Appeared in / quoted from *International Tax Review*, September 2005

# UAE considers introducing value-added tax

**Written by Simon Briault, staff writer.**

Multinational companies with operations in the United Arab Emirates (UAE) could face higher tax bills after the country asked the IMF to help it to develop a value-added tax (VAT) system.

The request came after sustained IMF pressure on the UAE to diversify its tax base, which relies almost entirely on revenues from the oil industry.

Some tax specialists have argued that the introduction of an indirect tax system would alienate foreign investors and escalate the overall costs in the country. But Mark Stevens, managing director of…..a tax consulting firm in Dubai, said that it could be a good idea in the long term.

"The IMF has always been putting pressure on countries in the region to diversify the tax base," said Stevens. "But looking to the future they may well have a point, although the possibility of a VAT system is not very popular over here."

A VAT system in the UAE would be difficult to administer according to Stevens. "Introducing a new tax in any country is hard enough, but here the situation is particularly complicated," he said. "The seven states (or emirates) that make up the UAE all have their own taxing rights and there will be inconsistencies and different levels of enforcement."

The UAE government will conduct a study with the help of the IMF looking at the VAT experience of other countries in the region. Stevens estimated that any new system would take between two and three years to introduce.