The Implementation of Value-Added Tax and Its Impact on Small and Medium-Sized Businesses in the United Arab Emirates – A Post-implementation Critique

Salem Shehail Alsaedi, MBA

Supervisors: Professor Jonathan Liu, Dr Isaiah Oino

This research was undertaken under the auspices of Abu Dhabi Police GHQ.

Submitted in partial fulfilment for the ward of the degree of Doctor of Business Administration.

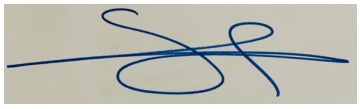
University of Wales Trinity Saint David

2020

DECLARATION 1

DECLARATION SHEET

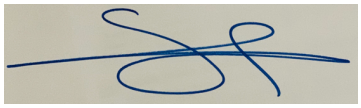
This work has not previously been accepted in substance for any degree and is not being concurrently submitted in candidature for any degree.

Signed: 

Date: 1st September 2020

STATEMENT 1

This thesis is the result of my own investigations, except where otherwise stated. Where correction services have been used the extent and nature of the correction is clearly marked in a footnote(s). Other sources are acknowledged by footnotes giving explicit references. A bibliography is appended.

Signed: 

Date: 1st September 2020

STATEMENT 2

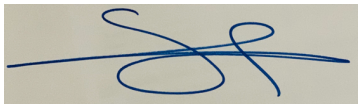
I hereby give consent for my thesis, if accepted, to be available for photocopying and for inter-library loan, and for the title and summary to be made available to outside organisations.

Signed: 

Date: 1st September 2020

STATEMENT 3

I hereby give consent for my thesis, if accepted, to be available for deposit in the University's digital repository.

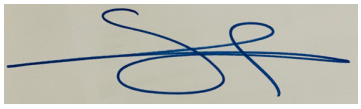
Signed: 

Date: 1st September 2020

DECLARATION 2

DECLARATION SHEET

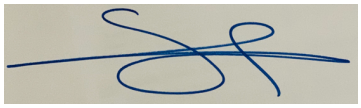
This work has not previously been accepted in substance for any degree and is not being concurrently submitted in candidature for any degree.

Signed: 

Date: 1st September 2020

STATEMENT 1

This thesis is the result of my own investigations, except where otherwise stated. Where correction services have been used the extent and nature of the correction is clearly marked in a footnote(s). Other sources are acknowledged by footnotes giving explicit references. A bibliography is appended.

Signed: 

Date: 1st September 2020

STATEMENT 2

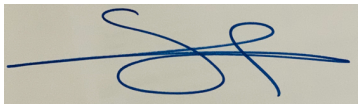
I hereby give consent for my thesis, if accepted, to be available for photocopying and for inter-library loan, and for the title and summary to be made available to outside organisations.

Signed: 

Date: 1st September 2020

STATEMENT 3

I hereby give consent for my thesis, if accepted, to be available for photocopying and for inter-library loans after expiry of a bar on access approved by the University.

Signed: 

Date: 1st September 2020

Abstract

The aims of this research study are to evaluate the critical factors associated with the successful implementation of value-added tax (VAT) and to analyse the impact of VAT on small and medium-sized enterprises (SMEs), in order to establish critical success in implementing VAT in the United Arab Emirates (UAE). The study has been inspired by the 5% VAT implementation in the UAE and the realisation of its impacts on SMEs in the Emirates. Rationales for the study are (1) the significance of VAT management in the UAE; (2) the significance of SMEs of the UAE; (3) the scientific knowledge gap in the impact of VAT implementation on Emirati SMEs.

Throughout the secondary research, this study attempted to critically review taxation philosophy and other factors impacting a successful implementation of VAT in the UAE. Many factors – cultural, political and economic – impact VAT adoption and implementation in the Arab region. From a cultural viewpoint, although taxation is well established in the Arab states and has taken many different forms, Islamic taxation usually has two tax structures: one for Muslims (*Zakat*) and the other for non-Muslims (*Jizyah*). From a political perspective, the modern tax system is a new phenomenon for the Arab states and has yet to flourish, due to the nature of their political systems. From an economic perspective, most Arab nations, including the UAE, rely heavily on natural resources – especially oil – which has made them rentier states. What this means is 'no taxation, no representation'.

Sequential mixed methods research, especially qualitative and quantitative, was used in this study. An exploratory study was carried out on *n*10 policymakers to explore current fiscal policies and the implications of VAT and its impacts on SMEs. Another piece of qualitative research was conducted on *n*10 stakeholders, in order to recognise various SME stakeholders' concerns associated with the introduction of VAT in the UAE. Quantitative research was applied to *n*265 UAE SMEs to study what impact the imposition of VAT has on SMEs in the UAE.

From qualitative research, policymakers confirmed that some of the core reasons for imposing 5% VAT in the UAE are a decrease in the price of oil on the global market; economic diversification; discouraging buyers from purchasing imported foreign products; increasing accountability for UAE SMEs; increasing the level of transparency in the government; and imposing VAT on non-essential consumer goods. Stakeholders confirmed that factors such as globalisation, in addition to various political and economic factors, impact the adoption of VAT in the UAE. Stakeholders also support the imposition of 5% VAT in the UAE. Both policymakers and stakeholders have found that VAT has no impact on SME structure, but strong VAT management and accountability have been put in place in the UAE.

According to the quantitative results, 78.5% of those surveyed were aware of the implementation of 5% VAT in the UAE, and 43.9% found that the VAT registration process is neither easy nor difficult. Among the participants with SMEs, 53.6% found that 5% VAT is not an obstacle to the success of their business. Some factors, including legal (42.6%), regulatory (41.9%), religious (34.3%) and financial (40%), influenced VAT compliance, as did contributions to public services (39.2%). However, the study revealed that all policymakers, stakeholders and SMEs confirmed that although VAT management is easy to use, VAT has impacts on the profitability of SMEs, due to the direct and indirect costs incurred by VAT management. Consequently, they emphasised the need for more support and services from government entities to fund SMEs and help them grow their businesses.

Keywords: *VAT, SMEs in the UAE, Impact of VAT on SMEs, Economic Diversification.*

Acknowledgements

This Doctor of Business Administration (DBA) research study has been conducted under the distinguished supervisions of Prof. Jonathan Liu and Dr Isaiah Oino of the University of Wales Trinity Saint David. I would like to thank Prof. Jonathan and Dr Isaiah for their professional and generous academic support and for providing their learned feedback and constructive criticism, all of which has helped me to complete this DBA study.

My gratitude goes to Dr Audsin Dhas, Executive Dean and Head of the London Campus of the University of Wales Trinity Saint David, for providing help and support required throughout this research study.

For their sponsoring of this DBA study, special thanks go to Sheikh Khalifa bin Zayed Al Nahyan, President of the United Arab Emirates; Shaikh Mohammed Bin Zayed Al Nahyan, Crown Prince of the Emirate of Abu Dhabi and Deputy Supreme Commander of the United Arab Emirates Armed Forces; and Shaikh Saif bin Zayed Al Nahyan, Minister of the Interior and Deputy Prime Minister.

I am eternally grateful to my parents for their endless support and blessings. I believe that, without their prayers for my success, this tough long academic journey might have remained unaccomplished.

I truly appreciate my brothers, Ahmed, Mohammed, Hamad and Ali, for their emotional help and support throughout this DBA study journey. They helped me by introducing me to their networks, especially policymakers in the Ministry of Finance and the Ministry of Economy. They also introduced me to various stakeholders of SMEs in the UAE. Their help and support have certainly supported me to collect quality data from the policymakers as well as stakeholders.

I would like to remember Dr Saif Alsaedi and Mohamoud Elkhalifa and thank them for their moral support, help and suggestions required throughout my study in the UK. They always encouraged me by sharing their thoughts, knowledge and experiences.

Last but not least, my endless love belongs to my beloved wife and my affections to my children, Meera, Saif, Hind and Nayef. Without their love and inspiration, this academic endeavour might have remained incomplete. The dedication of their quality time will never be forgotten.

With thanks,

Salem Shehail Alsaedi
London, Tuesday, 1st September 2020

Contents

Chapter 1: Introduction

1.0 Introduction 1

1.1 Research Background 2

1.2 Research Motivation 6

1.3 Rationale 7

1.3.1 Scientific Knowledge Gap in Impact of VAT Implementation on Emirati SMEs 7
1.3.2 Significance of VAT Management in the UAE 7
1.3.3 Rationale for Selecting SMEs of the UAE 9

1.4 Research Aims, Objectives, and Hypotheses 10

1.4.1 Aims of the Study 10
1.4.2 Objectives of the Study 10
1.4.3 Research Hypotheses 11

1.5 The UAE: An Overview 13

1.5.1 The United Arab Emirates – Shaikh Zayed 13
1.5.2 The UAE: Governance of VAT 15
1.5.3 The UAE: The FTA 17
1.5.4 Economic Outlook of the UAE 19
1.5.5 SMEs in the UAE: An Overview 20
1.5.6 Stakeholder of UAE SMEs 23

1.6 Scope of the Study 23

1.7 Overview of the Research Methodology Applied 24

1.8 Thesis Structure 27

1.9 Summary of the Chapter 28

Chapter 2: Literature Review

2.0 Introduction 29

2.1 Section One: Reviewing Philosophy and Principles of Tax and Taxation 29

2.1.1 Meanings and Definitions of Tax 29
2.1.2 Different Types of Tax 30
2.1.2.1 Direct Tax 31
2.1.2.2 Indirect Tax 34
2.1.3 Differences Between Direct and Indirect Taxes 39
2.1.4 Objectives of Taxation 40
2.1.4.1 To Raise Revenue for the Provision of Public Goods 41
2.1.4.2 Redistribution of Income and Wealth 41
2.1.4.3 To Promote Social and Economic Welfare 41
2.1.4.4 Economic Stability 41
2.1.4.5 Harmonisation 42

Section Two: Understanding the Philosophy and Principles of VAT 42

2.2.1 A Brief Historical Milieu of VAT 42
2.2.2 Definitions of VAT 43
2.2.3 Types of VAT 45

2.2.4 Significance of VAT 46
2.2.5 VAT Impacts 46
2.2.5.1 Impacts on National Economy 46
2.2.5.2 Impacts on Consumer Behaviour 47
2.2.5.3 VAT Impact on SMEs 47
2.2.6 VAT Impact on the Performance of SMEs 48
2.2.6.1 Impacts of the Cost of VAT Compliance on SMEs 50
2.2.6.2 Impacts of the Cost of VAT Administration on SMEs 50
2.2.6.3 Cost Drivers: Administrative and Compliance Costs 51
2.2.6.4 Lack of Unified Regional Policy Impact on Firm's Performance 53
2.2.6.5 VAT Creates Inequality among Businesses 53

2.3 Section Three: Taxation Management Customisation, Factors Impacting VAT Practices 54

2.3.1 Cultural Factors 54
2.3.1.1 The Theory of Basic Human Values by Schwartz 56
2.3.2 Economic Factors 58
2.3.2.1 Economic Situation of a Country 59
2.3.2.2 Higher Standard of Life in the Country (GDP) 59
2.3.2.3 GDP Per Capita 60
2.3.2.4 Higher Consumption Level in the Country 61
2.3.2.5 The Level of Exports and Imports 62
2.3.2.6 Unemployment 63
2.3.3 Political Factors Influencing VAT 63
2.3.3.1 Government Policy 64
2.3.3.2 VAT and Politics in Arab States 65
2.3.4 Social Factors 65
2.3.5 Issues Concerning the Effects of a VAT 67
2.3.5.1 Inflation 67
2.3.5.2 Economic Growth and Stability 68
2.3.5.3 Income Distribution 69
2.3.5.4 Economic Growth 70
2.3.5.5 Balance of Trade 71

2.4 Section Four: Examining the Theories of VAT Implementation to Identify and Overcome the Success and Failure in GCC 72

Part A: Critical Evaluation of the Theories of Taxation 72

2.4.1 Benefit Theory by Erik Lindahl 72
2.4.1.1 The Lindahl Model 72
1.4.1.2 Core philosophy of Lindahl's Benefit Theory 74
1.4.1.3 Advantages of the Benefit Theory 74
1.4.1.4 Limitations of the Benefits Theory 75
2.4.2 Benefit Theory known as the Voluntary Exchange Theory by Bowen 75
2.4.2.1 Advantages of the Voluntary Exchange Theory 78
2.4.2.2 Limitations of the Voluntary Exchange Theory 78
2.4.3 The Cost of Service Theory 79
2.4.3.1 Advantages of Cost of Service Theory 79
2.4.3.2 Limitations of the Cost of Service Theory 79
2.4.4 Ability to Pay Theory 80
2.4.4.1 Advantages of the Ability to Pay Theory 81
2.4.2.2 Limitations of the Ability to Pay Theory 82

Part B: Overviewing Theories/Models of VAT 82

2.4.5 Benchmark Model Determining VAT Efficiency by Cukierman, Edwards and Tabellini (1992) 82

2.4.6 Optimal Taxation with Household Production by Kleven, Richter and Sorensen 2000 83
2.4.7 Successful Implementation of VAT 84
2.4.8 Failure in VAT Implementation 84
2.4.9 How to Make VAT Implementation Successful 85

2.5 Section Five: VAT Policy and Implementation: The UAE as a Case Study 86

2.5.1 Economic Outlook of the UAE 86
2.5.2 SWOT Analysis of the UAE 89
2.5.2.1 Strengths 89
2.5.2.2 Weaknesses 89
2.5.2.3 Opportunities 90
2.5.2.4 Threats 91
2.5.3 Overview of SMEs in the UAE 91
2.5.3.1 Political Factors 91
2.5.3.2 Economic Factors 92
2.5.3.3 Social Factors 92
2.5.3.4 Technological Factors 93
2.5.3.5 Legal Factors 94
2.5.3.6 Environmental Factors 94
2.5.3.7 Organisational Factors 95

2.6 Section Six: Overview of OPEC Crude Oil Prices and Economic Diversifications 96

2.6.1. Analysis of OPEC Crude Oil Price from 1960 to 2002 96
2.6.2 Analysis of OPEC Crude Oil Price from January 2003 till July 2020 99
2.6.3 Analysis of Major Oil Price Decreased 101
2.6.4 Causes of Oil Prices Decline 103
2.6.3.1 Supply and Demand Factors 103
2.6.5 Consequences of Oil Prices Decline 104

