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# Khaleej Times

## GOLD/FOREX



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## Will gold consumers gain from VAT relief?

Team KT/Dubai

Filed on May 2, 2018 | Last updated on May 2, 2018 at 07:54 am



(Reuters)

### The UAE Cabinet approved a law introducing VAT reverse charge mechanism on gold and precious diamond trade.

Jewellers in Dubai have welcomed the UAE government's decision to exempt gold and diamond trade from the value-added tax (VAT) which will help recover the industry. However, retailers were still waiting for more clarification and were unsure whether end-users will benefit from the decision.

On Tuesday, the UAE Cabinet approved a law introducing VAT reverse charge mechanism on gold and precious diamond trade. The UAE levied five per cent VAT on gold and jewellery retail and wholesale trade on January 1, 2018.

The new law covers investments in precious metals such as gold, silver and platinum, used in trade in accordance with internationally accepted standards with a purity of 99 per cent or more.

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29 April 2018

Anil Dhanak, managing director, Kanz Jewellery, said this is a good decision but it'll impact business-to-business segment rather than business to retail. "It is a great relaxation but for the end-users it is not yet clear whether they will benefit from this decision because it is between the wholesaler and retailer.

"It is a blessing for the wholesalers because they were moving to Turkey, but none of the retailers has moved out of Dubai and this exemption is for trading only. By the end of June, if the government works out a tax refund system at airports, that will also be equally good. And we know the government is working on it," he said.

Shamlal Ahamed, managing director for international operations at Malabar Gold, stated that it is a positive news for the industry and at the right time, otherwise business was sinking. "We are waiting for more details whether it is only B2B or for B2C as well. We hope that the end-consumer will also benefit out of it," he said.

"Dubai is known for gold and jewellery and it is the effort of over 20 years that industry has come to this level but we were losing ground due to taxation. If consumers also benefit from the exemption, then the business will come back to previous (high) level. The sales are now down by 30-40 per cent," Ahamed added.

Analysts believe that the decision to introduce VAT reverse charge mechanism on gold and previous diamond trade will enhance the UAE's competitiveness in this sector and also improve the country's ranking in the ease of doing business indicators.

Pratik Shah, partner, WTS Dhruva Consultants, said that in a move to provide growth stimulus to precious metal and jewellery industries, the Cabinet has announced simple mechanism of VAT payment under reverse charge by way of book entry.

This will, according to Shah, help the industry to avoid unnecessary cash flow blockage and provide ease of business to the sector. This has come as positive response to the representation made by the precious metals and jewellery industry.

Anurag Chaturvedi, partner, Crowe Horwath, says this is niche initiative to encourage investor interest back and it will ease the business compliance with respect to trade-oriented transactions. The exemption of gold and diamond industry, which is amongst the major driver for UAE economy, will help rebound the market. But it won't impact the retail sales. Retail will continue to be taxed."

Tawhid Abdullah, chairman of Dubai Gold and Jewellery Group, said it is the continuing support by the top authorities that made the gold, diamond and jewellery industry of the UAE the most competitive globally. "On behalf of the industry, we are grateful to the authorities for this initiative to ensure that the UAE retains its global competitiveness as always."

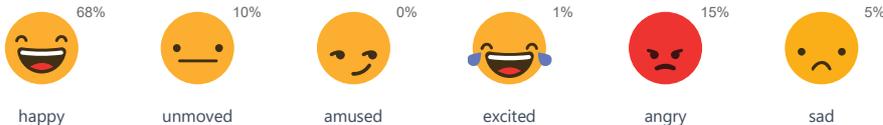
A trade source explained that the new exemption means that there would be no actual payment of VAT on business to business transactions. Under the Reverse Charge Mechanism, there will only be documented entries of five per cent VAT in the books of both buyers and sellers and no payment of the fee.

"This comes in the light of the many initiatives offered by the UAE to investors. It also provides the optimal environment, infrastructure and legislations necessary for growth and supports UAE's position as a global hub for trade," a WAM statement said.

The volume of gold trade in the UAE rose to Dh244.3 billion in 2016, with a growth rate of 13 per cent. The value of UAE's imports of gold amounted to Dh142.4 billion in the same year, while exports amounted to Dh75.9 billion, and re-export amounted to Dh26 billion.

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