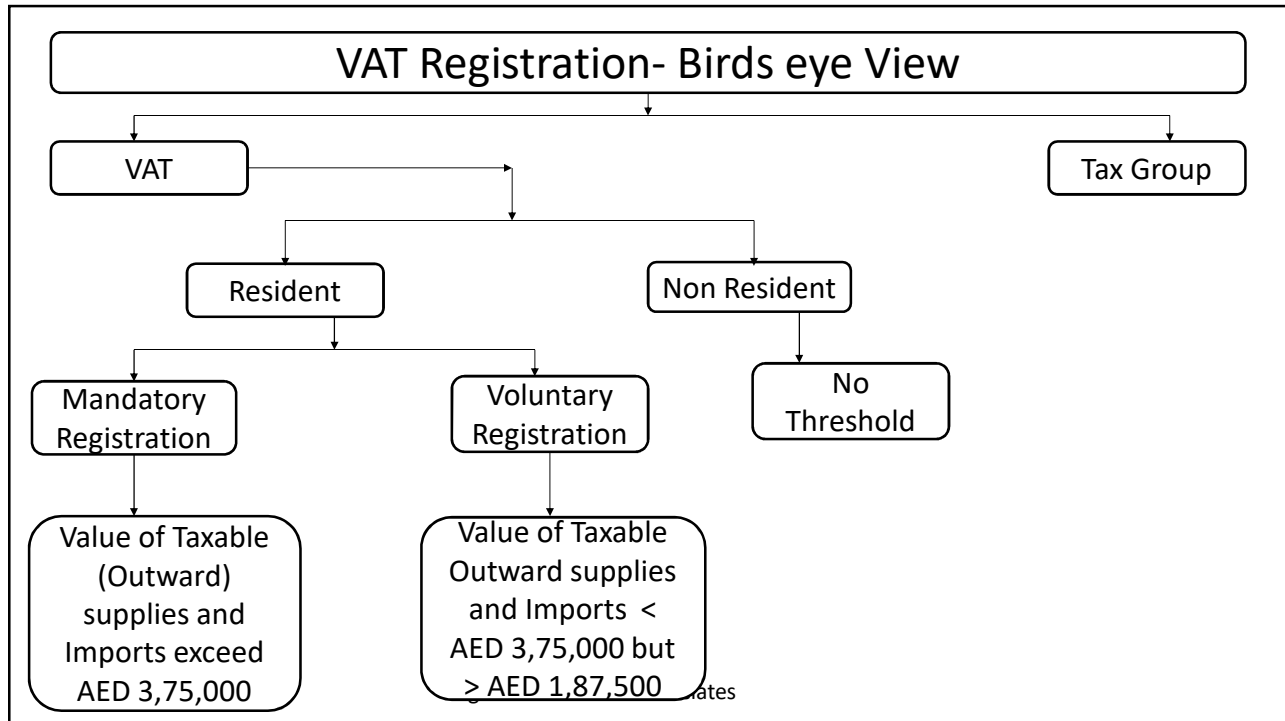
- Zero -rated supplies are **not subject to VAT**
- **Right of Recovery of input tax deduction on the corresponding expenses.**
- **Example of Zero Rates supplies**
 - Exported goods and services
 - Investment in precious metals (99% purity)
 - New residential buildings
 - Newly converted residential buildings
 - Charity related buildings
 - Educational services, in most cases
 - Healthcare services, in most cases
 - Certain supplies of means of transport, and related goods and services
 - International transport of passengers and goods, and services related to such transport

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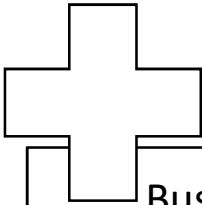
When Input Tax can be re covered?

- Following Cumulative Conditions to be fulfilled
 - ❖ Recipient must be a **taxable person** - registered for VAT
 - ❖ VAT on the purchase must have been **correctly charged** by the supplier
 - ❖ The goods or services have been acquired for an **eligible purpose**
 - ❖ Recipient must receive and retain a **tax invoice evidencing the transaction**
 - ❖ The amount of VAT which the recipient seeks to recover **must have been paid** in whole or in part, **or intended to be paid** in whole or in part
 - ❖ Certain incurred VAT **is specifically blocked** from being recoverable as input tax regardless of whether the above conditions have been met

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Registration for Fully Exempt or Partly exempt supplies



Business engaged in providing partly exempt business Supplies

Provisions will apply accordingly for taxable supplies and threshold will be computed accordingly

Business engaged in providing fully VAT exempt supplies

VAT Registration not Required

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Registration Exception

- ❖ Subject to Mandatory Registration Threshold , person making **Taxable Supplies** shall be required to be registered under VAT Law.
- ❖ Taxable supply excludes Exempt supply but include Zero Rated Supply (Export of Goods and Services)
- ❖ Therefore Person making Zero Rated supply is required to Register, subject to Mandatory Registration Threshold
- ❖ **Person exclusively making zero rated supply have 2 choice**

