# VAT in the UAE in a nutshell

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Well, it's already less than 4 month to go until the VAT to get introduced across the Emirates. So, is it good or bad? The official website of Ministry of Finance answers that question and says that it helps the government to provide high-quality public service and reduce dependency on fossil fuels in the future. Therefore, the new taxation policy will be in place starting on January 1, 2018, and the UAE is not alone on this road. By the end of 2018, VAT will have been introduced to all six countries of the GCC. Ok, what is this VAT (Value Added Tax) and what is the hype about? Why should you care at all? Let me explain what it is in a nut shell and try to fill you in on the subject. First of all, it's a revenue stream for governments so they can continue to provide public services and get healthy government budget. Extra $3 billion dollars a year wouldn't hurt after all and can cover a certain part of country's expenses, right? Secondly, those oil reserves under the sand and the sea are not endless and the prices are plummeting. So, it's better for GCC countries to diversify revenues and after tourism, VAT is the first thing on the agenda. Starting from 2018, if you happen to be in one of the six GCC countries, expect to pay extra % on the shelf-price of the product or service. In UAE it's 5%. That is to say if you see a computer for Dh2000, you will pay Dh2100 and those extra Dh100 goes to government pocket and companies have to report it. For businesses, if your company's annual revenue is over Dh3.75 million, you have to be registered under the GCC VAT system. You can obtain more information about it on MoF website. What if your revenue is between Dh1.87 million and Dh3.75 million? Then you will have an option to register for VAT. Eventually, all the companies will be registered regardless of their revenues. It’s better to get prepared for the changes beforehand and you must have a robust, precise accouting solution. Think no other than kpi.com as it’s one of the pioneers of cloud accounting in the GCC.