



Dear Partner

The UAE Government, represented by the Federal Tax Authority (FTA), will implement VAT on 01/01/2018. The approved VAT Law and related Implementing Regulations (available on www.tax.gov.ae), which govern all aspects of VAT implementation in UAE, set a standard VAT rate of 5% on a wide range of goods and services, including insurance services. Al Ain Ahlia Insurance Company, therefore, would like to highlight key aspects of VAT implementation in UAE, as it relates to your current (2017) and future (2018 and thereafter) insurance contracts. This will assist you with your VAT readiness plans and ensure a smooth transition.

Registering Your Business

The VAT Law requires companies making taxable supplies of goods and services, with a turnover exceeding AED 375,000 annually, to register for VAT and obtain the VAT certificate. The VAT Law also provides a threshold for voluntary registration for VAT (available on www.tax.gov.ae). Al Ain Ahlia Insurance Company has already applied and will be issued a VAT registration certificate by FTA. Similarly; we would also like to request you to kindly provide us with the status of your VAT registration by filling the questionnaire provided in Appendix 1 and send to info@alaininsurance.com in order to update our records.

It is important to mention that registered taxpayers with taxable or zero-rated supplies would have the right to claim their paid taxes from FTA, and, therefore, VAT paid on insurance premiums incurred shall not be treated as an additional cost.

Insurance Services

All insurance premiums, commencing on or after 1st of January 2018, will be subject to VAT at a standard rate of 5%. Invoices will clearly state, amongst other details, the amount of the tax payable and rate of tax applied. All additional services requested by clients will also be subject to VAT at a standard rate of 5%. Credit notes issued for the cancellation of services will reflect an adjustment to the VAT previously reported.

Transitional Provisions

The VAT Law and Implementing Regulations provide specific provisions on contracts which transition between two periods (2017 & 2018). As per Federal Decree (8) of the VAT Law and as subsequently confirmed by FTA, Al Ain Ahlia Insurance Company will subject 2017 insurance contracts and related amendments to VAT for only the portion of services rendered in 2018. This will be applied on a 365-day pro-rata basis (please see example in Appendix 2).

Penalties by FTA

In line with the VAT Law and Implementing Regulation, FTA would impose several penalties in cases of non-compliance. Al Ain Ahlia, therefore, would like to urge all our valued customers to ensure

their VAT readiness for January 1, 2018 implementation. Thank you in advance for your cooperation and please do not hesitate to contact us should you have any questions.

Yours faithfully



Mohammed Mazhar Hamadeh

General Manager

APPENDIX 1 – CONFIRMATION OF VAT READINESS / VAT REGISTRATION STATUS

Kindly return all completed forms to:

Email

info@alaininsurance.com

Your Company name:

Have you registered your company for VAT with the FTA? **(Yes Or No)**

If yes please attach FTA issued VAT Registration Certificate

Please state your full VAT registration number as per the FTA VAT Registration Certificate:

Please confirm whether your company is entitled to deduct input VAT in respect to of your company's goods/ services or whether your company is entitled to a refund of the VAT your company will pay? **(Yes Or No):**

Name, Title and Signature of Authorized Company's Representative:

APPENDIX 2 – VAT TREATMENT OF CONTRACTS UNDER TRANSITION PROVISIONS

EXAMPLE:

Contract period: Effective from 01/10/2017 to 30/09/2018

Contract total premium: AED 91,250

The written premiums will be allocated to the respective financial periods on a pro-rata basis in accordance with the premiums which each financial period earns as per the contract period dates:

a) The premiums relating to the period from 1 October 2017 to 31 December 2017 belong to the 2017 financial period and therefore **will not incur VAT in 2018.**

The premiums relating to the period from 1 January 2018 to 30 September 2018 belong to the 2018 financial period and therefore **will incur VAT in 2018.**

Please refer the below numerical examples for further clarity of understanding:

Example 1	AED
Total Premium Written (365 days)	91,250
Premium earned in 2017 (92 days)	23,000
Premium earned in 2018 (273 days)	68,250
Premium subject to VAT (273 days)	68,250
VAT charged on 2018 related premiums at 5%	3,412.5