2.7 Section Seven: Constructing Variables, Hypotheses and Conceptual Framework 105

2.7.1 Defining Variables, Adoption 105
2.7.2 Research Hypotheses 107
2.7.3 Conceptual Framework of this Study 109

2.8 Summary of the Chapter 110

Chapter 3: Research Design and Methods

3.0 Introduction 111

3.1 Rationale for Research Methods 111

3.2 The Research 'Onion' 113

3.2.1 Philosophical Assumptions 113
3.2.1.1 Ontology 114
3.2.1.2 Epistemology 114
3.2.1.3 Axiology 115

3.3 Objectivism and Subjectivism in this Research 116

3.4 Five Major Research Philosophies 117

3.4.1 Positivism 117
3.4.2 Critical Realism 118
3.4.3 Interpretivism 118
3.4.4 Postmodernism 118
3.4.5 Pragmatism 119

3.4.6 Rationale for Employing Postmodernism Philosophy in this Research 119
3.4.6.1 Advantages and Disadvantages of the Use of Postmodernism in a Research 120

3.5 Approaches to Theory Development 121

3.5.1 Deductive 121
3.5.2 Inductive 122
3.5.3 Abductive 122
3.5.3.1 Rationale for Using Abductive Approach in this Study 122

3.6 Methodological Choice 123

3.7 Stages and Phases of the Study 125
3.7.1 Stage One: The Pilot Study 125
3.7.2 Stage Two: The Main Study 126
3.7.3 Exploratory Research (Phases 1 and 2) 126
3.7.3.1 Phase 1: Qualitative Research (Semi-structured Interview with Policymakers) 126
3.7.3.2 Phase 2: Qualitative Research (Semi-structured Interview with Stakeholders) 127
3.7.4 Phase 3: Quantitative Research (Survey Questionnaire) 128

3.8 Research Strategies 129

3.8.1 Case study 129
3.8.2 Grounded Theory 129
3.8.3 Rationale for the use of Grounded Theory in this Research 130
3.8.4 Survey 131

3.9 Time Horizon 131

3.9.1 Understanding Cross-sectional study 131
3.9.2 Understanding Longitudinal Study 131
3.9.2.1 Rationale for Using Cross-sectional Study 132

3.10 Techniques and Procedures 132

3.10.1 Population 132
3.10.1.1 Phase 1: Qualitative Research (Policymakers) 132
3.10.1.2 Phase 2: Qualitative Research (Stakeholders) 132
3.10.1.3 Phase 3: Quantitative Research (SMEs in the UAE) 133
3.10.2 Sampling 133
3.10.2.1 Phase 1: Qualitative Research (Snowball Sampling) 133
3.10.2.2 Phase 2: Qualitative Research (Snowball Sampling) 133
3.10.2.3 Phase 3: Quantitative Research (Stratified Random Sampling) 134
3.10.3 Data Collection Technique 134
3.10.3.1 Semi-structured interview 134
3.10.3.2 Phase 3: Survey Questionnaire 136
3.10.4 Data Analysis 137
3.10.4.1 Thematic Analysis (Phase 1 and 2) 137
3.10.4.2 Statistical Tests (Phase 3) 137

3.11 Ethical Consideration 144

3.11.1 Research Contributions/Impacts 145
3.11.2 Minimise Risk and Harm 146
3.11.3 The Rights and Dignity of Individuals 147
3.11.3.1 Permission from Various Authorities 147
3.11.3.2 Information Sheet 148
3.11.3.3 Informed Consent 148
3.11.4 Voluntary Participations of the Individual 148
3.11.5 Research Integrity and Transparency 148
3.11.6 Defining Participants' Responsibility and Accountability 149

3.11.7 Independence of Research 149
3.12 Ethical Approval Process 149
3.13 Summary of the Chapter 149

Chapter 4: Data Analysis

4.0 Introduction 150
4.1 Part A: Qualitative Data Analysis: Interview with Policymakers at Ministry of Finance and Executives at the Federal Tax Authority 151
4.2 Part B: Qualitative Data Analysis (Stakeholders) 189
4.3 Part C: Quantitative Data Analysis 218
4.4 Part D: Gap Analysis of the Budget from FY 2017 to FY 2020 and VAT between FY 2018 and FY 2019 297
4.5 Part E: Triangulating Results 314
4.6 Summary of the Chapter 318

Chapter 5: Key Findings and Discussion

5.0 Introduction 319
5.1 Explanation of the Significance of the Key Results from this Study 319
5.3 Key Results from this Study 319
5.3.1 Achieving RO1 of the Study 319
5.3.2 Achieving RO2 of the Study 321
5.3.3 Achieving RO3 of the Study 328
5.3.4 Achieving RO4 of the Study 334
5.3.5 Testing Research Hypotheses 346
5.4 Summary of the Chapter 358

Chapter 6: Conclusion and Recommendations

6.0 Introduction 359
6.1 Conclusion 359
6.2 Recommendations 362
6.2.1 Suggestions for Government 362
6.2.1.1 Creating Awareness 362
6.2.1.2 Reducing the Impacts of VAT on Business 363
6.2.1.3 Making More Funding Available to SMEs 364
6.2.1.4 Providing a System for VAT Management 364
6.2.1.5 Reduce Inequality in VAT Management 364
6.2.1.6 Investment for Research and Development 365
6.2.2 Suggestions for SMEs 365
6.2.2.1 Be VAT Compliant to Reduce Indirect Costs 365
6.2.2.2 SMEs Must Avoid and Fraudulent Activities 365
6.2.3 Suggestions for Stakeholders 365
6.2.4 Research Contributions 366

6.2.4.1 Conceptual 366
6.2.4.2 Instrumental 366
6.2.4.3 Capacity Building 366
6.2.4.4 Contribution to the Public Policy Level 366
6.2.4.5 Contribution to the Business Level 366
6.2.4.6 Awareness 367
6.2.5 Limitations of the Study 367
6.2.6 Further Development of the Study 367
References: 368
Appendix 1: Interview Topic-Guide for Policymakers at the Ministry of Finance 393
Appendix 2: Topic-Guide for SMEs Stakeholders 399
Appendix 3: Survey Questionnaire for SMEs 403
Appendix 4: Application for Ethical Approval 412
Appendix 5: Risk Assessment 428
Appendix 6: Application for Field Study, Ministry of Finance 437
Appendix 7: Application for Field Study, Ministry of Economy 438
Appendix 8: Information Sheet 439
Appendix 9: Consent Form 443
Appendix 10: Permission to Conduct Field Study Received from Ministry of Finance (MoF) 444
Appendix 11: Permission to Conduct Field Study Received from Ministry of Economy (MoE) 447
Appendix 12: Ethics Approval Received from the University of Wales Trinity Saint David (UWTSD) 451
Appendix 13: NVivo 12 Coding (Policymakers at MoF and FTA) 452
Appendix 14: NVivo 12 Coding: Qualitative Data Analysis (Stakeholders) 482
Appendix 15: Data Analysis-Pilot Study 501

List of Tables and Figures

List of Tables

Table 1.1: VAT Governance Hierarchy 17
Table 1.2: The Economic Indicator and Variables of the UAE, 2016–2019. 20
Table 1.3: The Official Definitions of SMEs 21
Table 1.4 Synopsis of the Research Methodology Applied in this Study 26
Table 2.1 Definitions of Direct Tax 31
Table 2.2 Definitions of Indirect Tax 34
Table 2.3: Differences between Direct and Indirect Taxes 40
Table 2.4: Systematic Review of Definitions of VAT 43
Table 2.5: Compliance and Administrative Costs 49
Table 2.6: Schwartz Value Survey Descriptions 57
Table 2.7: Constructs' Definitions and Adoption 106
Table 3.1: Postmodernism philosophy and three philosophical assumptions 120
Table 3.2: Advantage and Disadvantages of Qualitative Research 127
Table 3.3: Merits and Demerits of the Chi-square test 140
Table 5.1: Demographic Information of the Participants 321
Table 5.2: Demographic Information of the Stakeholders 329
Table 5.3: The Biggest Obstacle to the Success of Business of Respondents 336
Table 5.4: Causes of Not Recovering VAT 342
Table 5.5: Sources of Information about Government Support for Small Businesses 343
Table 5.6: The Impact of VAT on Companies' Profitability and Cash Flow 347
Table 5.7 Factors that Influence Compliance 350
Table 5.8: Business Capabilities 356

List of Figures

Figure 1.1: How Taxes Work in the UAE 4
Figure 1.2: Trends in Tax-to-GDP Rations, 1965-2017 5
Figure 1.3: Trends in Tax Structures, 1965-2016 (% of total tax revenue) 5
Figure 1.4: International Comparisons of the Tax Implementation in 1995 and 2014 6
Figure 1.5: Official Map of the UAE 14
Figure 1.6: Federal System of Government in the UAE 15
Figure 1.7: Organisational Structure of the Ministry of Finance 16
Figure 1.8: Distribution of Programme Members Geographically 22
Figure 2.1: Different Types of Direct and Indirect Taxes 30
Figure 2.2: Type of Taxable Wealth 32
Figure 2.3: Type of Excise Duties 36

Figure 2.4: Import Clearance Process 37
Figure 2.5: Objectives of Taxation 40
Figure 2.6: The Costs of Regulation for Businesses 49
Figure 2.7: Culture, Cultural Dimensions, and Accounting Sub-Culture 55
Figure 2.8: Values as Identified 58
Figure 2.9: Lindahl Taxes for Two People and One Public Good 73
Figure 2.10: Voluntary Exchange Approach to Optimal Allocation. 77
Figure 2.11: Marginal utility changes with income 81
Figure 2.12: Graphical Depiction of United Arab Emirates Product Exports in 2018 86
Figure 2.13: Graphical Depiction of United Arab Emirates' Product Imports in 2018 87
Figure 2.14: Average Annual OPEC Crude Oil Price from 1960 to 2020 98
Figure 2.15: OPEC Crude Oil Price between 1 January 2020 and 13 July 2020 100
Figure 2.16: OPEC Crude Oil Price between June 2014 and July 2020 100
Figure 2.17: Magnitude of Significant Oil Price Drops 101
Figure 2.18: Oil Price During Gulf War in 1991 102
Figure 2.19: Oil Price During Oil Price War (Saudi-Russia) and COVID-19 Pandemic 103
Figure 2.20: Conceptual Framework of the Study 109
Figure 3.1: The Research 'Onion' 113
Figure 3.2: Methodological Choice 124
Figure 3.3: Sequential Multi-Phase 124
Figure 3.4: Type I and Type II Errors with Statistical Significance 139
Figure 3.5: Sample Size Calculator 143

List of Abbreviations

ADP GHQ	*Abu Dhabi Police General Head Quarter*
AED	*United Arab Emirates Dirham*
AUD	*Australian Dollar*
CAGR	*Compound Annual Growth Rate*
CEE	*Central Estern Europe*
CIPD	*Chartered Institute of Personnel Development*
COVID-19	*Coronavirus Disease 2019*
CRS	*Common Reporting Standard*
CST	*Central Sales Tax*
EPRC	*European Policies Research Centre*
ESRC	*Economic and Social Research Council*
EU	*European Union*
FATCA	*Foreign Account Tax Compliance Act*
FTA	*Federal Tax Authority*
GATT	*General Agreement on Taxes and Tariffs*
GCC	*Gulf Cooperation Council*
GDP	*Gross Domestic Product*
GNI	*Gross National Income*
GPA	*Grade Point Average*
IBM	*International Business Machines*
KSA	*Kingdom of Saudi Arabia*
MAI	*Multilateral Agreement on Investment*
MoE	*Ministry of Economy*
MoF	*Ministry of Finance*
MoI	*Ministry of Interior*
NEI	*Netherlands Economic Institute*
NPSMEP	*National Program for Small and Medium Enterprises and Projects*
OEC	*Observatory of Economic Complexity*
OECD	*Organisation for Economic Co-operation and Development*
OPEC	*Organisation of the Petroleum Exporting Countries*
PIT	*Personal Income Tax*
RTA	*Regional Trade Agreement*
SME	*Small and Medium-sized Enterprise*
SPSS	*Statistical Package for the Social Sciences*
SRI	*Stanford Research Institute*
TEFRA	*Tax Equity and Fiscal Responsibility*
TIEAs	*Tax Information Exchange Agreements*
TRA	*Telecommunication Regulatory Authority*
UAE	*United Arab Emirates*
UWTSD	*University of Wales Trinity Saint David*
VAT	*Value Added Tax*
WTO	*World Trade Organisation*
WTI	*West Texas Intermediate*

Chapter 1: Introduction

1.0 Introduction

Taxation is the heart of states' operation and one of the most fundamental instruments for collaboration between states and individual citizens (O'Neill and Orr, 2018). Taxes are significant for building the infrastructure of a country, including building and maintaining roads, highways, schools, colleges and universities; funding the courts, defence, public services and welfare assistance for the poor and elderly; and, in some cases, most healthcare and education (Ghodsi and Webster, 2018; O'Neill and Orr, 2018; Smith, 2015).

Although the notion of taxation has flourished throughout the history of human civilisation, VAT is a relatively new phenomenon that originated in France in 1954 (Charlet and Owens, 2010; Wallop, 2010). VAT 'is the most effective instrument for generating government revenue' (Delfin et al., 2005, p. 2), raises revenue in a neutral and transparent manner (Buydens, 2008), has now been implemented by 165 countries and accounts for one fifth of total tax revenue (OECD, 2017).

A modern tax system is a new occurrence for the Arab states and has yet to flourish due to the nature of their political systems, although the Islamic methods of taxation are old and have taken various forms, especially a system of two tax structures: one for Muslims and the other for non-Muslims. Examples include *Zakat* (the principal tax for Muslims only); *Ushr* and *Kharaj* (land taxes for both Muslims and non-Muslims); and *Jizyah* (a poll tax for non-Muslims) (Askari, Cummings and Glover, 2013). Beblawi (1987) identified Arab oil-producing states as 'rentier states', while Freer (2018, p. 13) reported that most of the Arab states of the Gulf are rentier states – meaning that they operate on a principle of 'no taxation, no representation'. Haouas and Heshmati (2014) and Soto and Haouas (2012) mentioned that the UAE highly depends on its huge reserve of oil and rents to attain economic development and offer higher welfare for its citizens; this is known as the UAE's 'oil curse'. Studies carried out by Livsey (2019), Jensen (2018), Ahmed (2015), Shayah (2015) and Haouas and Heshmati (2014) suggest that only economic diversification can help the UAE to avoid the oil curse.

