

UAE's VAT on Gold Jewellery Will Be on the Entire Piece

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The VAT (value-added tax) on gold jewellery will likely apply to the entire piece, which effectively means an additional payout of Dh7-Dh8 a gram at today's prices, according to industry sources. But on gold bars, deemed as investible assets, no such tax will apply. (There will also be no duty on loose diamonds.)

The Regulation defines VAT as the 5 per cent tax imposed on the import and supply of goods and services at each stage of production and distribution, including that is a "deemed supply". The only exceptions are specific supplies subject to the zero rate and those exempt as specified in the Decree Law.

"Dubai's gold jewellery trade had made requests for VAT to be judged on the value-added portion of a typical jewellery piece, which would be about 30 per cent," said Joy Alukkas, Chairman of the retail chain that bears his name. "But it is now been decided that there will be no such exemption."



This could entail additional cost of Dh7-Dh8 per gram for shoppers in the VAT era

"There is nothing extraordinary in this — it's how VAT is assessed on gold jewellery in other markets. There might be a slight hesitation on the part of gold consumers when VAT is effected, but that will soon pass. "Malaysia had the same experience two years ago (in April 2015) and gold demand weakened considerably after VAT. But consumers soon started getting back into stores."

According to Cyriac Varghese of Sky Jewellery, "If we take another Dh10-1Dh15 in making charges, the VAT at 5 per cent would average about Dh7-Dh8 a gram. At the current price range of Dh140 a gram to Dh150, consumers are relatively comfortable with buying. Even with the additional VAT costs, it shouldn't prove such a burden on the consumer."

It has been a tough year for gold and jewellery sales in the UAE. The general sentiments over the economy rubbed off on resident's gold buying habits as well.