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Registration Exception

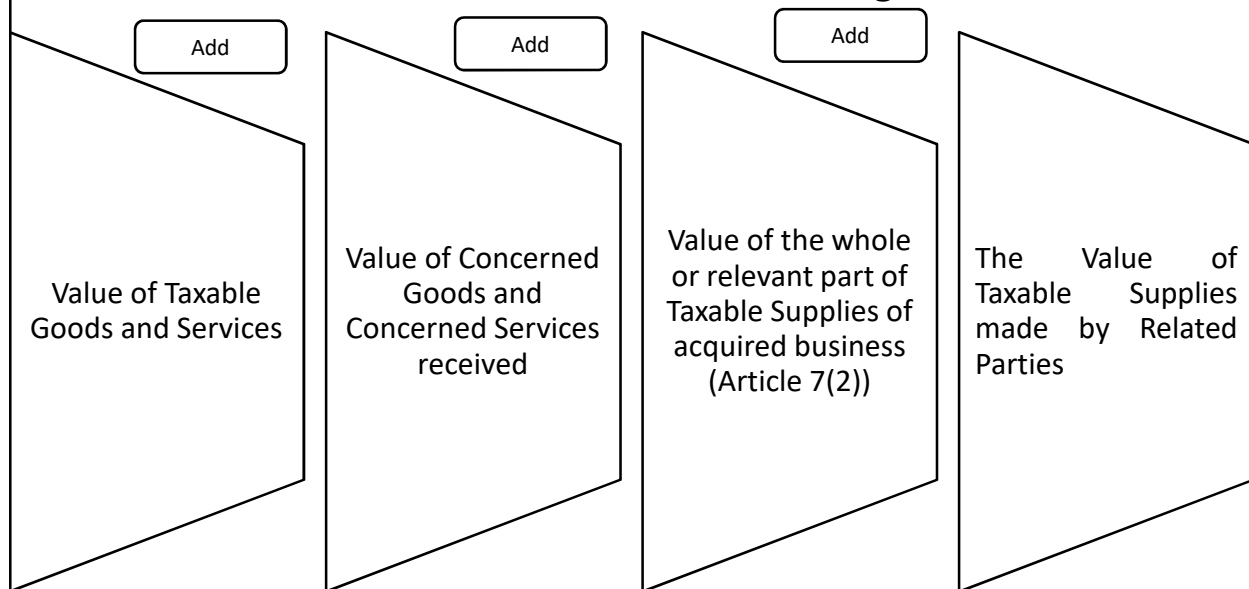
- ❖ Choice 1 : Request Federal Tax Authority (FTA) to exempt him from Registration / Return formalities and loose Refund of Recoverable Input Tax (ITC)

- ❖ Option 2: Opt for Registration, complete other obligations and claim Refund of Recoverable Tax (ITC)

- ❖ **Other obligation if Person is choosing Option 1**
 - If such person **makes any changes in business** (e.g. Started supplying Taxable Supply of goods and Service other than zero rated), Inform Authority within time limit prescribed.
 - If such person is **taking benefit of this Article without being entitled** (e.g. wrongly treating his Supply as Zero rated), he shall be liable to pay Tax and Penalties.

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How to Calculate Threshold for Tax Registration



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Tax Group Registration

- Each such person have a **Place of Establishment or Fixed Establishment** in the State.
- Such persons are related (Economic financial or regulatory level)
- One or more persons conducting business in a partnership shall control the others
- Instead of Separate Registration for each Person Tax Registration Allowed as Group
- No VAT on Transaction between members of Tax Group

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Registration – Misc.

❖ Tax Deregistration Voluntary Registration

A Registrant may opt for Tax Deregistration in following cases:

- If Taxable supplies are stopped.
- Value of taxable supplies over a consecutive twelve month period is less than the voluntary registration threshold &
- Registration do not anticipates total value of supplies or expenses which are subject to tax to exceeds voluntary registration threshold in next 30 days.

• Tax Deregistration Mandatory Registration

- A registrant may apply to the Authority for Tax Deregistration **if the value of his taxable supplies during the past 12 months was less than the mandatory registration threshold.**

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Valuation of Supply

Consideration	Value of Supply
Only monetary	Consideration – Tax
All/part is not monetary	Monetary part + Market value of non – monetary part, and shall not include the tax.
In case of Reverse Charge	Market Value of the consideration without addition of tax.

Advertised Value (MRP) is presumed to be inclusive of VAT

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Date of Supply (Time of Supply) – Normal Case

- Earliest of

Description	Applicability to	Date of Supply
Transfer Supervised by Supplier	Goods	Transfer of Lawful Possession
Transfer without Supervision by Supplier	Goods	Lawful Collection / Possession of Goods
Assembly and Installation	Goods	Completion of Installation / Assembly
Import under GCC Common Custom Law	Goods	Date of import as per GCC legislation
Goods Sold on Approval	Goods	Date of approval or 12 month from delivery date
Provision of Service	Services	Completion of Service
Receipt of Payment / Issuance of Tax Invoice	Goods and / or Service	Actual date of Receipt of Payment or issue of Invoice

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Date of Supply (Special case) – Few instance

- For contracts having periodic payment or consecutive invoices (Continuous Contract of Goods / Services)
 - ✓ Earliest of
 - ✓ Date of issue of invoice
 - ✓ Date of payment is due as shown in **Tax invoice**
 - ✓ Date of receipt of payment.
- For Deemed Supply of Goods
 - Date of their supply or Date of their disposal or date of change of usage or date of deregistration as the case may be

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What are Tax Payers obligation under UAE VAT?

