

inBrief



VAT registration in the UAE has commenced

By Bashir Ahmed and Vivek Agrawalla | 10 October 2017

The United Arab Emirates (UAE) Federal Tax Authority (FTA) has commenced accepting registrations for Value Added Tax (VAT) through its online portal.

Registrations are currently being accepted on a voluntary basis by entities that satisfy the following registration criteria:

- Any business resident in the Gulf Cooperation Council (GCC) making supplies of goods or services in the UAE with a turnover subject to VAT of more than AED 375,000 in the last 12 months, or an expected turnover of more than AED 375,000 in the next 30 days (i.e. entities with mandatory registration requirements).
- Any business resident in the GCC making supplies of goods or services in the UAE with a turnover or expenses subject to VAT of more than AED 187,500 in the last 12 months, or an expected turnover or expenses of more than AED 187,500 in the next 30 days (i.e. entities who can voluntarily register).
- Any business resident outside of the GCC that expects to make supplies of goods or services within the UAE that does not have another entity to account for the VAT liability in the UAE on their behalf (there is no registration threshold for non-established taxable entities).

Businesses that satisfy mandatory registration requirements will need to ensure they are registered prior to 1 January 2018, whilst for businesses under the AED 375,000 threshold, registration at this time is purely voluntary.

For entities that have previously registered for Excise Tax with the FTA and already hold a Tax Registration Number (TRN), registration for VAT will still be required as a different TRN will be issued for their VAT registration.

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Article 15 of the VAT Decree Law No. (8) of 2017 provides an exception to registration if an entity only supplies zero-rated supplies. A VAT registration application must still be completed through the FTA portal, however by answering 'Yes' to the question 'Are you applying for an exception from VAT registration', the applicant will have satisfied any mandatory requirements from a registration perspective.

It is relevant to note that although the VAT registration has commenced, the Executive Regulation and the Cabinet Decision in relation to the VAT Decree Law No. (8) of 2017, that are likely to contain many relevant operative provisions, are yet to be issued.

VAT Grouping

Each GCC country is provided the choice by the Common VAT Agreement of the States of the GCC to adopt VAT groups. VAT grouping law is domestic, meaning only local entities are allowed to be VAT-grouped together. There is no cross border VAT group concept, as not every country may elect to adopt VAT grouping.

Article 14 of the VAT Decree Law No. (8) of 2017 provides for two or more legal persons resident in the UAE that are conducting business to apply for VAT registration as a Tax Group.

VAT groups will be allowed where one person or one company controls the others. The applicant will need to explain and provide evidence of legal commercial control in order to form a VAT group.

In the UAE it is common to have multiple branches of the same entity registered in different emirates. From a legal and a VAT perspective they are not different entities. There is no VAT accounting needed when moving goods and services between branches as there is no supply to a different entity.

VAT grouping provides quasi branch treatment to entities with common control. VAT grouping is by election. For instance, in a scenario of 100 companies with common legal control, a differing number of companies could be placed in a VAT group based on operational and business priorities, although each company can only be part of one VAT group.

By grouping VAT payers with refund entities, VAT liabilities can be offset, possibly reducing cash flow implications created by the imposition of VAT. However, there appears to be the choice of not establishing any VAT groups and proceeding with individual VAT registrations. If the FTA perceives abuse of the grouping provisions in any situation (e.g. not grouping multiple entities to stay under registration thresholds) then the FTA has the power to refuse VAT grouping or remove entities from a group.

Once a VAT group has been successfully created, only one TRN number will be issued to the group and one VAT return will be required to be filed, resulting in a simplification of VAT administration.

Members of a VAT group become jointly and severally liable for each other's VAT liabilities and can ignore transactions between entities within the group for VAT purposes.

VAT Registration Process

The FTA estimates that the registration process should take approximately 15-20 minutes to complete. However, this estimate is predicated on the applicant having all the relevant information compiled at the time of making the application. During the application process, various documents (listed in the table below) relating to the taxpayer's entity will be requested to be lodged on the portal. Soft copies of the relevant documents should be available before commencing the registration process.

Once an application has been submitted with the FTA for processing, it will be assessed to ensure the applicant satisfies all requirements to be eligible for a VAT registration. The FTA may require additional information for certain applications, and they will contact the applicant for clarification before the application is allowed to progress. Applications will be rejected if the FTA does not believe that all registration requirements are met. Once an application has been approved by the FTA, a TRN for VAT purposes will be issued. This will allow the registered entity to submit VAT returns, along with paying any VAT liability due. ■

Individual Person	Incorporated Entities (e.g. a Civil Company, a Sole Establishment, or a Limited Liability Company)	Non Corporate Entities (e.g. a Partnership, Trust, Charity, etc)	Government Entity
Trade License(s)	Trade License(s)	Trade License(s)	Law or decree of establishment
Emirates ID	Certificate of Incorporation (Free Zone Companies)	Certificate of Incorporation (if applicable)	Contact Information
Passport ID Page	Certificate of Incorporation (if applicable)	Club or Association Registration	Bank Account Details
Partnership Agreement (if applicable)	Articles of Association/Partnership Agreement (if applicable)	Contact Information	Customs Details (if applicable)
Contact Information	Contact Information	Bank Account Details	Authorized Signatory Documents
Bank Account Details	Bank Account Details	Financial Statements	
Financial Statements	Financial Statements	Customs Details (if applicable)	
Customs Details (if applicable)	Customs Details (if applicable)	Authorized Signatory Documents	
	Authorized Signatory Documents	Passport and Emirates ID of manager, owner and senior management	
	Passport and Emirates ID of manager, owner and senior management		

Source: Federal Tax Authority website (www.tax.gov.ae)

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