Things You Need to Know About VAT

1. **What is VAT?**
   - An indirect tax imposed on the supply of most goods and services
   - Charged at each step of the supply chain
   - The end-consumer ultimately bears the costs
   - Businesses collect and account for the tax
   - In effect, businesses will be collecting the tax on behalf of the government

2. **Why is the UAE implementing VAT?**
   - The UAE provides its citizens and residents with various high-quality public services, including hospitals, roads, public schools, parks, and civil services. These services are paid for by the government.
   - VAT will provide the country with a new source of income, which will ensure the continued provision of high-quality public services in the future. It will also help the government achieve its vision of reducing dependence on oil and building a sustainable knowledge economy for the future.

3. **Which sectors are subject to VAT?**
   - VAT is levied on the supply of all goods and services, including food, commercial buildings and hotel services, if no explicit provision is made to impose a zero rate or an exemption.

4. **What is the difference between exempt supplies and zero-rated supplies?**
   - Businesses that supply goods or services that are subject to a zero rate are required to register for VAT, but can recover the VAT that they incurred on their purchases.
   - Meanwhile, businesses that supply tax-exempt goods or services cannot recover the VAT they incurred on their purchases.

5. **The mandatory registration limit and the voluntary registration limit**
   - A business must register for VAT if their taxable supplies and imports exceed the mandatory registration threshold of AED 375,000.
   - A business may choose to register for VAT voluntarily if their supplies and imports are below the mandatory registration threshold, but exceed the voluntary registration threshold of AED 187,500.
   - Similarly, a business may register voluntarily if their expenses exceed the voluntary registration threshold.

6. **Are there specific dates for businesses to register for VAT?**
   - All businesses must submit an application for registration as soon as possible, in order to avoid the risk of non-registration by January 1, 2018, which would entail fines as stipulated in Cabinet Decision No. (40) of 2017 on Administrative Penalties for Violations of Tax Laws in the UAE.

7. **How to register for VAT**
   - Tax registration can be done through the Federal Tax Authority’s website, available 24 hours a day, 7 days a week.
   - All means of communication with the Authority are available on the website.

8. **Will there be Tax grouping?**
   - Businesses that satisfy certain requirements covered under the Legislation (such as having a place of residence in the UAE and being related/associated parties) will be able to register as a Tax group. For some businesses, Tax grouping will be a useful tool that would simplify accounting for VAT.

9. **Can businesses begin charging VAT before January 1, 2018?**
   - Businesses are prohibited from imposing VAT on any goods or services before January 1, 2018.

10. **Records to be retained**
    - All businesses, registered and unregistered, must retain records such as Balance Sheet, Profit and Loss, records pertaining to fixed assets, payroll, inventory and stock levels, as well as accounting records (payments, receipts, purchases, sales, revenues and expenses).
    - Businesses may be required to make changes to their core operations, financial management practices, the procedures they use to keep accounting books and records, and the technology they use in their accounting practices, in addition to changes in their human resources (accountants, tax advisers, etc.).