- Opt for Registration if liable
- Records Keeping
- Payment of Applicable Taxes
- Online Submission of Returns
- Providing required details to FTA in case asked for

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What are records required to be maintained by Tax Payer?

- **Books of Accounts** and any other information necessary to verify entries
- E.g. Annual Accounts, General Ledger, Sales Register, Purchase Register, Invoice Issued, Invoice received, Debit and Credit notes.
- Records of Exported Goods / Services
- Records of Imported Goods / Services.
- Any other information as may be directed by FTA

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What are Provision for Issuing VAT Invoice

- 2 Types of Invoices can be issued
- Simple Invoice
- Tax Invoice
- When to issue Simple Tax Invoice ?
- **Only in following 2 instances Simple Tax Invoice is allowed**
 1. Where your customer is not registered
 2. Where your customer is registered but value of supply is less than AED 10000

In all other instance Tax payer is required to issue Tax Invoice

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What are Contents of Simple Invoice ?

- **“Tax Invoice”** clearly displayed
- Name, address and TRN of supplier
- Date of issue
- Description of goods or services supplied
- Total consideration and tax amount charged

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What are Contents of Tax Invoice ?

- **‘Tax Invoice’** clearly displayed
- Name, address and TRN of supplier
- Name, address and TRN of recipient (if recipient is also registered for VAT)
- Sequential Tax Invoice number, or a unique number which enables identification of the Tax Invoice and the order of the Tax Invoice in any sequence of invoices
- Date of issue
- Date of supply (if different from date of issue)

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What are Contents of Tax Invoice ?

- Description of goods or services supplied
- The unit price, quantity or volume, rate of tax and amount payable expressed in AED for each good or service
- The amount of discount offered
- Gross amount payable in AED
- Tax amount payable expressed in AED together with rate of exchange applied
- **HSN code not required !!!!**

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Other Provision for Issuing VAT Invoice

- Within how many days Registered Supplier is required to issue Tax Invoice ?
- Within 14 days from date of supply
- Whether manual / hand written invoice is allowed?
- Yes, Invoice can also be hand written
- Whether Electronic Tax Invoice can be issued ?
- Yes, Supplier should store such invoice properly and integrity should be ensured. E.g. Digitally signed invoice
- Can cash receipts be issued instead of tax invoices?
- **No, Invoice is must.**

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Special Case of Tax Invoice

- E.g. Mr. A has made 10 supplies in the month of January 2018 to Mr. B . Whether Mr. A is compulsorily required to issue 10 separate Invoice ?
- As long as Mr. A is issuing one summary invoice covering all supplies made in the same month, Mr. A can issue **one Summary Tax Invoice for entire month.**
- Whether Tax Invoice is required to be issued for Zero Rated Supply ?
- No. Ordinary invoice is sufficient which can prove particulars of supply.
- How Long Tax Invoice be Retained?
- Taxable person must keep tax invoices issued and received for minimum 5 years.
- For Tax payers involved in Real Estate : 15 years
- For Capital Assets : 10 years

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VAT Returns

- **When and how should VAT returns be filed?**
- Taxable persons must submit VAT tax returns on a **Periodic basis** within 28 days of the end of the tax period which are:
- Businesses with **annual revenues of less than AED 150 million** are required to file **Quarterly Return.**
- Businesses whose annual revenues **equal or exceed AED 150 million , Monthly Return**
- Taxpayers can file their returns online using e-services.
- Query
- I have business across various Emirates of UAE, am I required to provide Emirates wise Sales / Credit note / Sales Return details in VAT Returns?
- Yes Sales / Credit Note / Sales Return details are required emirates wise.

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UAE VAT RETURN FORMAT

UAE VAT RETURN FORMAT					
VAT on Sales and all other Outputs					
Box	Details	Amount (AED)	VAT (AED)	Adjustment (AED)	ToolTip
					Amount (AED): Please enter all amounts relating to Sales and other Outputs net of VAT. Adjustment (AED): Please use this column if there is a change in circumstances (e.g. goods/services sold in a previous tax period that were returned in the current period, adjustment for bad debts, credit notes or other). All amounts provided should be VAT amounts and can be positive or negative amounts.
1a	Standard rated supplies in Abu Dhabi				Enter supplies of goods and services made within the period subject to the standard rate of VAT and which are considered to take place in the Emirate of Abu Dhabi.
1b	Standard rated supplies in Dubai				Enter supplies of goods and services made within the period subject to the standard rate of VAT and which are considered to take place in the Emirate of Dubai.
1c	Standard rated supplies in Sharjah				Enter supplies of goods and services made within the period subject to the standard rate of VAT and which are considered to take place in the Emirate of Sharjah.
1d	Standard rated supplies in Ajman				Enter supplies of goods and services made within the period subject to the standard rate of VAT and which are considered to take place in the Emirate of Ajman.
1e	Standard rated supplies in umm Al Quwain				Enter supplies of goods and services made within the period subject to the standard rate of VAT and which are considered to take place in the Emirate of Umm Al Quwain.
1f	Standard rated supplies in Ras Al Khaimah				Enter supplies of goods and services made within the period subject to the standard rate of VAT and which are considered to take place in the Emirate of Ras Al Khaimah.
1g	Standard rated supplies in Fujairah				Enter supplies of goods and services made within the period subject to the standard rate of VAT and which are considered to take place in the Emirate of Fujairah.
2	Supplies subject to the reverse charge provisions				Enter supplies of goods and services received, which are subject to the reverse charge provisions, including imports of services from foreign suppliers on which you are required to account for VAT. Please disregard any imports of goods through customs which are subject to the reverse charge and for which the import VAT is reported separately in box 6 below.
3	Zero Rated Supplies				Enter supplies, which are subject to the zero rate. Do not include in this box sales (supplies) made to registered customers in other GCC implementing states.
4	Supplies of goods and services to registered customers in other GCC implementing states				Enter supplies made to customers registered for VAT in other GCC implementing states and for which the place of supply is the other GCC implementing state.