However, regarding the process of economic diversification, Deloitte (2018) has reported that a new VAT regime commenced in the Kingdom of Saudi Arabia (KSA) and the UAE on 1 January 2018. VAT is a 'money machine' (President's Advisory Panel, 2006, p. 192), as it helps countries to make more revenue than they could have made without VAT in place (Keen

and Lockwood, 2010). Alavuotunki et al. (2019) found that the introduction of VAT can hurt businesses and their performance and foster inequality. White (2017) analysed the effect of VAT on SMEs in the UAE and found that, despite the fact that businesses act as 'collective agents' or tax collectors – collecting consumer tax on behalf of the government – there are indirect costs involved in compliance, which certainly affect several parts of the business, including pricing, cashflow, financial reporting, tax accounting, supply chain and compliance processes. The cost of non-compliance could be even greater, with multiple penalties potentially costing 25% of turnover.

This study, therefore, focuses on VAT in the UAE, especially the implementation and impacts of VAT on SMEs in the UAE. It is intended to be a post-implementation critique. This introductory chapter discusses the motivation for the research, its justifications, research questions, research aims and objectives, research contexts, the scope of the research and the structure of the thesis.

1.1 Research Background

The Gulf Cooperation Council (GCC) is a regional, intergovernmental political and economic alliance established on 25 May 1981, focused on developing existing cooperative relations among its member states – namely, the UAE, the Kingdom of Bahrain, the KSA, the Sultanate of Oman, the State of Qatar and the State of Kuwait. GCC member states comply with agreements including the GCC Economic Agreement of 2001, the principal objectives of which are 'to reach advanced stages of economic integration, and develop similar economic and financial legislation and legal foundations amongst member states, and with a desire to promote the GCC economy and proceed with the measures that have been taken to establish economic unity amongst Member States' (Deloitte, 2017, p. 1). Hence, a unified VAT agreement at a rate of 5% imposed by the GCC States was approved by the Supreme Council at its 36th meeting (Riyadh, 9–11 December 2015), which stressed the importance of levies on the import and supply of goods and services at each stage of production and distribution.

According to the Ministry of Finance (2018a) and the Federal Tax Authority (2018a), the purpose of the adoption and implementation of taxes in the UAE is to take part in the GCC-wide initiative that aims to diversify the various regional economies. The Ministry of Finance (2018b) confirmed that, being a responsible member of the GCC, the UAE introduced VAT at a standard rate of 5% from 1 January 2018 under Federal Decree Law No. 8 of 2017 on VAT (known as the Federal VAT Law). Article 4 of this Federal Decree explained that those

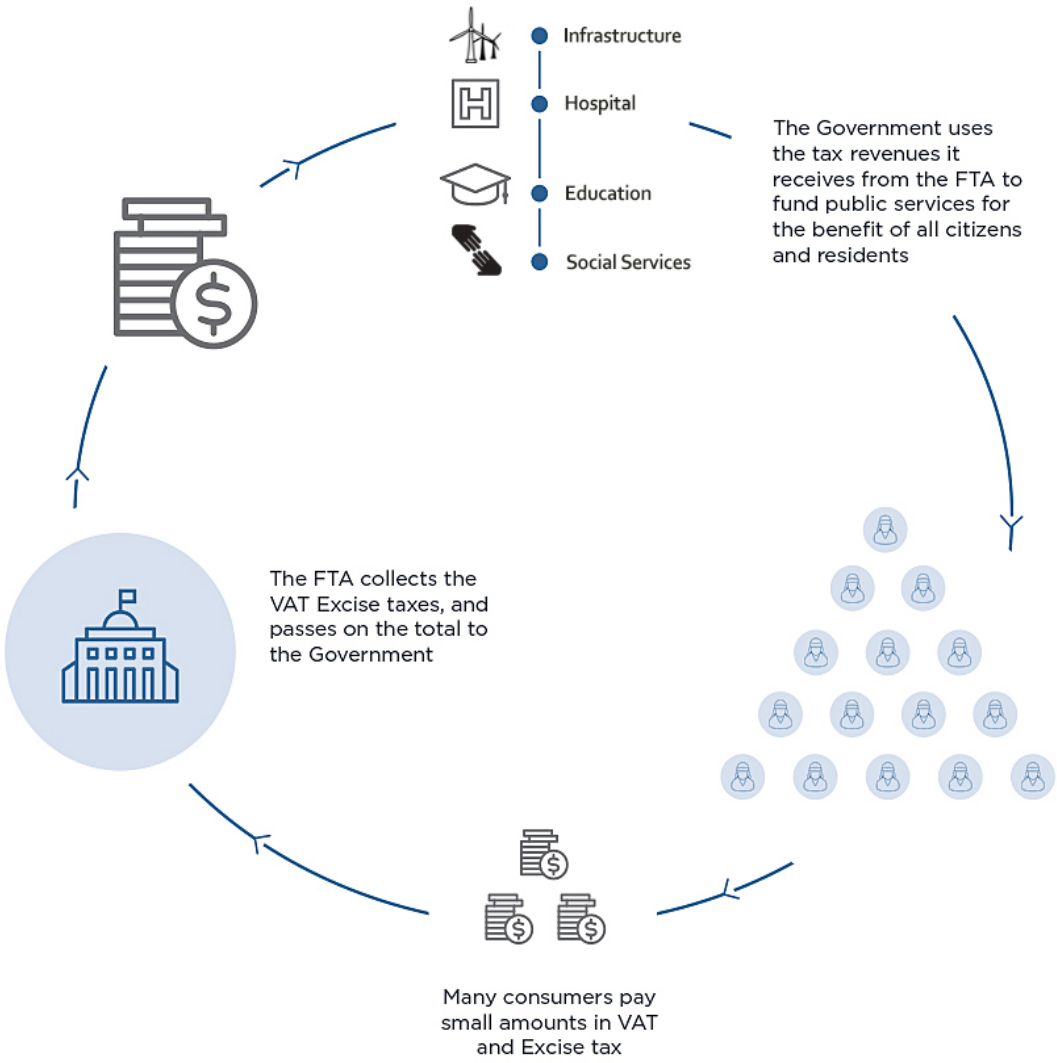
responsible for paying tax are (1) a taxable person who makes any supply; (2) a person who imports goods; and (3) a registrant who acquires goods.

Broadly, the Ministry of Finance (2018a) analysed the Federal Decree and found that implications of responsibility for VAT primarily fall on (1) individuals and (2) businesses. Given that VAT is a common consumption tax, VAT payable by individuals encompasses the majority of transactions in goods and services, with limited exemptions. Registered businesses, on the other hand, are responsible for charging VAT to all of their customers at the base rate and earn VAT on goods and services that they produce or buy from suppliers. The disparity between these amounts is disciplined or disbursed to the government. Registering for VAT is mandatory for any organisation with an annual turnover greater than AED 375,000 (Federal Tax Authority, 2018b, p. 32). Although companies with an annual turnover of between AED 187,500 and AED 375,000 can voluntarily register to pay VAT, it is not compulsory for them to pay it.

Despite all this, public fiscal policy, especially regarding taxation, is not enough: implementing VAT successfully requires that proper mechanisms be put in place. Freer (2018, p. 13) reported that most of the Arab states are rentier states (meaning the states have 'no taxation, no representation' policies) and rely more on oil than taxes. The Ministry of Finance (MoF) of the UAE is responsible for formulating the fiscal policy of the UAE, and the Federal Tax Authority (FTA) is the executive body that executes tax policy in the UAE.

Both the Ministry of Finance (2015) and the Federal Tax Authority (2018a) justified VAT adoption and implementation in the UAE by mentioning (1) participation in the GCC-wide initiative to diversify regional economies; (2) reducing dependency on crude oil; (3) funding of exceptional public services; and (4) achieving UAE Vision 2021. Additionally, it is evident that the UAE finds VAT as a new source of income to be positive for mean gross domestic product (GDP) growth, and will continue to apply it to ensure high-quality public services in the UAE (Federal Tax Authority, 2018b; The Ministry of Finance, 2018a). The FTA outlined how taxes work in the UAE in the framework shown in Figure 1.1.

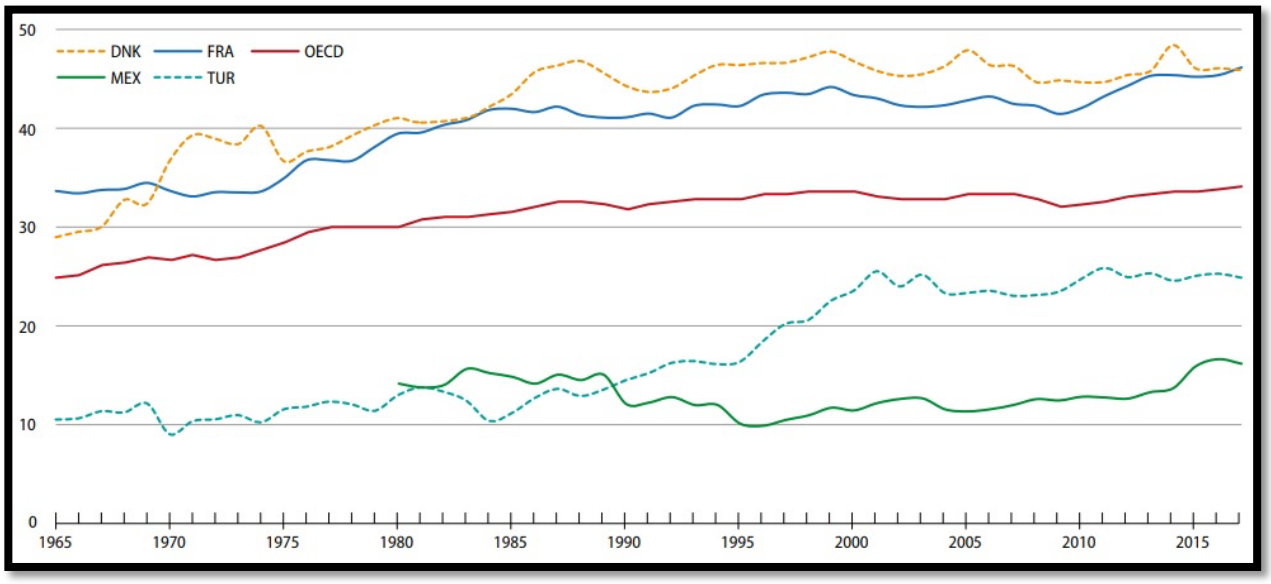
Figure 1.1: How Taxes Work in the UAE



Source: Federal Tax Authority (2018)

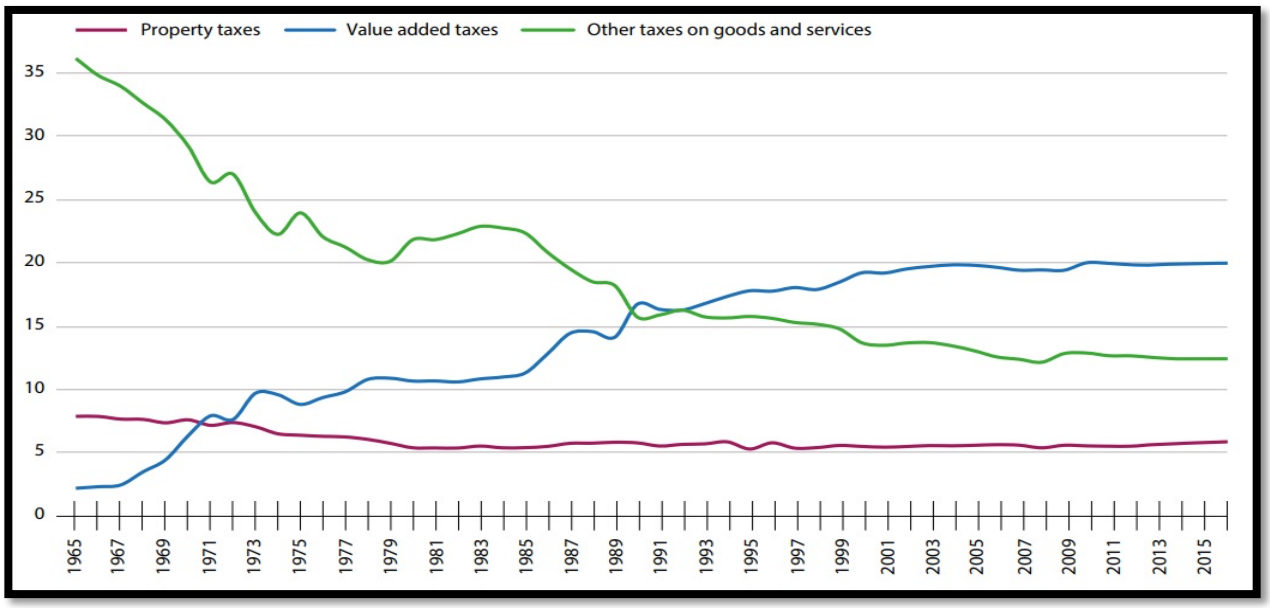
It is evident that VAT is a major source of revenue for governments around the world and contributes a large percentage of GDP (OECD, 2017). For instance, a study carried out by the Organisation for Economic Cooperation and Development (OECD) revealed that, from 1965 to 2016, there has been a significant rise (with an increase of 9.1 percentage points) in the average tax contributions to GDP in OECD countries. The ratio climbed from 24.9% to 34.0% (see Figure 1.2), and a fast-growing source of revenue was consumption taxes – mainly VAT, which is now imposed in 35 of the 36 OECD countries (OECD, 2018) (see Figure 1.3).

