

# VALUE ADDED TAX (VAT) IN THE UAE

## 1. Its impact on the End Users

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# What would be the impacts on the end users?

## Vat impacts both...



Businesses



Consumers

## As a whole organization

Might affect the GP  
and margin

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Might affect cash  
flow

# WHAT WOULD BE THE IMPACTS ON THE COMPANIES?

## How it affects the management and how to cope up



# WHAT WOULD BE THE IMPACT ON THE COMPANIES?

## Documentation



Retention of  
relevant documents  
to be followed  
strictly

Preserving and maintaining of relevant documents will be prescribed in the VAT Law.

A VAT-registered person must keep full and true records of all business transactions which affect or may affect his or her liability to VAT and entitlement to deductibility or even adjustments.

Proper documentation also promotes easier tracing and tracking of sources of both output and input VAT.

The Tax Authorities have extensive powers in regard to the inspection of records and failure by accountable business entities may result to unwanted penalties.

# WHAT WOULD BE THE IMPACT ON THE COMPANIES?

## Cash Flow



Managing the Cash flows is very challenging to most of the business and organizations. The same is true all over the world.

There are so many ways of surviving the possibility of cash shortage due to the VAT.

Balancing the needs of the day-to-day business operations, capital maintenance and legal obligation to settle VAT liability requires skills, anticipation and planning ahead is a must.

**For more information, consult us.**

# What would be the impacts on the Consumers?

Individually as consumers, **VAT** affects us based on our buying habits, life-styles, necessity and dependents. However, generally speaking it will affect us on the following ways:



Five Percent (5%) will have a **less** impact on the overall inflation. However, ten percent (10%) or more will have a massive effect in the nation.

The negative effects, if any, will offset by the benefits of increase in Government Revenues.

# What would be the impacts on the Consumers?



Luxury goods, tobacco, carbonated, and others will be affected the most by additional VAT and Excise tax

For example, if a cigarette retail price is AED10 before VAT and Excise Tax, it will become AED21 (AED10 Excise and AED1 (5% of AED20))

Education, Healthcare and Basic consumer goods will not be affected