UAE VAT RETURN FORMAT

UAE VAT RETURN FORMAT					
5	Exempt Supplies				Enter exempt supplies (e.g. specified financial services, bare land, local passenger transport, and specified residential buildings).
6	Import VAT accounted through UAE customs				This includes the import VAT imposed on import of goods into the UAE. It is populated based on the amounts declared by you in your customs import declarations.
7	Amendments or corrections to Output figures				Enter any corrections for errors from a previous VAT return. Please consider if you are required to make a voluntary disclosure instead.
8	Totals		A1 = Sum	A2 = Sum	
VAT on Expenses and all other Inputs					
Box	Details	Amount (AED)	VAT (AED)	Adjustments (AED)	ToolTip
9	Standard Rated Supplies				Enter all expenses subject to the standard rate of VAT for which you would like to recover input tax. This should also include any VAT paid in other GCC implementing states on expenses if you are eligible to recover that VAT in the UAE (refer to the relevant UAE legislation provisions). With respect to the VAT amount, please enter the amounts of recoverable VAT only, in case your ability to recover input tax is restricted.
10	Supplies subject to the reverse charge provisions				Enter any expenses which were subject to the reverse charge for which you would like to recover input tax. With respect to the VAT amount, please enter the amounts of recoverable VAT only, in case your ability to recover input tax is restricted.
11	Amendments or corrections to Input figures				Enter any corrections for errors from a previous VAT return. Please consider if you are required to make a voluntary disclosure instead.
12	Totals		A3 = Sum	A4 = Sum	
Net VAT Due					
13	Total Value of Tax due for this tax period				A5 = A1+A2
14	Total value of recoverable tax for the period				A6=A3+A4
15	Net VAT due (or reclaimed) for the period				A7=A5-A6
16	If a VAT refund is due, do you wish to request that the refund is paid to you?				Y/N

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Transitional Rules

- Invoice is issued prior to 01/01/2018 **or**
- Payment is received prior to 01/01/2018
- However any of the following events takes place after 31/12/17
- Transfer of goods under the supplier's supervision
- Goods are placed in the possession of the recipient of the goods
- Completion of assembly of the goods
- A customs statement is issued
- The customer accepts the supply of goods
- Whether such Invoice / Payment will be subject to VAT ?
- Yes such Invoice / Payment will be subject to VAT

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Transitional Rules

Contract made prior to 01/01/2018 but supply made wholly or partly after 31/12/2017 whether VAT will be payable ?

Yes VAT will be payable on such supplies

Company A enters into contract to sell to Company B for AED 5000 on 15/12/2017. Supply was made on 03/01/2018, Company B is unregistered. Contract does not mention about who will pay VAT. Tell us who will bear burden of Newly introduced VAT?

Since contract is silent and Company B is unregistered, VAT of AED 238.09 (5000/105 *5) will be borne by Company A.

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Transitional Rules

Company A enters into contract to sell to Company B for AED 5000 on 15/12/2017. Supply was made on 03/01/2018, Company B is Registered and entitle for full recovery of VAT . Contract does not mention about who will pay VAT. Tell us who will bear burden of Newly introduced VAT?

Since contract is silent and Company B is registered and entitle for full recovery of VAT , VAT of AED 250 (5000 *5) will be charged by Company A to Company B in invoice and will be paid to FTA.

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Basics of Reverse Charge VAT

Tax payment of Import of goods/ services:

- ❖ **If Importer is registered**
- ❖ pay vat on import along with tax return (*for goods and services both*)

- ❖ **If Importer is unregistered**
- ❖ Registered Agent of Importer will pay VAT along with his tax return (*import of goods only*)

- ❖ **If unregistered and no agent services availed (*import of goods only*)**
- ❖ to be paid by self at the time of import

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Audits

- FTA can visit businesses to inspect records and make sure persons are paying or reclaiming the right amount of tax
- FTA can check whether businesses liable to be registered are registered or not.
 1. FTA will usually conduct the audit at the **person's place of business** or at the **FTA office**
 2. If audit at the person's place of business, must be informed at least **5 business days** prior to the audit.
 3. FTA can close the place of business for upto **72 hours** (in case of suspect tax evasion)

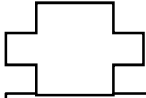
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Audits

4. FTA officer may request original records, take sample of merchandise, mark assets to indicate they have been inspected.
5. The FTA may also remove records, documents and samples
6. The audited person should be notified of the results of the tax audit within 10 business days of the end of the audit.

