

# Implementing VAT in your business

## Should I be registered for VAT?

If your taxable turnover - the value of the goods and services that you supply and any imports, but excluding any exempt supplies (e.g. certain financial services and life insurance, some property transactions and local passenger transport) - exceeds AED 375,000 in a 12 month period, or if you expect your taxable turnover to exceed AED 375,000 in the next 30 days, you are required to register for VAT.

If your taxable turnover, or expenses which you incur that are subject to VAT, is less than AED 375,000, but more than AED 187,500, you can register for VAT voluntarily.



## Can I form a tax group?

Related businesses that share economic, financial and regulatory ties (either in law, shareholding or voting rights) may be able to register as a tax group, if they have an establishment in the UAE and are legal persons under common control. Transactions between the group members are disregarded and one member of the group, called a 'representative member', will file a consolidated VAT return covering the activities of the group. Furthermore, all supplies made or received by any of the tax group member will be treated as made by the representative member of the group - although all members of the group will remain jointly and severally liable for VAT debts.

## How do I register?

The VAT registration form and tax group registration form are available via the online portal on the FTA website. Please refer to the Downloads section on the e-Services portal for more information on how to register.



## Is there any input tax that I cannot reclaim?

Yes. The VAT incurred on entertainment expenses, motor vehicles used for personal purposes and employee-related expenses cannot be reclaimed.



## How does VAT work?

Once you have registered for VAT, you will have to charge VAT (output tax) on the supplies that you make, unless they are exempt or zero-rated, and account for the VAT you charge to your customers on tax returns made to the FTA. You will be able to reclaim the VAT you pay to your suppliers (input tax) on your tax returns, provided that you have a tax invoice or other evidence of the supply or import and have paid the VAT you wish to reclaim.

## What records will I need to keep?

Records need to be kept for at least 5 years. You will have to keep:

- records of all supplies and imports of goods and services;
- all tax invoices and tax credit notes and alternative documents received;
- all tax invoices and tax credit notes and alternative documents issued;
- records of goods and services that have been disposed of or used for matters not related to the business, detailing the VAT paid on those goods and services;
- records of goods and services purchased for which the input tax was not deducted;
- records of exported goods and services; and
- records of adjustments or corrections made to accounts or tax invoices.



In addition, you will need to keep a VAT record or account which shows:

- output tax due on taxable supplies;
- output tax due on taxable supplies accounted for via the reverse charge mechanism;
- output tax due after the correction of any errors or adjustments;
- input tax recoverable on supplies or imports; and
- input tax recoverable after the correction of any errors or adjustments.

Moreover, like all businesses, you will have to keep accounting records and documents that relate to your business activities. Such records and documents, include:

- balance sheet and profit and loss accounts;
- records of wages and salaries;
- records of fixed assets;
- inventory records and statements (including quantities and values) at the end of any relevant tax period and all records of stock-counts related to inventory statements.

## When and how will I file tax returns and what will be shown on them?

You will normally be allocated a quarterly or monthly tax period according to your annual turnover, but the FTA may allow a shorter or longer tax period if it considers that to be appropriate. You will be required to file the tax return for each tax period by the 28th day of the month following the end of it (or on the next working day if the normal due date falls on a national holiday or weekend).

Tax returns will be filed electronically through the FTA portal.

On each return, you will need to show:

- The value of standard-rated supplies made in the tax period and the output tax charged, per Emirate.
- The value of zero-rated supplies made in the tax period.
- The value of exempt supplies made in the tax period.



## When will I have to pay any tax due?

You will be required to pay any tax due by the due date for each return - i.e. by the 28th day of the month following the end of each tax period (or on the next working day if the normal due date falls on a national holiday or weekend).



- The value of any reverse charged supplies received in the tax period.
- The value of expenses incurred in the tax period where you seek to recover input tax and the amount of recoverable tax.
- The total amount of tax due and recoverable input tax for the tax period.
- The tax payable (or repayable) for the tax period.

## How can I pay any tax due?

There are a number of payment mechanisms that will be available to make a payment of any tax to the FTA, via e-Dirham. If you do not have an e-Dirham account please apply for one as early as possible. More information is available on the e-Dirham website.



## When will I receive any repayment that I claim?

Where you are in a repayment position, the FTA will inform you that any repayment claim that you make has been approved or rejected within 20 working days. On occasion, however, the FTA may inform you that consideration of the claim will take longer than that.

