

Businesses See No Impact due to VAT in the UAE

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Retailers do not expect an impact on their business due to introduction of 5 per cent value added tax on most goods starting from Monday.

VAT is levied on a number of items including food and beverages, electronic goods, jewellery, hotels, petrol, among others.

"The tax amount is just five per cent and we do not expect any impact on our business. Moreover, many expats are used to paying tax in their home countries and the new tax is nothing new for them," said Lulu Group spokesperson Nanda Kumar adding that there has been no negative impact on the first day of the implementation of the tax.



The tax amount is too less to have an impact, retailers say

UAE and Saudi Arabia are the first two countries to implement the tax in the Gulf region as they look to raise income other than oil revenue to spend on infrastructure development.

Meanwhile, shoppers started paying value added tax on various items they purchased at the retail stores in accordance with the new tax system that came into effect on Monday. In Abu Dhabi, customers were seen checking their bills and querying about the new tax. All receipts at the store displayed VAT percentage and the tax amount that is charged on the purchase.

"Value added tax of 5 per cent is acceptable and will not make a much difference to shopping," said Li Jiao, a Chinese student pursuing his Ph.D in Khalifa University. Nestor Baroma, an architect from Philippines living in Abu Dhabi said he would reduce spending to cut costs as salaries are not going up in tune with the rise in the cost of living in the UAE.

On the other hand, some business are yet to implement VAT. A car rental shop in Al Wahda mall in Abu Dhabi said they are not charging VAT currently.