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Penalties under UAE VAT



Administrative

Not less than 500 dirham and not more than 3 times the amount of tax for which the penalty was levied

Administrative penalties are intended to address non-compliance, and encourage compliance.

The FTA has the power to waive or reduce penalties at its discretion (e.g. taxable person has a reasonable excuse for the error).

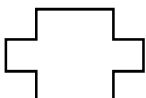
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Tax Evasion

Up to five times the relevant tax at stake and a prison sentence

Tax evasion is where a person uses illegal means to either lower the tax or not pay the tax due, or to obtain a refund to which he is not entitled under law

Penalties under UAE VAT



Administrative

Few examples

If the person conducting a business **fails to keep the required records** and other information;

If the person conducting a business **fails to submit the data, records and documents related to tax in Arabic language** when requested by FTA;

If the taxable person fails to submit a **registration application** within the period required.

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Tax Evasion

Few examples

Where a person deliberately provides false information and data and incorrect documents to the FTA;

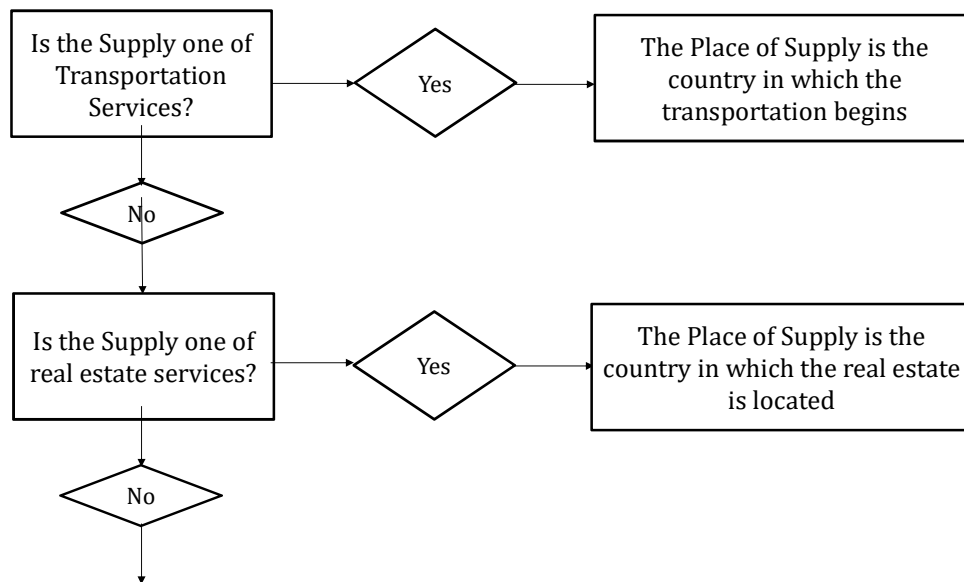
Where a person deliberately conceals or destroys documents or other material that he is required to maintain and provide to the FTA

