

Business community upbeat on introduction of VAT

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SHARJAH: President His Highness Sheikh Khalifa bin Zayed Al Nahyan on Sunday issued the Federal Decree-Law No. 8 of 2017 for Value-Added Tax, with one of the lowest rates in the world.

A preliminary step to implementing VAT in the UAE as of January 2018, the 5% tax is set to be imposed on the import and supply of goods and services at each stage of production and distribution, including what is deemed to be a supply.

A cross-section of leading business and financial experts in the UAE told The Gulf Today that this great decision would add more flavor to the country's economic growth.

Ahmad Shaikhani, President, Pakistan Business Council: The PBC warmly welcomes and hails the introduction of value added tax (VAT) in the UAE. The Government has taken a positive step in the right direction. This great move will provide the country with a viable source of diversification to its revenue stream.

He noted that this strategic decision will have huge impact to the economy at the macro level. The move will enhance Tax to GDP Ratio and will bring informal economy into formal economy. It will boost the balance sheet of the government. It will also bolster the fiscal side of the macro equation and will bring transparency and greater efficiency in the economy. VAT will enhance GDP with more revenue to the Government and more funds for infrastructure to be spent in the economy.

Adeeb Ahmad, Managing Director, LuLu Exchange Holding also told this reporter that he is upbeat on the introduction of VAT to the economy.

He added that it will further improve the economy of the country. The rate of VAT is 5 per cent which is one of the lowest in the world. However, there are some exemptions on essential goods, health care, education and other items where the VAT will be zero rated or exempted. This is a positive move by the UAE Government and personally I don't think there will be an inflation effect of more than 1.5 per cent.

Bilal Amanullah Moti, Managing Director, Windmills Real Estate Valuations Services, commented that VAT is an international phenomenon, as it is adopted by more than 150 countries in the world. It contributes about 20% of worldwide tax revenues, and 7.5% of GDP worldwide.

This indirect tax is logical and understandable due to the following reasons:

Governments provide capital intensive infrastructure and facilities for consumer benefits, and they need to increase tax revenues to sustain the levels of such infrastructure and facilities to the general public. UAE offers a first class and international standard infrastructure to all.

It is the tax levied only on consumption only. It may help conscious and well directed spending.

VAT will be applied to the tune of 5% in UAE, which is still lower than what is charged in other developed parts of the world. A number of transactions like residential units, education, medical supplies, life insurance, international transport, exports etc. are understandably exempted from VAT.

There is no income tax on the personal and corporate level in UAE. It is conducive to produce more consumer protection regulations for the benefits of the consumers.

Iftikhar Hamdani, Cluster General Manager, Ramada Hotel and Suites Ajman, Ramada Beach Hotel Ajman and Wyndham Garden Ajman Corniche stated that VAT is a very positive step by the UAE Government and it's going to add towards GDP growth of the country. I do believe that it will be a great way for the non-essential commodity market to give back to the economy. With the fiscal deficit threatening the economic growth, the tax could provide some respite in the wake of the falling oil prices.

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