Figure 1.2: Trends in Tax-to-GDP Rations, 1965-2017



Source: OECD (2018)

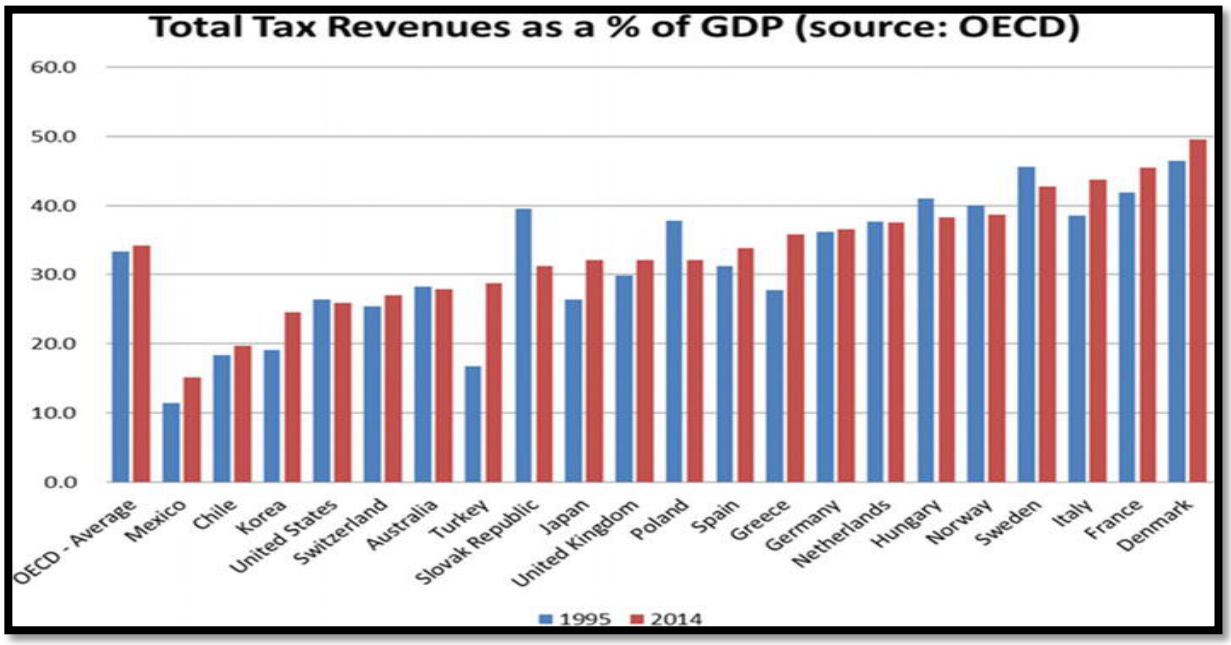
Figure 1.3: Trends in Tax Structures, 1965-2016 (% of total tax revenue)



Source: OECD (2018)

Ghodsi and Webster (2018) studied the composition and trends of tax revenues in OECD countries and reported that taxation contributed almost 33% to the UK economy in 1995 and 34% in 2014, and that countries such as Denmark, France and Italy were considered high tax countries in both 1995 and 2014 (see Figure 1.4).

Figure 1.4: International Comparisons of the Tax Implementation in 1995 and 2014



Source: Ghodsi and Webster (2018)

It has been found that there are many factors – economic (Adegbie et al., 2016; Shojaee, 2016), political (O'Neill and Orr, 2018; Oordt, 2016), social (Moeinadin et al., 2014; Lee et al., 2013) and others – that contribute enormously to taxation. Indeed, VAT has impacts on national economies (Simionescu, 2016) and consumer behaviour (Terfa, 2017); however, there is a scientific knowledge gap in the study of VAT impact on SMEs in the UAE. Therefore, this study focuses on the analysis of VAT implementation and its impact on SMEs in the UAE.

1.2 Research Motivation

The motivation of this study, with the research topic '*The Implementation of Value-Added Tax and Its Impact on Small and Medium-Sized Businesses in the United Arab Emirates – A Post-implementation Critique*', derives from the educational background of this researcher. Throughout the study, it has been found that there is a huge scientific research gap in the implementation of modern taxation in the Arab nations, especially in the UAE. Besides, since VAT introduction in the UAE is the most recent event (it having been introduced on 1 January 2018), VAT's impact on SMEs in the UAE has yet to be explored.

Therefore, it is believed that this study will fill the gap in taxation research in the Arab region and analyse the impacts of VAT on SMEs; this could help various government agencies in

fiscal policy-making as well as benefitting SMEs by providing guidelines to limit any adverse impacts in the UAE.

1.3 Rationale

1.3.1 Scientific Knowledge Gap in Impact of VAT Implementation on Emirati SMEs

According to O'Neill and Orr (2018), although the tax system has remained central to states' operation and is one of the most pivotal mechanisms by which states interact with individual citizens, there has not been much research on taxation conducted within political philosophy. A modern tax system is a new occurrence for the Arab states and has yet to flourish due to the nature of their political systems, although the Islamic methods of taxation are old and have taken various forms, especially a system of two tax structures: one for Muslims and the other for non-Muslims. Examples include *Zakat* (the principal tax for Muslims only); *Ushr* and *Kharaj* (land taxes for both Muslims and non-Muslims); and *Jizyah* (a poll tax for non-Muslims) (Askari, Cummings and Glover, 2013). Beblawi (1987) identified Arab oil-producing states as 'rentier states', while Freer (2018, p. 13) reported that most of the Arab states of the Gulf are rentier states – meaning that they operate on a principle of 'no taxation, no representation'. Although the political systems of most of the Arab nations have remained the same, there has been evidence of taxation – especially a VAT – in many Arab nations, including the KSA and the UAE. In the Deloitte Middle East Tax Handbook, Deloitte (2018) mentioned that a VAT regime had commenced in the KSA and the UAE on 1 January 2018, with 5% VAT being imposed on the sale and purchase of most goods and services.

This study seizes an opportunity to fill a gap in the study, especially with regards to the implementation of VAT in the UAE and its impacts on SMEs. Throughout the study, a critical analysis of the factors contributing VAT's adoption by GCC countries are examined; as are VAT's impacts, both positive and negative, on SMEs in the UAE, so that the government can easily address any issues and formulate its fiscal policies accordingly.

1.3.2 Significance of VAT Management in the UAE

As mentioned earlier, the UAE introduced VAT on 1 January 2018 (Deloitte, 2018). This historic event was a break from the UAE's lack of tax laws and high dependency on oil (a situation that had existed since its founding as the UAE – the unification of seven previously separate emirates). The emirates had extensively relied on their natural resources of oil and gas to finance their individual budgets (Livesey, 2019; Haouas and Heshmati, 2014; Soto and

Haouas, 2012). The content focuses on the role of selected international stakeholders, also reflecting the founding initiatives of Shaikh Zayed, whose aura still overs over the current innovative changes of the present-day government. However, the UAE had to adopt an economic diversification strategy due to the gradual depletion of the country's inherited natural resources. The volatility of oil prices, globalisation and the rapid pace of international business caused the government to consider alternative, and relatively more reliable, budgetary sources to ensure the sustainability and independence of each emirate.

Baffes et al. (2015, p. 5) identified six different unprecedented instances of oil prices decline:

1. January 1986 and July 1986
2. October 1990 and April 1991
3. October 1997 and April 1998
4. May 2001 and November 2001
5. June 2008 and December 2008
6. July 2014 and January 2015

From July 2014 and January 2015, oil prices started to drop sharply from USD 108.59 per barrel (July 2014) to USD 29.11 per barrel (January 2016). Arezki (2017) reported that oil prices had more than halved since June 2014, taking most analysts by surprise.

In addition to the above, oil prices have been severely affected by the Saudi-Russian oil war followed by COVID-19 in 2020. According to Brower et al. (2020), on 8 March 2020, Saudi Arabia and Russia engaged in the nuclear version of an oil price war, resulting in a 30% decrease in oil prices (a drop from USD 41.28 on 7 March 2020 to USD 31.13 in the space of a day). The oil price drop on 8 March 2020 was the biggest one-time oil price drop since the event of 16 January 1991. For Evans-Pritchard (2020), the effects of COVID-19 on the oil market constitute a 'COVID-19 demand shock', signifying a bigger decline in oil prices than that experienced during the Great Recession of 2008–2013. This has resulted in oil prices falling to around USD 20 per barrel, as recorded on 20 April 2020.

With the process of economic diversification, the introduction of VAT has negative impacts on business (Alavuotunki et al. 2019), as VAT has some direct and indirect costs that put burdens on SMEs in the UAE (White, 2017).

Hence, this research study will investigate the significance of VAT management in the UAE.

1.3.3 Rationale for Selecting SMEs of the UAE

SMEs work as the economic veins of a country (OECD, 2018), and UAE SMEs form the backbone of the nation's economy (Dubai SME, 2013; Stanley, 2013). A study carried out by BLOOVO (2017) revealed that there are 350,000 SMEs in the UAE – accounting for 94% of all active businesses, employing around 3.4 million employees (collectively, 72% of the UAE's population), and contributing 40% of the GDP of the UAE (Mena Herald, 2017; Trade Arabia, 2017; Zawaya, 2017). According to the Ministry of Economy (2017), SMEs contribute more than 60% of the UAE's GDP and provide over 86% of the workforce in the UAE's private sector.

The Director General of the Department of Economic Development of Dubai, His Excellency Sami Dhaen Al Qamzi, considered SMEs the anchors of any economy; the CEO of Dubai SME, His Excellency Abudul Baset Al Janahi, also acknowledged that the SME sector is the backbone of any economy (Dubai SME, 2013). According to a Dubai SME (2019) report, SMEs in Dubai represent 99% of all establishments in the UAE, constitute 51% of the total workforce and contribute 46% to the total value generated in Dubai's economy.

Indeed, SMEs in the UAE contribute substantially to the national economy, create employment and boost labour productivity (Augustine, 2019; Dubai SME, 2019). UAE SMEs have been facing some challenges, including the lack of tailored, affordable financing solutions (Dubai SME, 2019; Gupta and Mirchandani, 2018); building and/or bolstering international export footprints, including the lack of information on export procedures and opportunities in key markets and high costs related to exports (Dubai SME, 2019); lack of management skills (Allefari, 2020; Bakhouche et al., 2020); and lack of innovation (Alsharari et al., 2020; Dubai SME, 2019).

According to Sophia (2014), approximately 77% of all SMEs have no valid access to bank lending facilities, which causes them to lag behind in their competition with big corporations. Even though the government of the UAE is very supportive of SME culture, funding is hard to get: currently, only one fifth of all start-ups are getting outside finance, which means that 80% of start-ups are forced to fuel their ideas and innovation through self-financing (Geoff, 2018).

The Dubai Chamber (2017) reported that around 16% of the service industry and nearly 11% of the manufacturing industry rely on the existence of SMEs. They facilitate the making of a skilled workforce and share wisdom to initiate innovation, as well as strengthening the

framework of the economy of information. Researchers such as Allefari (2020) and Bakhouche et al. (2020) report that, due to a high dependency on expats, SMEs in the UAE suffer from a lack of skilled employees. Consequently, it is vital to have a narrow focus on SMEs under innovation models as well as evaluating their transitional performance and development regarding the issue of efficiency (Schilliro, 2015).

Alsharari et al. (2020) found that UAE SMEs lack innovation. Dubai SME (2017) emphasised that businessmen who are investing their talent in innovation understand their responsibilities as aggregators of disruptive and revolutionary ideas; therefore, innovation must be attempted in the UAE to raise and expand the culture of disruption among corporations – SMEs in particular).

In addition to the above, VAT will have impacts, both direct and indirect, on the profitability of SMEs in the UAE (as mentioned earlier), which may cost 25% of total business turnover (White, 2017). It is worth noting that direct costs consist of pricing, cash flow, financial reporting, tax accounting, supply chain and compliance processes. By contrast, indirect costs include the costs of being non-compliant, such as multiple penalties.

Therefore, this study focuses on analysing the impact of VAT, introduced on 1 January 2018, on the UAE's SMEs.

1.4 Research Aims, Objectives, and Hypotheses

1.4.1 Aims of the Study

The aims of the study are to evaluate the critical factors associated with the successful implementation of VAT and to analyse the impact of VAT on SMEs to establish critical success in implementing VAT in the UAE.

1.4.2 Objectives of the Study

There are five research objectives (ROs) for this study:

RO1: To critically review the taxation philosophy and other factors impacting a successful implementation of VAT in the UAE.

RO2: To evaluate the current fiscal policies and implications of VAT and its impacts on the UAE's SMEs.

RO3: To document SME stakeholders' concerns associated with the introduction of VAT in the UAE.

RO4: To study the impact of VAT imposition on SMEs in the UAE.

RO5: To recommend strategic measures that could be useful to the UAE government's VAT implementation.

1.4.3 Research Hypotheses

Detailed information on the development of hypothesises and definitions of their constructs is discussed in the section seven of chapter two of this thesis. Research hypotheses are as follows:

H1: VAT has an impact on SMEs in the UAE;

Hypothesis 1 consists of the following impacts:

H1a: The impact of VAT on the companies' profitability and cash flow (Costs involved in understanding legislation (exclusions, exemptions, deductions, good/service distinctions etc.);

H1b: Procedural requirements (such as supporting evidences for VAT registrations, accounting records, bookkeeping for tax return, and accounting record for VAT return) involve additional workforce and, hence, increase in expenditure on wages and salaries;

H1c: The compliance costs are significantly higher when businesses are involved in cross border trade;

H1d: Other administrative costs related to VAT claim, missing deadline, and others;

H1e: The company falls within the scope of the payment of VAT incurs a direct cost on the companies' profitability;

H1f: VAT adversely affects companies' profitability;

H1g. Costs related to cash flow management;

H2: Factors, such as compliance, penalties, belief, financial burden, honesty, prosecutions, deformation, ease of making payment through tax, and contributions to the national economy, that make UAE SMEs to be VAT compliant;

Hypothesis 2 comprises the following factors:

H2a: Because it is a law;

H2b: Concerning at having to pay interest charges for late payment of tax;

H2c: Concern at having goods seized by the Federal Tax Authority for failure to pay tax;

H2d: Belief that other taxpayers are declaring and paying honestly;

H2e: Concern that a third party (e.g. a bank), owing money to you, will be ordered to pay that money over to the Federal Tax Authority;

H2f: That fact that the Federal Tax Authority presumes that you have been honest in your dealings with them;

H2g: Concern that the Federal Tax Authority will obtain a court judgement against you for failure to pay tax and publish details of that judgement;

H2h: Your personal belief that you should do the 'right thing';

H2i: Concern that you will be audited by the Federal Tax Authority;

H2j: Concern that your name will be published on the Federal Tax Authority's Quarterly List of Defaulters;

H2k: Knowing that the Federal Tax Authority has the power to receive certain information about you from third parties (e.g. payments, rental income, interest, dividends);

H2l: Because the Federal Tax Authority makes it easy to pay taxes;

H2m: Because tax payments are used to fund public services.

H3: The UAE SMEs have the capabilities to meet the challenge of VAT and grow their businesses.