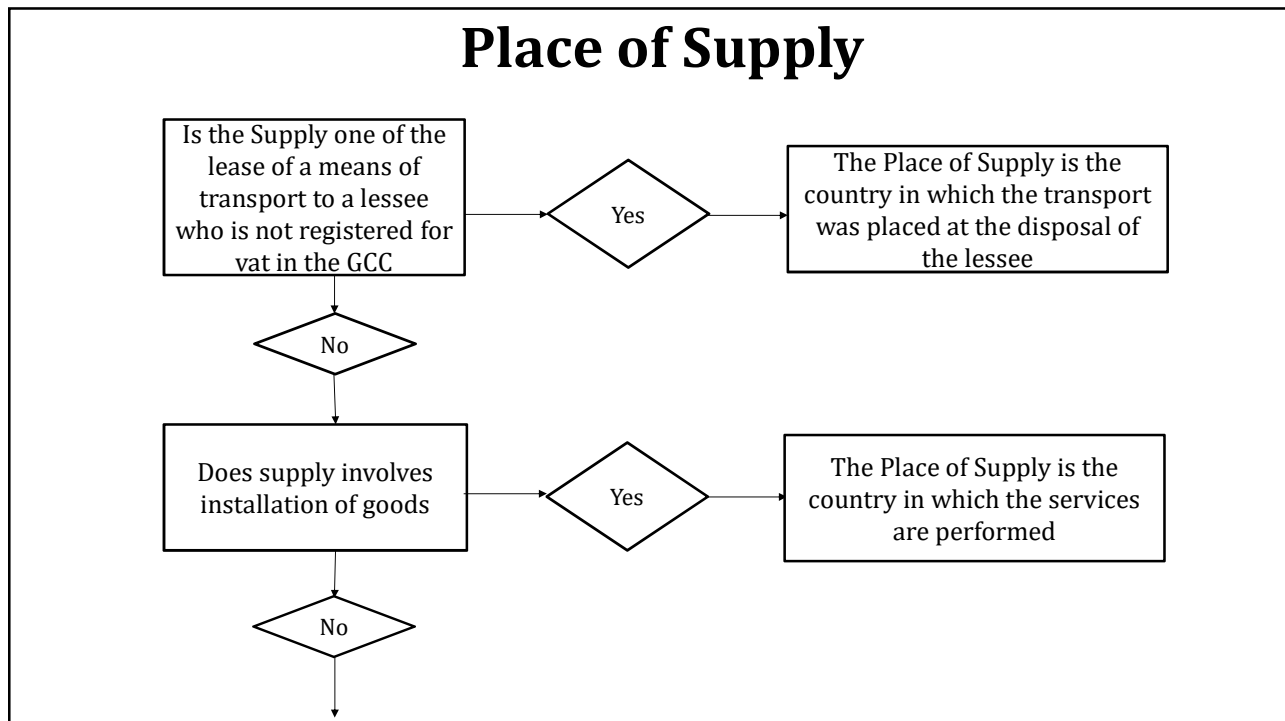
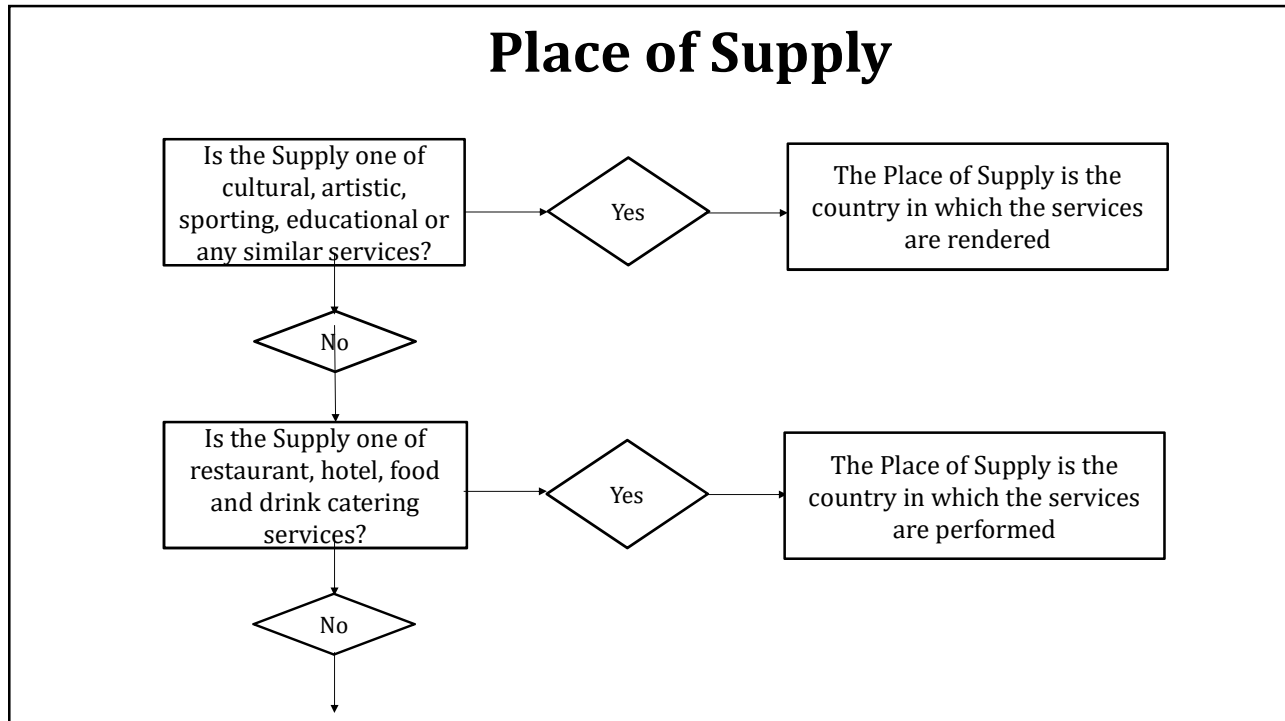
Few Example of Quantum of Penalties

Description of Violation	Penalties (AED)
The failure of the person conducting Business to keep the required records and other information specified in Tax Procedures Law and the Tax Law	<ul style="list-style-type: none"> • 10000 for the first time • 50000 in case of repetition
The failure of the person conducting Business to submit the data, records and documents related to Tax in Arabic to the Authority when requested	<ul style="list-style-type: none"> • 20000
The failure of the Taxable Person to submit a registration application within the timeframe specified in the Tax Law	<ul style="list-style-type: none"> • 20000
The failure of the Registrant to submit a deregistration application within the timeframe specified in the Tax Law	<ul style="list-style-type: none"> • 10000
The failure of the Registrant to submit the Tax Return within the timeframe specified in the Tax Law	<ul style="list-style-type: none"> • 1000 for the first time • 2000 in case of repetition within 24 months

