



VALUE ADDED TAX (VAT) GENERAL AWARENESS INFORMATION

Dear Valued Customer,

As you may be aware, the UAE will soon implement VAT at the rate of 5% on 1st of January 2018.

In preparation for this and the impact it will have on our business, we have prepared the following list of Frequently Asked Questions to address its impact for our business partners.

What is Value Added Tax (VAT)?

Value Added Tax (VAT) is a tax on consumption. It is a transaction based tax and will be charged on most transactions supplied by VAT registered businesses. In the GCC, the standard VAT rate will be 5%.

UAE Implementation Date

The Ministry of Finance in the UAE has published the VAT Decree – Law in an unofficial translation on 27th of August 2017 and it was officially announced that VAT will be applicable in the UAE from 1st January 2018.

VAT Calculation

Medical and other forms of Non-Life Insurance policies are expected to be subject to VAT at the standard rate of 5%. The policyholder will pay the insurance company the 5% of the total premium as reflected in the policy schedule.

VAT Collection and Remittance

Ras Al Khaimah National Insurance Co. PSC (RAK Insurance) will collect the VAT from its customers / policyholders for the insurance services provided and remit the tax collected to the UAE Federal Tax Authority (FTA) on a periodic basis.

VAT Application

For renewal of existing policies, will VAT apply?

Yes, effective from 1st of January 2018 all Medical and Non-Life insurance policies (new and renewed) will be subject to a 5% VAT.

It is expected that the Life Insurance policies will be exempted from VAT.

In the event of a policy period extending from the date before the VAT implementation into the VAT effective period, i.e. post 1st January 2018, how will the VAT be calculated?

If the policy period extends into the VAT effective period, i.e. 1st of January 2018, the VAT will be calculated as 5 % of the premium payable on a pro rata basis, for the remainder of the policy duration.

This applies whether or not the policy is underwritten or renewed before 1st of January 2018 or full payment of the premium is received before 1st of January 2018.



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Additional VAT

If I incur any additional premium amount for policy cover extensions after 1st of January 2018, will this be subject to VAT as well?

Yes, if the policyholder seeks any policy extensions after 1st of January 2018, the additional premium will also be subject to the 5% VAT if the insurance service falls after the date of VAT implementation.

VAT Refund

In the event of a policy cancellation, will the VAT amount also be refunded with the premium?

Yes, only if VAT has been charged and you have paid the premium along with the VAT amount, RAK Insurance will refund the premium along with the VAT.

No VAT will be refunded if there is no VAT charged with the initial premium.

For intermediaries, the refund due will be adjusted by issuing credit/debit notes during the applicable period.

VAT Payment

Do I pay VAT to a non-registered insurance intermediary?

VAT is paid irrespective of the VAT-registered status of the clients. VAT is charged to the policyholder and is collected by the company on behalf of the UAE Federal Tax Authority (FTA).

GCC Implementation

Other GCC countries, such as: Oman, Kuwait, Bahrain and Qatar, may implement VAT after 12 months from the first member state implementation (i.e. in the case of UAE or KSA VAT will be implemented on 1st of January 2018, hence, other member states shall implement VAT on 1st of January 2019 at the latest)

The VAT clause will be included in all our Medical and Non-Life Terms and Conditions documents going forward.

(A) For the avoidance of doubt and notwithstanding anything to the contrary in this Insurance Policy and/or Quotation or/and any other respective document the premiums stated in this Insurance Policy / Schedule / Quotation (as the case may be) are exclusive of any taxes including, without limitation, value added taxes, duties of government levies or charges (the Taxes) that may become payable in accordance with the laws or regulations of the United Arab Emirates. In the event there is any such Taxes, it shall be automatically payable by the Insured in addition to the premiums. The Taxes shall not be considered as an amendment to the premium or to the Insurance Policy's terms and conditions. In case the Insured fails to pay the Taxes upon the first request of RAK Insurance, then RAK Insurance shall have the right to terminate the Insurance Policy immediately.

(B) The Parties shall fully and efficiently cooperate with each other in order to comply with all the requirements of the applicable laws relating to Taxes, including, but not limited to, the provision of the VAT registration number, Tax Invoice in the format as prescribed under the applicable VAT laws in the United Arab Emirates, collection of Taxes and payment of any interest or penalties to or arising from such Taxes.