Hypothesis 3 includes the following capabilities:

H3a: Capability of the business in regard to people management in performing a range of tasks

H3b: Developing and implementing a business plan and strategy

H3c: Entering new markets

H3d: Developing and introducing new products and services

H3e: Accessing external finance

H3f: Operational Improvement, e.g. adopting industry best practices

H3g: Taking decisions on regulation and tax issues

1.5 The UAE: An Overview

1.5.1 The United Arab Emirates – Shaikh Zayed

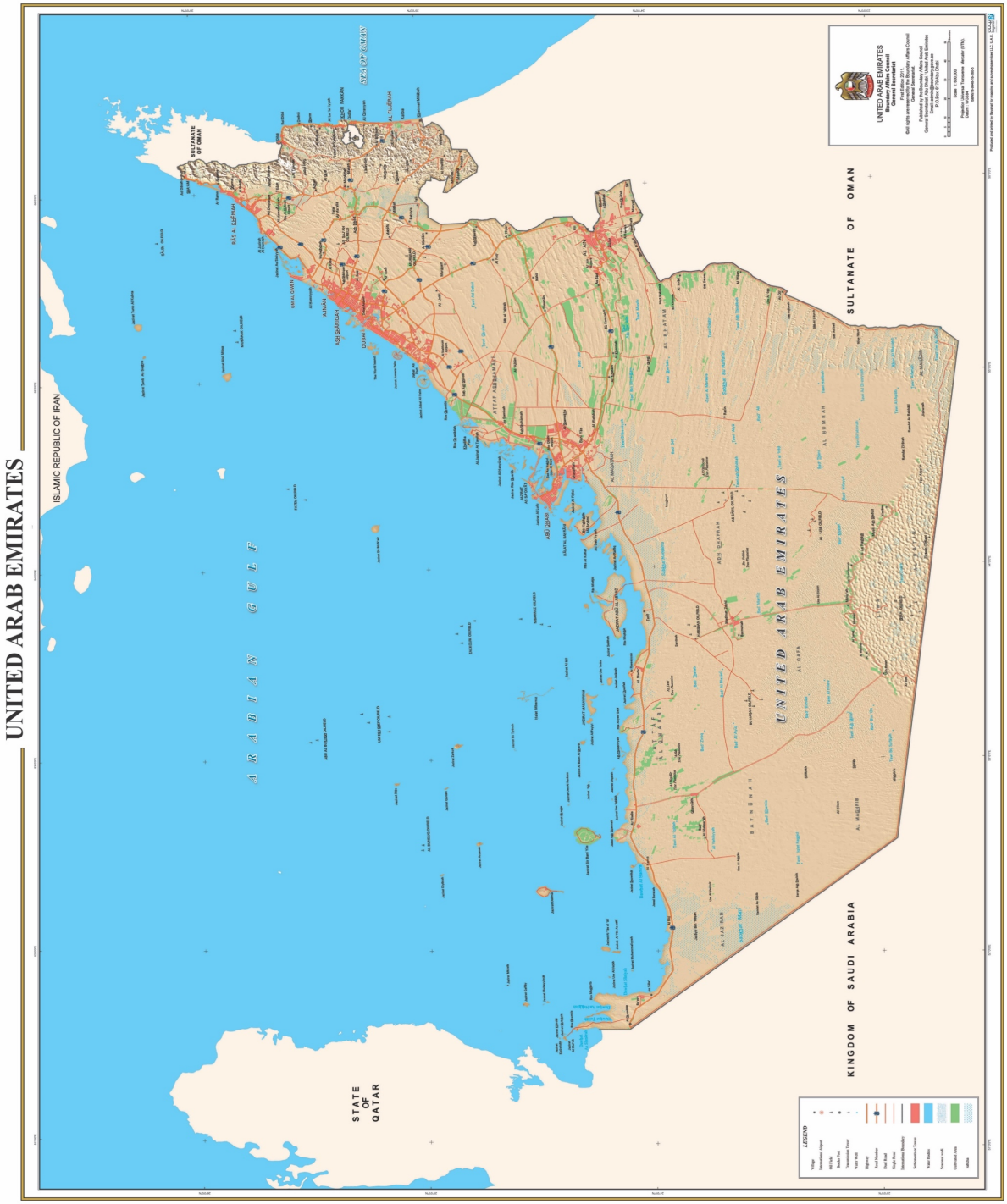
The historical aura of Shaikh Zayed continues to envelop the UAE legislature. Therefore, to understand the UAE is, arguably, to also appreciate the pervading posthumous power of Shaikh Zayed's influence. The Shaikh had 'organised a key development process programme and encouraged his people to be involved and participate wholeheartedly in the process, bringing in foreign expertise for support where necessary' (National Archives, 2018). In parallel, one sees some interesting connections between the emergence of Singapore as a Southeast Asian nation and economic powerhouse and the history of the UAE.

His Highness, Shaikh Zayed Bin Sultan Al Nahyan (1918–2004) was a diplomatically astute leader and a committed follower of Islam whose religious faith, as a devoted follower of The Prophet, worked alongside his belief in political and economic entrepreneurship (National Archives, 2018). He then governed Abu Dhabi and ultimately became the Founding President of the UAE. He lived to see the fulfilment of his primary desire to unite seven Emirates into a homogenous group (The Emirates Center for Strategic Studies and Research, 2005; East and Thomas, 2003).

Initially, the founding of the UAE in December 1971 as an alliance of Arab tribes comprised six emirates: Abu Dhabi, Dubai, Sharjah, Ajman, Fujairah and Umm al-Quwain. However, the number of emirates grew to seven on 10 February 1972, when Ras Al Khaimah joined the UAE. After this, a new epoch of progressive changes and developments gathered momentum and the reputation of the UAE spread beyond its national borders (an area of 32,280 square miles (see Figure 1.5)). Shaikh Zayed's political praxis had left indelible footprints across the

sands of the fledgeling desert – a journey ultimately leading to a landscape changed and formally cultivated into an international, financially robust and innovatively focused country.

Figure 1.5: Official Map of the UAE



Source: Government.ae (n.d.)

1.5.2 The UAE: Governance of VAT

The UAE, while retaining its founding Constitution (1971), operates under a federal system of governance. The Figure 1 shows the hierarchy of the government of the UAE.

Figure 1.6: Federal System of Government in the UAE

Federal Supreme Council, comprised of the rulers of each of the seven emirates

The Cabinet
Federal National Council

Federal Judicial Authority

10 Federal Ministries

32 Federal Authorities

(Source: UAE, 2018)

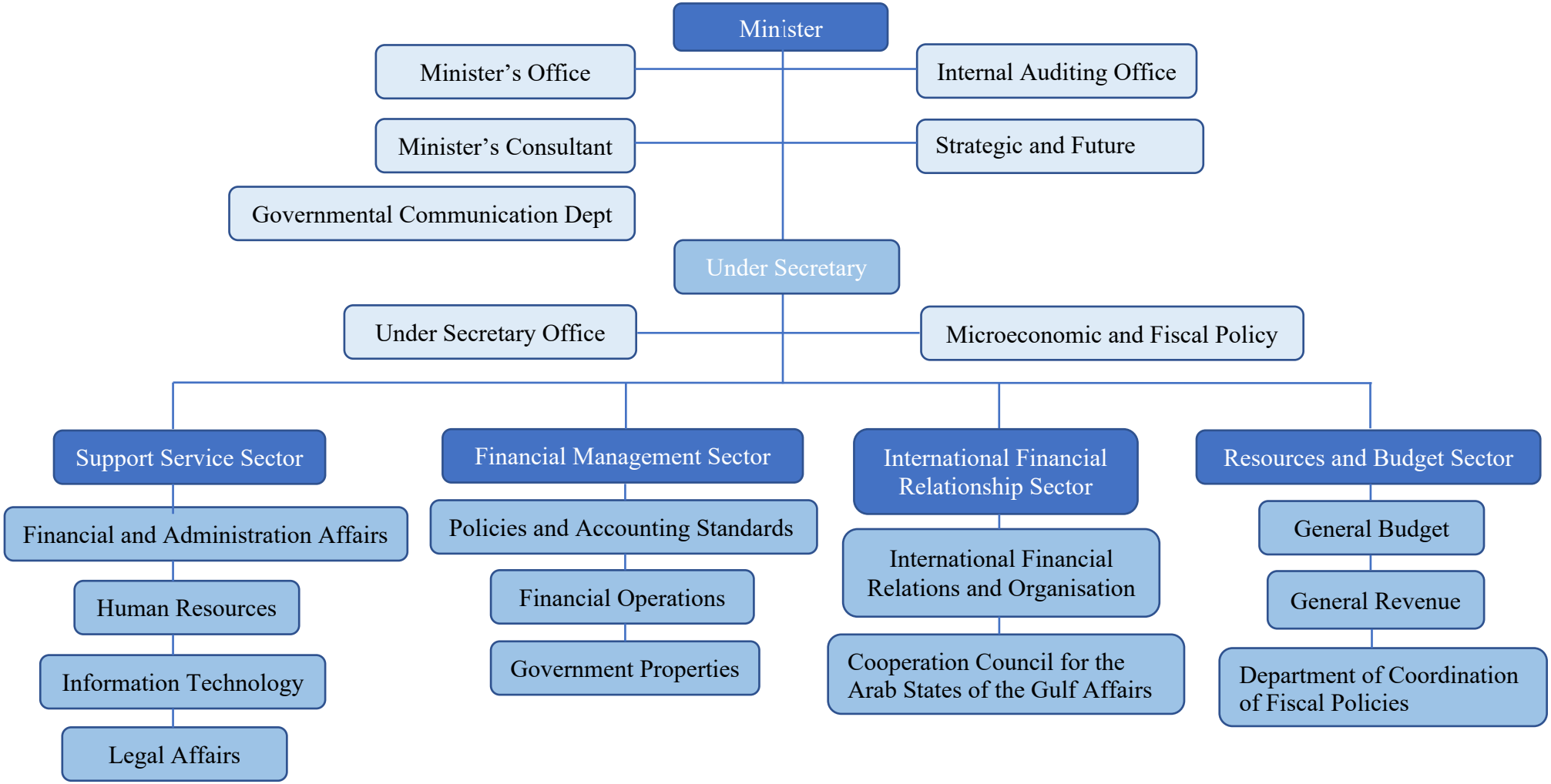
According to *Decree-Law No. 13 of 2016*, the Ministry of Finance (MoF) is responsible for formulating fiscal, monetary and industrial policies in the UAE. Besides these policy responsibilities, the preparation and allocation of the Federal Budget and the management of the government's financial position is also within the purview of the MoF. It operates with an organisational structure headed by the Minister and has twelve departments operating in four different sectors (see Figure 1.6).

The Ministry of Finance of the UAE

It has been mentioned that the MoF is responsible for implementing all fiscal, monetary and industrial policies related to the UAE's economic development. Among its core responsibilities are the preparation and allocation of the Federal Budget and the management of the government's financial position.

An organisational structure of the Ministry of Economy is shown in Figure 1.7.

Figure 1.7: Organisational Structure of the Ministry of Finance



Source: Ministry of Finance (n.d.)

The MoF administers VAT through its extended executive arm, the FTA. However, the structure of VAT governance and its hierarchy is shown in Table 1.1.

Table 1.1: VAT Governance Hierarchy

State	The United Arab Emirates
Federal Government	The Government of the State
Emirates' Government	The Local Government of each emirate
Ministry	The Ministry of Finance
Minister	The Minister of Finance
Authority	The Federal Tax Authority
Board	The Authority's Board of Directors
Chairman	The Chairman of the Board
Director-General	The Director General of the Authority
Concerned Entities	The Federal and Local Entities Concerned with Combating Tax Evasion in the State.

Source: Federal Decree-Law No. (13) of 2016

1.5.3 The UAE: The FTA

The FTA's headquarters are in the emirate of Abu Dhabi, the capital of the UAE, and the FTA is responsible for the collection of taxes and the management of federal taxes. The FTA was given the task of issuing guidelines and directives to taxpayers on matters relating to VAT and the eventual imposition of other taxes, as featured in Article 4 of Decree 13. This edict authorised the MoF to establish VAT within 90 days of the order date; the government of each GCC country is responsible for tax collection and must apply its fiscal policy, as underpinned by an economic philosophy.

Nonetheless, Cioccarelli and Fernley (2020) reported that the federal government implemented VAT in January 2018 by ensuring UAE laws aligned with international tax developments such as tax treaties, tax information exchange agreements (TIEAs) and global tax information exchange programmes (such as the Foreign Account Tax Compliance Act (FATCA) and Common Reporting Standard (CRS)).

Therefore, the core involvement, coordination and leadership of the FTA (Ministry of Finance, 2018a), as decreed by the President of the UAE, is the driving force behind the administrative restructuring of the seven emirates. Nevertheless, the Gulf Corporation's oversight allows each member state to set its own compliance needs and challenges to negotiate 'change'.

Because the UAE has begun strong business appeals to foreign investment, including outsourcing and offshoring, new laws and regulations have added greater security and confidentiality to foreign investors; entrepreneurs and investors can open bank accounts; and the 'introduction of VAT will impact on such initiatives' (Zafarullah, 2018).

The FTA will

- be a specialised body, aligned with leading international practice, that formulates federal tax rules and regulations (including VAT) and oversees the application of international tax obligations;
- be responsible for implementing all aspects of tax laws, including registrations, assessments, evaluations of returns, audits, and the resolutions of disputes;
- coordinate with governments and taxpayers on tax-related issues;
- represent the UAE at regional and international meetings and conferences concerning tax matters.

(*Source*: KPMG, 2017)

Challenging a smooth implementation are the vendors supplying goods and services, who may be supplying on contractual terms that do not include provisions and mechanisms about price adjustment where VAT is chargeable or accounts for the possible change in law – and will, in therefore, have to foot the bill (Gately, 2016). Arguably, and crucially, many UAE businesses are traditionally run in small rooms and from simple premises; many owners and employees might find that their limited education and lack of technical expertise are barriers to understanding and connecting the legal fibres of VAT implementation.

The revolutionary advance of technology and the volatility of the international markets (trade, commercial and industrial) directly affect the livelihoods of the citizens of the UAE. Therefore, this study also includes a critical assessment of Emirati management of the all-important stakeholder responses to the introduction of VAT. According to CIPD (2019), change initiatives are not always undertaken as part of a wider coherent change plan – for example,

through considering linkages between strategy, structure, and systems issues. Therefore, a change that considers a new structure but fails to establish the need to introduce new systems or processes to support such a structure is less likely to succeed.

Nonetheless, despite the projected financial windfalls, there is much work still to be done. Therefore, this study recognises VAT-related successes in developed and developing countries that demand the attention of the UAE government – for example, 'the relatively high compliance cost for small firms and the vulnerability of the refund system to fraud [and] the need to reduce tariffs to accord with WTO requirements' (Bird and Gendron 2007). Consequently, this new taxation model will impose legally structured, fresh and indelible changes on local commerce and industry, employment, consumer engagement and the critical management of stakeholder information. Administrative and monitoring responsibilities will, therefore, require regular attention.

