

**Subject:** Value Added Tax (VAT) Implementation

Dear Business Partner,

The Federal Tax Authority (FTA) in the United Arab Emirates (UAE) has passed its Value-Added Tax (VAT) legislation confirming that VAT will be implemented, effective 1<sup>st</sup> of January 2018.

VAT is charged at a standard rate on all consumption goods and services in the UAE except those which are exempted or zero-rated. Our systems will be designed to ensure that VAT is charged, collected and deposited in accordance with the VAT legislation. VAT in the UAE will be introduced at a standard rate of 5%.

VAT can only be levied and charged by businesses that are registered for VAT in United Arab Emirates. VAT registration will be mandatory for businesses, as per existing VAT legislation, which have made taxable supplies in the last twelve months, or anticipate to make taxable supplies in excess of the mandatory registration threshold of AED 375,000. Also, businesses can opt to voluntarily register for VAT if it made (in the last twelve month period) or anticipates making taxable supplies exceeding the voluntary registration threshold of AED 187,500.

We would request that you register for VAT, and that valid VAT invoices are issued to us in compliance with Article 65 of the UAE VAT law to facilitate your payment request(s). This is extremely important from an operational and VAT compliance perspective, as TECOM Group and its entities are required to be in possession of valid VAT invoices in order to recover any VAT incurred in relation to your business.

All TECOM Group entities have applied for VAT registration and for your records, please note that we will communicate to you our tax registration number (TRN) once we receive it.

TECOM Group will only make payments against valid VAT invoices.

Please do not hesitate to contact us should you have any questions or wish to further discuss VAT implementation related affairs.

Regards,  
TECOM Group