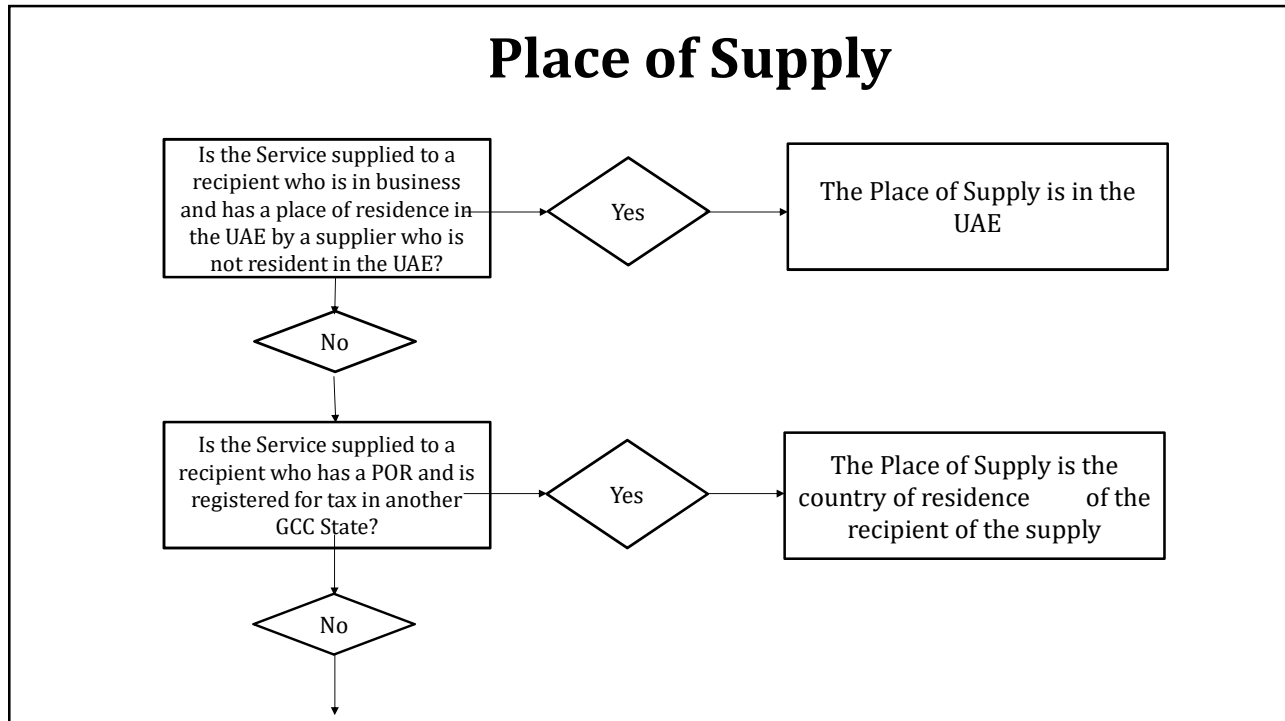
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Place of Supply