1.5.4 Economic Outlook of the UAE

The UAE is currently considered the Middle East's second largest economy after Saudi Arabia (The World Ban, 2020a) and the 28th largest economy in the world (OEC, 2020). The economy of the UAE was primarily, and almost exclusively, concerned with crude oil back in its early days. Today, conversely, the UAE is only straightforwardly reliant on oil revenues for around 4% of its GDP. Any visitors to the country can easily meet with bounteous proof of the booming UAE economy, there being widespread nationwide evidence of tremendous infrastructure spending: airports, hotels, residential areas and attractions. Expenditure across the Gulf Cooperation countries is assumed to be almost 21 trillion US dollars over the next five fiscal years, most of which will be in the UAE (Kader, 2011). The UAE's economy is primarily based on trading – quite unlike its historical image. The country is concerned with diversifying towards a more intuitive and service-oriented economy, safeguarding its position as a hub for business, finance and tourism. Although its initiative for UAE Vision 2015 worked extremely well, it has faced several new crises since and Dubai is currently losing some of its shine (Fattah, 2018).

The following table shows the economic indicator and variables of the UAE between 2016 and 2019.

Table 1.2: The Economic Indicator and Variables of the UAE, 2016–2019.

Statement	2016	2017	2018	2019
Population (million)	9,360,980	9,487,203	9,630,959	9,770,529
Population Growth	1.047753	1.330455	1.503897	1.43878
Current GDP (USD billion)	357.045	385.606	422.215	421.142
GDP Growth Rate (annual %)	2.3	-0.3	2	1.70%
Of which non-oil GDP (%)	1.9	1.9	2.3	2.9
Current account balance (percentage of GDP, %)	-2.8	2.5	7.3	3.9
Balance of public finances (percentage of GDP, %)	-10.7	-5.5	-1.7	-3.1
GNI Per Capita	40,570	39,290	41,470	43,470
Inflation rate (annual average, %)	2.1	0.2	8.21%	-1.90%

Source: Federal Competitiveness and Statistics Authority. * The World Bank (2020b) ** Ministry of Economy (2019a)

1.5.5 SMEs in the UAE: An Overview

The MoE is responsible for formulating trade and commerce policy in the UAE. The MoF prepares various projects as part of a general development plan aiming to achieving visions such as 'Diversified global competitive economy based on knowledge and innovation, led by Emirates'. However, one of the core missions of the MoE is to achieve the national economy's development, and one of the core strategic objectives of the Ministry is to enhance the competitiveness of SMEs and national entrepreneurships in the UAE between 2017 and 2021. Indeed, the MoE regulates SMEs in the UAE under a programme.

The programme called 'National Program for Small and Medium Enterprises and Projects' was founded under Federal Law No. 2 of 2014 under the umbrella of the MoE (Ministry of Economy, 2018b). The programme is controlled by a particular council of the Ministry, aiming to empower SMEs and set general frameworks and guidelines in order to deliver the required capabilities and technical, administrative and training support.

Ministry of Economy (2018c) says that 'SMEs are classified into three sectors: trade, industry and services. Each sector is divided into three categories: micro, small and medium, all of

which vary in the number of employees and annual returns.' Detailed definitions of these three different categories – along with their sectors in terms of number of employees and revenue, as provided by the MoE – are as follows:

Table 1.3: The Official Definitions of SMEs

Sector	Category	Number of Employees	Revenue Annual Returns in AED
Trade Sector	***Microfinance Co***	1 to 5 Employees	0 to 5 Million
	Small Business	1 to 50 Employees	5 to 49 Million
	Medium Size	51 to 200 Employees	50 to 250 Million
Industry Sector	***Micro Finance Co***	1 to 9 Employees	0 to 3 Million
	Small Business	10 to 100 Employees	10 to 50 Million
	Medium Size	100 to 250 Employees	50 to 250 Million
Service Sector	***Micro Finance Co***	1 to 5 Employees	0 to 2 Million
	Small Business	6 to 50 Employees	6 to 50 Million
	Medium Size	50 to 200 Employees	20 to 200 Million

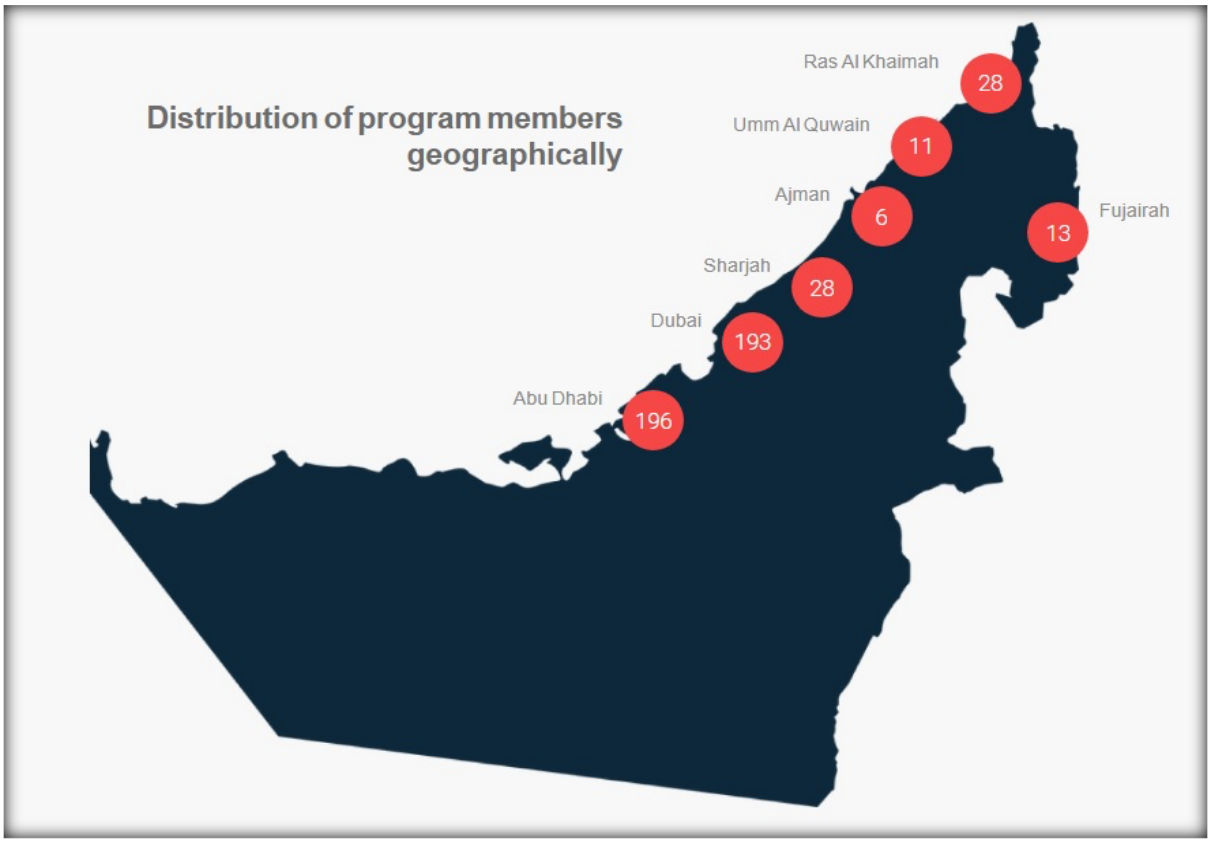
Source: Ministry of Economy (2018c)

The council also coordinates with federal and local government agencies and private sector organisations to provide benefits and incentives to SMEs. Membership benefits include financial support, which helps an organisation to flourish and overcome challenges; participating in foreign exhibitions, which allows entrepreneurs to display their products and services; business support, which helps SMEs access a vast array of business facilities; training and development, which provides training; arranging workshops to develop and empower entrepreneurs, which provides information to help SMEs access a special database for the

national SME programme; and the provision of required information on foreign markets and marketing, which helps SMEs work together with federal, local and private government agencies to market their products (Ministry of Economy, 2018c).

According to the National Program for Small and Medium Enterprises and Projects (2018), there are 475 registered SMEs in the UAE: 196 in Abu Dhabi, 193 in Dubai, 28 in Sharjah, six in Ajaman, 11 in Umm Al Quwain, 28 in Ras Al Khaimah and 13 in Fujairah (Ministry of Economy, 2018e). Figure 1.8 depicts the total number of registered SMEs in the UAE's seven emirates.

Figure 1.8: Distribution of Programme Members Geographically



Source: Ministry of Economy (2018e)

Types of SMEs in the UAE

According to the Annual Statistical Report of 2016, there are four types of SMEs in the UAE, and they are as follows:

1. Foreign Trade Sector
2. Intellectual Property Sector

3. Corporate Sector and Consumer Protection
4. Industrial Development Sector

1.5.6 Stakeholder of UAE SMEs

Due to the economic significance of stakeholders in creating and disseminating value (Mitchell et al., 2015), it is important for this study to identify the key stakeholders of SMEs in the UAE. Freeman (2010, p. 33) defines different stakeholders in an organisation as 'managers, workers, stockholders, suppliers, vendors' and identifies the objectives of stakeholders as one of the factors at the heart of organisational success. Considering the definition of stakeholders, this study takes into account stakeholders of SMEs as well as non-stakeholder interest groups (such as employees, suppliers, customers and debtholders); these are considered to be strategically significant for UAE SMEs, because they offer resources to the establishment in return for some compensation and are therefore entitled to some distribution of expected economic gains (Mitchell and Lee, 2019).

Stakeholder groups include the policymakers at the MoE, the MoF, the FTA, the Department of Economic Development, owners, employees, business bankers, researchers and customers of UAE SMEs.

Thus, the concerns and interests of stakeholders will naturally reflect how the preparation for and monitoring of the establishment and practical operation of the VAT process function. Consequently, and in keeping with ethical expectations, the UAE must ensure that 'the deep, widespread feelings of the people as to what is fair' is communicated to ensure an understanding of a changing tax base (Cui et al., 2015, p. 24).

1.6 Scope of the Study

The extent of this project is limited to the study of VAT implementation and its impacts on SMEs in the UAE. However, due to the large extent of SMEs, the study's scope has some further limits; these are explained in this section.

First, the study follows the definition and extent of SMEs provided by the MoE (see Table 1.2), which is 'SMEs are classified into three sectors: trade, industry and services. Each sector is divided into three categories: micro, small and medium, all of which vary in the number of employees and annual returns.' Therefore, any business that does not meet this definition will be excluded from this study.

Second, the study will include data from registered SMEs. As has been found by the National Program for Small and Medium Enterprises and Projects (2018), there are 475 registered SMEs in the UAE: 196 in Abu Dhabi, 193 in Dubai, 28 in Sharjah, six in Ajaman, 11 in Umm Al Quwain, 28 in Ras Al Khaimah and 13 in Fujairah (Ministry of Economy, 2018f). The study excludes any unregistered SMEs in the UAE, as it has been found that there are 350,000 of them (Trade Arabia, 2017).

Third, any organisation with an annual turnover less than AED 375,000 will be excluded from data collection, as it has been found that VAT is mandatory for all businesses with an annual turnover greater than AED 375,000 (Federal Tax Authority, 2018). Although companies with an annual turnover of between AED 187,500 and AED 375,000 can voluntarily register for VAT, it is not compulsory for them to pay it. Therefore, this study will include organisations with an annual turnover of between AED 375,000 and AED 250 million.

Fourth, the study considers the position of policy makers and senior managers currently working for the following authorities in the UAE:

1. The Ministry of Finance
2. The Ministry of Economy
3. The FTA
4. The National Program for Small and Medium Enterprises and Projects

Fifth, the study considers data from stakeholders, following the definition of stakeholders of SMEs in the UAE. Freeman (2010, p. 33) noted the interests of various stakeholders, these being ‘managers, workers, stockholders, suppliers, vendors’, and identifies the stakeholder’s objectives as one of the factors at the heart of organisational success. Therefore, the study includes owners, directors, managers, employees, subcontractors, manufacturers, suppliers, accountants and consultants.

Finally, the study excludes anyone in SMEs who is less than 18 years old.

1.7 Overview of the Research Methodology Applied

This research study was planned on the basis of the ‘research onion’ designed and recommended by Saunders et al. (2016, p. 124). A detailed description of ‘research onion’ and rationale for its use in this research study and the relevance of its layers is discussed in Chapter 3: Research Design and Methods, of this thesis.

This research study compliments postmodernism philosophy as it deals with the social as well as business aspects that experience tremendous changes throughout the ages and examines the changes more subjectively and tries to come to the conclusion that change is the ultimate reality. Moreover, the study applies abductive approach as this research study requires theoretical development by the collection of qualitative and quantitative data to generate a new – or modify an existing – theory that is subsequently tested from the VAT implementation and its impact on the UAE's SMEs. Furthermore, in the process of applying a methodological choice, this research study employs sequential multi-phase especially, phase 1: qualitative methods - interview with policymakers; phase 2: qualitative methods - interview with stakeholders; and phase 3: quantitative methods - surveys on the UAE's SMEs. Two qualitative methods mainly interview with policymakers at MoF and FTA and interviews with stakeholders of the UAE's SMEs have been used to accomplish objectives two and three, where a quantitative method mainly survey with UAE's SMEs has been conducted to achieve objective four of this research study.

There were two different stages, such as stage one: the pilot study; and stage two: the main study, in this study. Throughout the stage one, pilot study, *n*1 qualitative interview with policymaker at MoF, *n*1 qualitative interview with stakeholders, *n*50 survey questionnaire with SMEs in the UAE were carried out. For the stage two, the main study, *n*10 qualitative interviews with policymakers at MoF and FTA, *n*10 qualitative interview with stakeholders of SMEs in the UAE, and *n*265 SMEs in the UAE were carried out.

A summary of two different stages and their phases along with populations and sample sizes is presented in Table 1.4 below.

Table 1.4 Synopsis of the Research Methodology Applied in this Study

					Stage One			**Stage Two**			
					The Pilot Study			**The Main Study**			
Phases	**RO**	**Research Strategy**	**Targeted Population**	**Sampling Methods**	**No. of Participants**	**Data Collection Time**	**Data Analysis Technique**	**No. of Participants**	**Data Collection Time**	**Data Analysis Technique**	**Data Analysis Tools**
Phase 1	***RO2***	Qualitative method (semi-structured interviews)	Policymakers at Ministry of Finance, Federal Tax Authority	Snowball sampling	01	Mar. 2019	Thematic Analysis - Manual	10	May 2019	Thematic Analysis	QSR NVivo 12
Phase 2	***RO3***	Qualitative method (semi-structured interviews)	Stakeholders of SMEs in the UAE	Snowball sampling	01	Mar. 2019	Thematic Analysis - Manual	10	June 2019	Thematic Analysis	QSR NVivo 12
Phase 3	***RO4***	Quantitative research, online survey questionnaire	Registered SMEs in the UAE (Owners and managers)	Stratified random sampling	50	Apr. 2019	Statistical test – Ms Excel	265	July 2019	Frequency distribution and chi-square test	IBM SPSS 22

Please note that because there was each one interview in Stage One (a pilot study) for phases 1 and 2, the qualitative data received through phases were analysed manually. However, the qualitative data received during Stage Two (the main study) of this research study were analysed with QSR NVivo 12.

1.8 Thesis Structure

Including this chapter, there are six chapters in this thesis. The following is a brief discussion of the other five chapters.

***Chapter 2*:** The aim of the literature review chapter is to achieve Objective 1 of this study. To accomplish the defined objective, the chapter consists of eight different sections: Section 1 reviews the philosophy and principles of tax and taxation; Section 2 seeks to understand the philosophy and principles of VAT; Section 3 analyses taxation management customisation on the basis of factors impacting VAT practices; Section 4 examines the theories of VAT implementation to identify successes and overcome failures in GCC; Section 5 analyses VAT policy and implementation in the UAE.

***Chapter 3*:** This research design chapter aims to provide a detailed explanation of the research philosophy, methodology, tools and techniques applied in carrying out primary research in this study. The chapter works as a navigation guide for the field study and offers a comprehensive view of the research design, including definitions of the various terms, the rationale for the use of different research tools and techniques, population, sample size and the ethics approval process.

***Chapter 4*:** The chapter comprises four different parts discussing primary data received from the qualitative and quantitative research. Parts A and B offer an analysis of the qualitative data received from policymakers and stakeholders of SMEs in the UAE; Part C analyses the quantitative data received from SMEs. Part D discusses the secondary data based on the post-VAT-implementation era in the UAE.

Chapter 5: This chapter is designed to discuss the results derived from the data analysis and provide the relevant data to achieve the objectives and answer research questions that were constructed at the beginning of the study.

***Chapter 6*:** The chapter consists of two different sections. Section 1 provides the conclusion of the study, which summarises the findings of the primary and secondary research conducted during the study. Section 2 offers recommendations regarding the successful implementation of VAT for SMEs in the UAE.

1.9 Summary of the Chapter

The purpose of the chapter is to provide a detailed background for this research study. The chapter comprises the research background, the motivation for the research, the rationale for the study (including scientific knowledge gaps), the significance of VAT management in the UAE and the rationale for selecting SMEs of the UAE. Moreover, the chapter provides the research aims and objectives, discusses research contexts and provides an overview of the UAE (consisting of the historical milieu of the UAE, its system of government, the government entities associated with VAT's adoption and implementation, and the economic outlook of the UAE). Finally, the chapter provides the scope of the study as well as the structure of the thesis. With the specified information, the chapter can be used as a navigation aid for this thesis.

Chapter 2: Literature Review

2.0 Introduction

Every country has a certain type of structure for its economic and political operation. According to Batrancea et al. (2019), a government has the power of control: it has authority over a country, a city or a group of people. This indicates that a government needs a certain amount of area or exposure to operate as a controlling authority. To control a country or an area, a government needs a certain level of monetary power, as it is actively involved with the betterment of the lives of its countrymen each and every day. VAT is a new phenomenon, originating in France in 1954 (Charlet and Owens, 2010; Wallop, 2010) and enacted in many European countries between 1960 and 1970 (Tax Policy Center, 2017). VAT is considered a 'money machine' (Resident's Advisory Panel, 2006, p. 192), as it is the most effective tool for sourcing public revenue (Delfin et al., 2005; Keen and Lockwood, 2010).

The aims of this literature review are to critically review taxation philosophy and the factors impacting a successful implementation of VAT. To understand VAT and its impacts on the economy and SMEs, this chapter is divided into eight different sections. Section 1 reviews philosophy and principles of tax and taxation; Section 2 provides a clear understanding of the philosophy and principles of VAT; Section 3 provides a detailed analysis of taxation management, customisation and factors impacting VAT practices; Section 4 examines theories of VAT implementation to identify and overcome the successes and failures in GCC; Section 5 analyses VAT policy and implementation in the UAE; Section 6 gives an overview of OPEC crude oil prices and economic diversifications; Section 7 constructs the variables, research hypotheses and conceptual framework of this study; and Section 8 summarises the chapter.

2.1 Section One: Reviewing Philosophy and Principles of Tax and Taxation

2.1.1 Meanings and Definitions of Tax

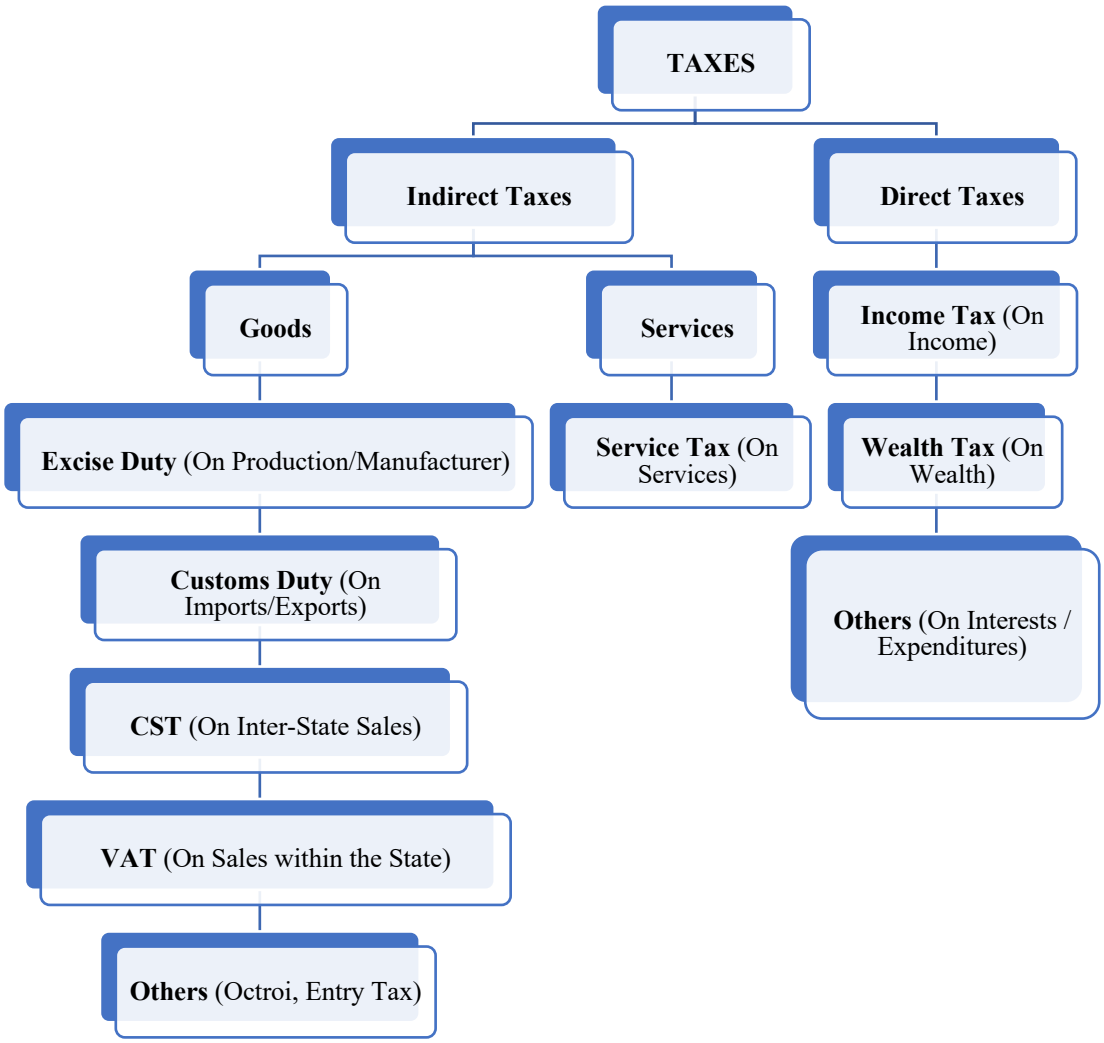
According to Neumark et al. (2018), the government's primary income comes from money received by taxation and, therefore, taxation is imposed on most countries around the world. From a 1996 definition by the 'Organisation for Economic Co-operation and Development', as noted by the Chairman, taxes are paid to the government on a mandatory basis and the benefits received from the payment are not equivalent to the amount originally paid (OECD, 1996). It is to be noted that the thing that distinguishes taxes from other costs and expenses that generate

revenue for public expenditure is that tax is compulsory and paid to the government and no other entities (Smith, 2015).

2.1.2 Different Types of Tax

In modern times, tax is one of the government's biggest sources for obtaining funds and financing its operations (Neumark et al., 2018). Inevitably, like most broad concepts, tax also has various subdivisions. Although taxes have been divided in many different ways, based on who they are imposed on, the main segmentation of tax is divided into two groups: direct and indirect. Within direct taxes, there are three additional divisions; within indirect taxes, there are eight. Indirect taxes are categorised further in terms of which are applied to goods and which to services.

Figure 2.1: Different Types of Direct and Indirect Taxes



Source: Hiregange (2015)

2.1.2.1 Direct Tax

Table 2.1 Definitions of Direct Tax

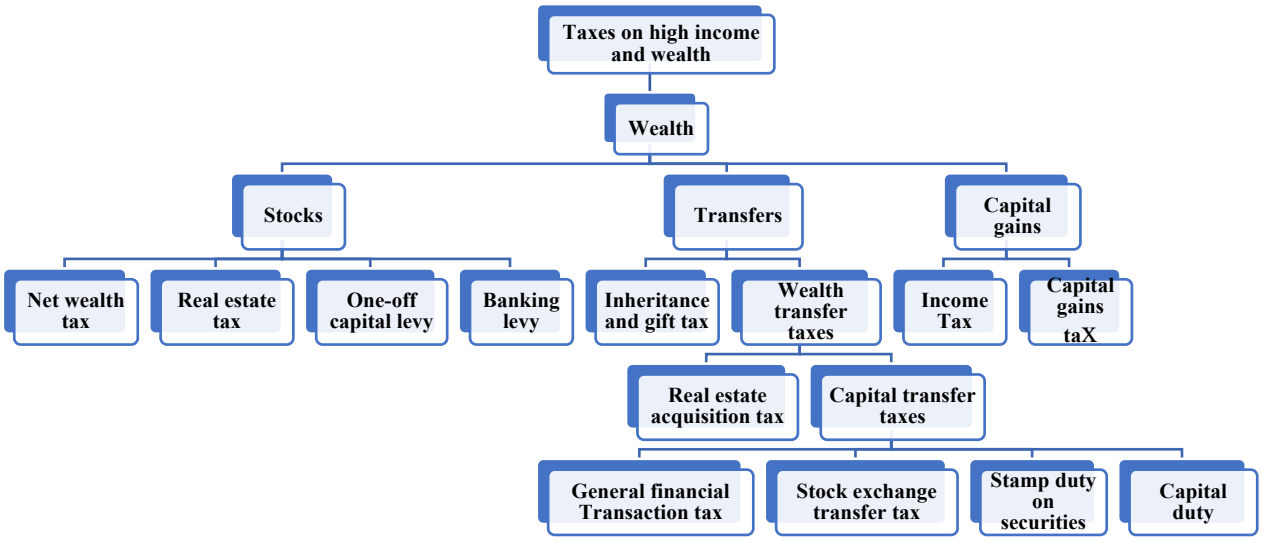
Authors and Dates	Definitions
Gellis (1999)	Direct taxes can also mean taxes that are imposed on people's wealth and ownership.
Smith (2015)	Any taxes that can be directly related to the earnings or income of a household are known as direct taxes.
Melville (2017, p.3)	'Direct taxes are charged on income, profits or other gains and are either deducted at source or paid directly to the tax authorities. The main direct taxes that are payable by individuals are income tax, capital gains tax and inheritance tax.'
Neumark, et al. (2018)	Direct taxes are determined by scrutinising how much of a tax the 'natural person' can pay with their income, spending and wealth.
Acosta-Ormaechea et al. (2019)	Direct taxes represent income taxes in terms of corporate income, personal income and social securities.

Source: Compiled by Author

From these facts, it is clear that direct taxes cannot be paid by someone else who is not directly related to earning the taxable amount. The government only accrues direct taxes from entities that are directly responsible for owning or producing taxable sums. There are three main categories into which direct taxes can be divided: wealth tax, corporate tax and personal income tax. There are also several other categories.

Wealth Tax: When a wealth tax is imposed, the government looks at the assets and liabilities that are possessed by an individual. The wealth is usually based on net wealth (James, 2012). It is calculated by deducting the assets one possesses from one's liabilities (Neumark et al., 2018). When wealth taxes are imposed, the total amount of savings that a person has is affected (Salanie, 2014). Wealth tax is based on 'taxable wealth' (Jakobsen et al., 2020). Below is an outline of some taxable wealth.

Figure 2.2: Type of Taxable Wealth



Source: Krenek and Schratzenstaller (2017, p. 8)

This figure demonstrates that wealth such as stocks, transfers and capital gains falls directly under wealth, where transfers usually happen in terms of inheritance, gifts or direct wealth. Direct wealth leads to capital transfer taxes, which are further taxed (Krenek and Schratzenstaller, 2017).

Wealth tax is also 'tax on the stock of wealth' – not on income. This means that those who have similar levels of wealth may have to pay similar amounts of wealth tax, whether they have similar levels of income or not. Research has found that wealth taxes can improve productivity, as less productive business owners see that if they have more wealth and less income and there are high wealth taxes imposed, they have less left at the end of the year. However, the support for wealth taxes in the United States is less among retirees than that for tax on corporate income (Guvenen et al., 2019). Turning to the European Union, wealth taxes can be put into social and economic dimensions – but the calculation of wealth can be difficult due to problems in valuations, issues where wealth becomes taxed twice, and people's negligence in paying wealth taxes (Krenek and Schratzenstaller, 2017).

By definition, a formula for calculating average wealth tax can be calculated:

$$awtrit = \tau wWit / rtWit + Eit$$

Here, τw is wealth tax rate; Wit is wealth at age t; Eit is income earnings; rt is the average rate of return on investments. Through this formula, it is possible to observe that those who have higher gross capital incomes will be better off (Halvorsen and Thoresen, 2017).

Corporate Tax: Corporate tax is an incorporation between an income tax and a business tax. The fact is that a corporation is, by law, a legal entity; this means that it has a physical existence like a person does, but has an 'artificial personality'. Therefore, corporate tax is placed on corporate income. It can be observed that a dividend is income for an individual and falls under income tax laws, but at the same time it comes from a corporation's profit and so is also corporate income and falls under corporate tax laws. Consequently, the corporation is taxed twice – once as income for the corporation as a legal entity, and once as dividends (Harris, 2013).