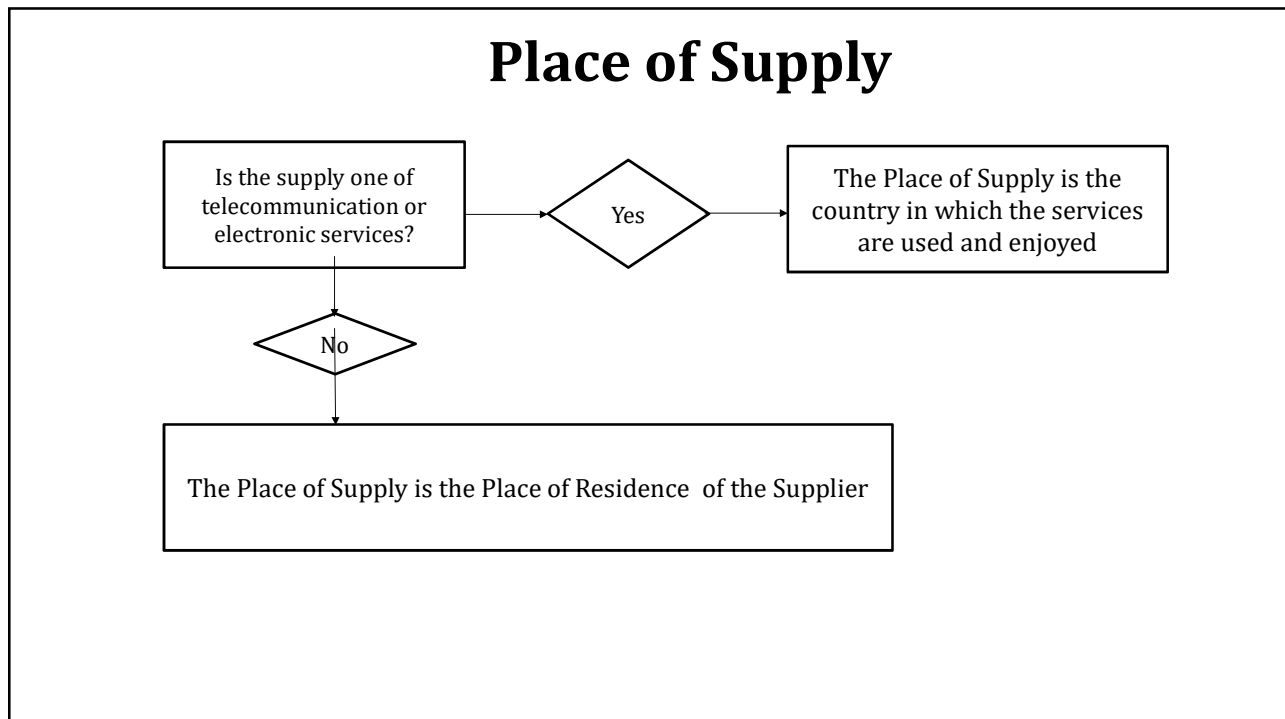




Place of Supply



Place of Supply



Some Example of Place of Supply

Exporting State	Importer (Registered/ Unregistered)	The value of total exports by exporting dealer is below/ above the mandatory registration threshold	POS is in UAE or Outside?
UAE	Importer – not registered in his implementing state. (KSA importer not registered)	Below mandatory registration threshold in implementing state of importer	In, UAE VAT will be levied
KSA	UAE Importer – Not registered in UAE	Above mandatory registration threshold in UAE	In, UAE VAT will be levied

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Some Example of Place of Supply

Exporting State	Importer (Registered/ Unregistered)	The value of total exports by exporting dealer is below/ above the mandatory registration threshold	POS is in UAE or Outside?
UAE	Importer – not registered in his implementing state	Above mandatory registration threshold in implementing state of importer	Outside
Another Implementing State	UAE importer – Not registered in UAE	Below mandatory registration threshold in UAE.	Outside

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Some Example of Place of Supply

Example 1:

Goods exported **from UAE to India**, the POS would be UAE. Zero Tax being Export.

Example 2:

A dealer exported goods from UAE to an unregistered customer in KSA and the total value of supplies (exports) made by such dealer to KSA is below mandatory registration threshold in KSA, i.e., he is not required to get himself registered in KSA then in such case, POS will be UAE. Dealer will charge UAE VAT and VAT Recovery will be available in KSA to importer.

Example 3:

A dealer in KSA exports goods to a person unregistered in UAE and the value of all exports by such dealer from KSA to UAE is higher than the mandatory threshold limit of UAE, then the person exporting the goods from KSA has to get mandatory registration threshold in UAE, and POS in such case will be UAE. After Registration in UAE, he will charge UAE VAT.

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Rate Structure for Education

- Private and public school education (excluding higher education) and related goods and services provided by educational institutions 0%
- Higher education provided by institution owned by government or 50% funded by government, and related goods and services 0%
- Education provided by private higher educational institutions, And related goods and services 5%
- Nursery education and pre-school education 0%
- After-school activities supplied by teachers

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Rate Structure for Education

- Electronic equipment (tablets, laptops, etc.)
- Renting of school grounds for events
- After-school activities
- School trips for recreation or not within curriculum
- School uniforms
- Stationery

5%

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Rate Structure for Healthcare

- Healthcare services aimed at treatment of humans, including medical services and dental services
- Medicines and medical equipment as listed in Cabinet Decision
- Preventive healthcare services including vaccinations

0%

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Rate Structure for Healthcare

- Other healthcare services that are not for treatment and are not preventive (e.g elective, cosmetic, etc.)
- Medicines and medical equipment not listed in Cabinet Decision
- Other medical supplies

5%

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Rate Structure for Real Estate

- First sale/rent of residential building after completion of construction or conversion
- Sale/rent of residential building subsequent to first supply
- First sale of charitable building
- Bare Land

0%

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Rate Structure for Real Estate

- Sale and rent of commercial buildings (not residential buildings)
- Hotel, motels and serviced accommodation
- UAE citizen building own home (recoverable)

5%

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Rate Structure for Other Sectors

- Food & Beverages
- Telecommunication

5%

- Oil & Gas
 - * Crude oil and natural gas

0%

- * Other oil and gas products including petrol at the pump

5%

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Rate Structure for Gold, Silver & Jewellery

- $\geq 99\%$ pure and tradable in global markets

0%

- $< 99\%$ pure gold and jewellery

5%

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Rate Structure for Transportation

- Domestic passenger transportation Exempt
(including flights within the UAE)
- International transportation of passengers and goods
(including intra-GCC)
- Supply of a means of transport (air, sea and land) for the
commercial transportation of goods and passengers (over 10 people)
- Supply of goods and services relating to these means of transport
and to the transportation of goods and passengers

0%

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Rate Structure for Insurance & Reinsurance

- Insurance and reinsurance
(including health, motor, property, etc.)

5%

- Life insurance and life reinsurance

0%

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Rate Structure for Financial Services

- Margin based products
(products not having an explicit fee, commission, rebate,
discount or similar)

0%

- Products with an explicit fee, commission, rebate,
discount or similar

5%

- Interest on forms of lending
(including loans, credit cards, leasing)

0%

- Issue, allotment or transfer of an equity or debt security

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Disclaimer

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