Due to corporations' artificial personality status, one might assume that corporate tax can only be placed on corporations; however, sometimes that is not the case. Sometimes unincorporated entities are also taxed under the corporate income tax. Particularly in the United Kingdom, unincorporated entities fall into the category of a company as a residual entity, and this makes them also subject to corporate tax. The same can be seen in Germany (Harris, 2013).

In the United States, the corporate tax is called 'classical' or 'double tax'. Corporate tax was introduced in 1909 for income over $5000 at a rate of 1%. Since then, a lot has changed. The system is referred to as 'double tax' because tax is imposed at two levels – the entity and shareholder levels. However, this tax is only applied when dividends are actually paid out, so some firms tend to hold out on paying dividends to reduce their corporate taxes (Richardson and Hildreth, 1999). It must be noted that corporate tax is crucial because of the increasing number of multinational companies worldwide and the large profits they make that must be taxed. The US has been trying to reform its corporate taxes since its incorporation in 1909 (Sullivan, 2011). In this case, it is important to know the difference between debt and income and distinguish them properly. For example, when one company has shares in another company, that first company is entitled to receive dividends; this cannot be charged as part of their annual corporate tax, as the company is receiving dividends, not paying them out (Block, 2009). Due to the ambiguities present in corporate taxes, the US has been trying to incorporate corporate income tax into personal income tax so that a corporation can be fully or partially integrated. If full integration is achieved, there will be no corporate-level taxes and there will

be no double taxation; if partial integration is achieved, the advantage for companies is that they get to keep at least some of their tax revenues (Richardson and Hildreth, 1999).

Personal Income Tax (PIT): PITs are also sometimes referred to as 'individual income taxes'. They are charged as a percentage of income that exceeds some predetermined amount and are subject to factors such as the financial condition of a family, their status and the number of people in the family. The taxpayer does not, generally, have to be one person; it can be one person, a couple or a whole family (Neumark et al., 2018).

Services that will be received by the general public and not just the person who is paying for them are normally covered by PITs; this makes the imposition and collection of these taxes a lot less controversial than corporate income taxes, because the imposition is on the household (Richardson and Hildreth, 1999). Moreover, there is evidence that inflation rates have an impact on PIT, which means that PITs have important implications for labour supply (due to the labour's obvious concerns over income after taxes and interest rates charged). The amount of PIT depends on whether the equity is horizontal or vertical. Horizontal means that taxes for equals are of equivalent amounts, and vertical means just the opposite. PIT determination is also impacted by whether it is imposed on a global or scheduled manner – whether a standardised system rate schedule is used or differentiated rate schedules are used for different income foundations. The progression and measurement of PIT are of utmost importance. Progression can be measured using this formula:

m(y) = change in t(y) by change in (y) at any given (y).

Here, (y) is income before tax; t is tax. A PIT is said to be progressive if the income before tax is on a gradual rise over the entire time a person is making income. The progression can be marginal, average, liability-based or residual-based. (Zee, 2005).

2.1.2.2 Indirect Tax

Table 2.2 Definitions of Indirect Tax

Authors and Dates	Definitions
Knodel (2008)	The government collects taxes from consumers through prices; the person paying the tax and the liable party are not the same. This is called 'the theory of transfer'. VAT is one of the most used and important indirect taxes in the EU and around the world.

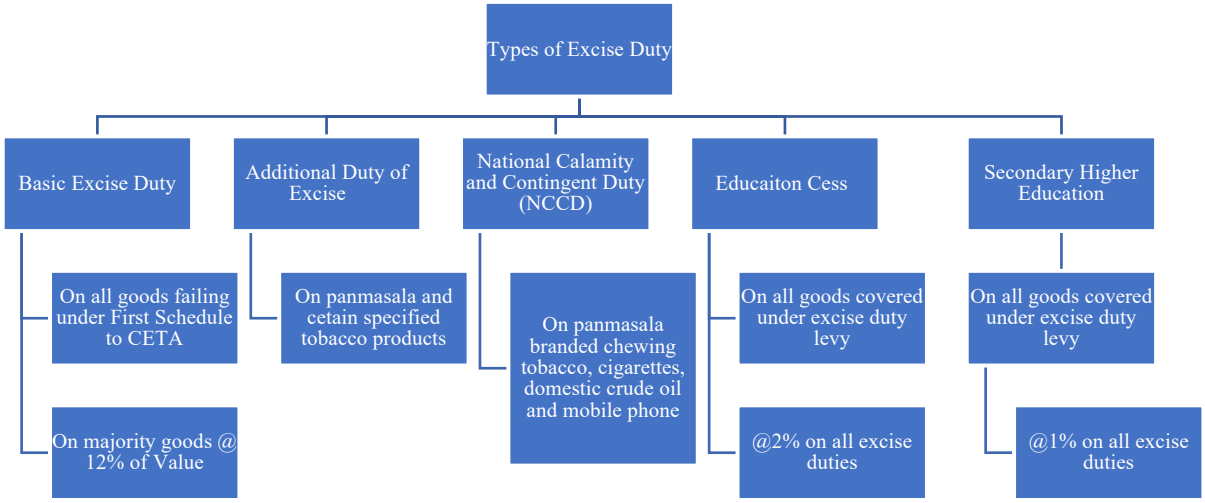
Remeur (2015)	Property and income are not subjected to indirect taxes and in the case of international trade, the indirect taxes are placed on goods and services in their countries of consumption.
Neumark (2018)	Indirect taxes are put on transactions and on events involving some sort of exchange of good and services. The most general types of indirect taxes are sales taxes, VAT and taxes on customs or import duties
Melville (2017, p. 3)	'Indirect taxes are taxes on spending. They are charged when a taxpayer buys an item and are paid to the vendor as part of the purchase price of the item. It is then the vendor's duty to pass the tax on to the tax authorities. Indirect taxes include value added tax (VAT), stamp duty, customs duties and the excise duties levied on alcohol, tobacco and petrol.'

Source: Compiled by Author

According to Harris (2013), indirect taxes are distinguished from direct taxes by the fact that they are imposed on the prices of goods and services and not on people or households' incomes subjectively. The most general types of indirect taxes are sales taxes, VAT and taxes on customs or import duties (Neumark, 2018). The only indirect tax considered in this study is VAT, and it is thoroughly discussed in the later sections of this chapter.

Excise Duties: Excises are placed on particular items, based on the amount purchased and charged per unit. Excise duties are deemed indirect because they can be passed on to someone else. The word 'excise' is used to mean 'commodity taxes imposed on the producer or seller'. This tax is arbitrary and, therefore, has many forms (Richardson and Hildreth, 1999). The illustration demonstrates the different types of excise duties placed in India and when they are imposed.

Figure 2.3: Type of Excise Duties



Source: Raj (2015, p. 23)

Many of these excise duties are also placed around the world. The disadvantage of this type of tax is that the government's revenue from excise duties does not increase in accordance with increases in product price (Raj, 2015). Some common commodities for excise taxes are alcohol, cigarettes, matches, tobacco and automobile fuel (Neumark, 2018).

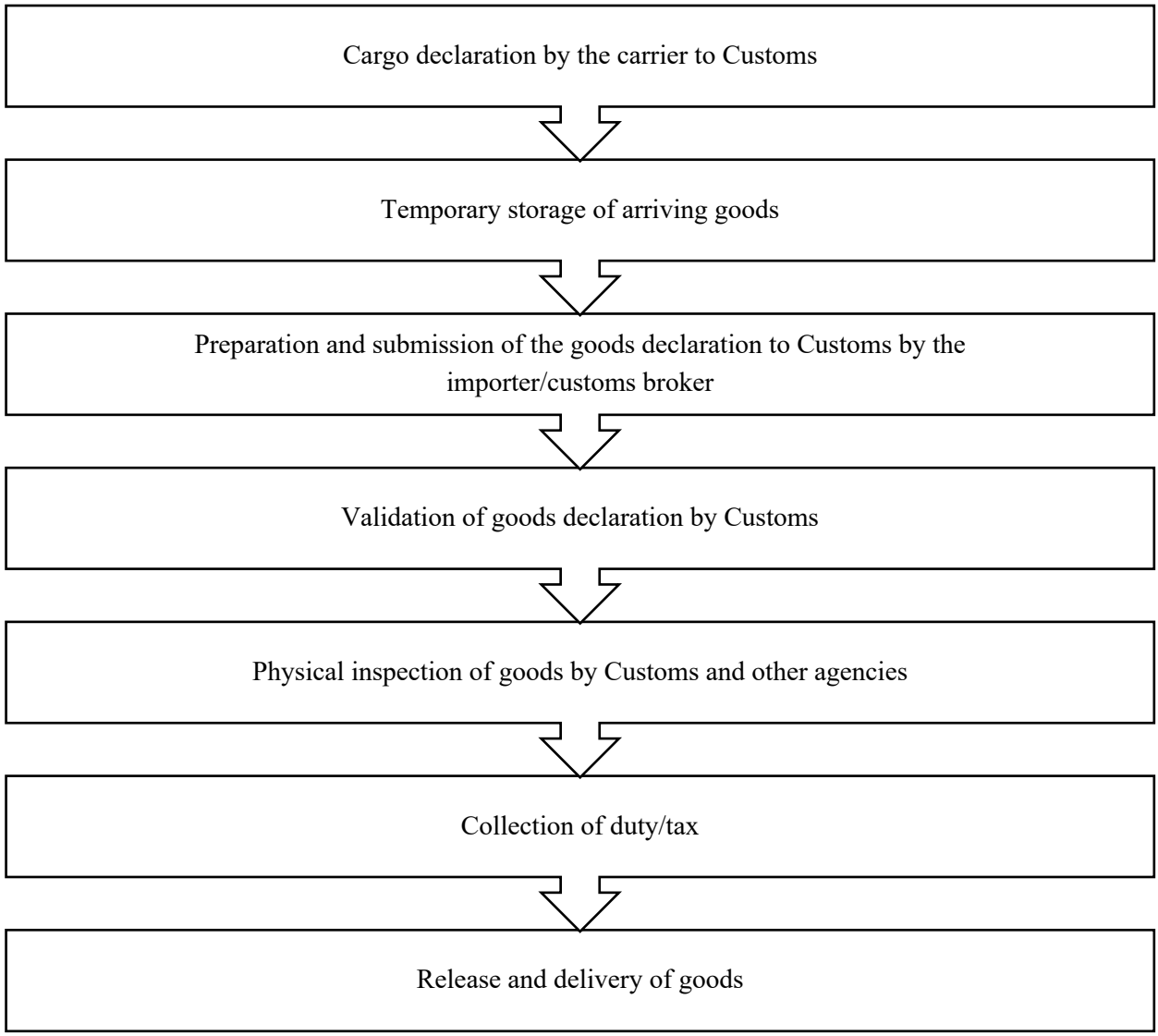
These are impersonal subdivisions of consumption and commodity taxes that are borne by manufacturers and distributors. There are two types of excise duty: general sales taxes and selective excise taxes (Richardson and Hildreth, 1999). Sales taxes are based on the values of a good as a proportion of its price (Neumark, 2018). Excise duties yield the most income compared to import duties and sales tax (Mohamed, 2016).

The way to calculate excise duties is usually as follows:

Excise duties = quantity + a fixed percentage rate

Customs Duties: Customs duties normally do not include other domestic taxes but do include other international taxes. Customs duties are imposed on imports as tariffs when something moves from one country to another and a country purchases items of interest from another country. There are additional surcharges, consisting of a mixture of duties and fees. These fees can come as port or stamp taxes, or statistic taxes. Additionally, internal taxes such as VAT and sales taxes are associated with customs duties (Teltscher and CNUCED, 2000). Different countries have different duties. Custom duties must be placed in accordance with the 'Import Clearance Process', which is done according to the following flow chart (Mohamed, 2016).

Figure 2.4: Import Clearance Process



Source: Adapted from the World Bank, (2018, p. 63)

Custom duties are put on goods and services at different levels of the import process. There are several issues that arise from refusing to pay or not complying with the payment of import taxes. Some of the most commons issues include paying insufficient amounts of tax and not classifying products or country of origin properly (Mohamed, 2016).

Digital products make the most revenue from the imposition of customs duties (Teltscher and CNUCED, 2000). Exemptions, drawbacks, bonded warehouses, transit control, free zone and temporary admission are all cases where customs duties are refunded, deferred or cleared (Mohamed, 2016).

Service Tax: Service tax, or goods and service tax (GST), was used to replace sales and service tax (SST). GST is not imposed on essential and fundamental goods and services, but is imposed

on all other goods and services that are produced domestically and on imports (Asmuni et al., 2017). GST is also known as value-added tax in the United Kingdom (Pope, 2001). There are particular records that must be kept by GST registrants, including recording all taxable items that are bought and sold; recording all imports; satisfying all necessary accounting - and transaction-related tasks; and keeping all accounting systems (Chen and Md Taib, 2017). In countries where there is GST, agents are prohibited from operating unless they have obtained a service tax license (Mohamed, 2016).

GST is generally collected during the supply stage and paid by the customer (The Panel on Financial Affairs, 2001). Business owners must know how GST will affect their business in order to keep proper records of their costs. They should also be prepared to implement the tax rules and make necessary accounting system and process changes in order to accommodate the change in their running, and should also install appropriate systems (Chen and Md Taib, 2017). It is the job of GST registrants to collect tax from customers to be forwarded to Customs. Customs also collect goods and service taxes (Mohamed, 2016).

Central Sales Tax (CST): CST is placed on goods and services by the government. Sales of interstate goods tend to have CST imposed on them. Sales made within the state are not subject to CST. 'Interstate sales' means sales of goods through contracts where the goods are transported from one state to another. CST is charged on taxable turnover at some fixed percentage whenever a sale is made in a business. CST is shown as part of the price of a good or service that is being sold. When the CST is mentioned separately on an invoice, it must be added back later. Only a registered dealer can collect CST (Lal and Vashisht, 2008).

The formula for calculating CST is as follows:

(Rate of Tax/ 100 + rate of tax) x aggregate of sale price

Value Added Tax (VAT): VAT is called good and services tax. The difference lies in the country in which it is used. It is levied on consumption or expenditure. It is a multistage tax. Some would argue that sales tax and VAT are the same concept, but they have a difference in the points where the tax is received. In the case of sales tax, the government receives only the tax paid by the final consumer; with VAT, the government gets tax from all points of the supply chain of the product (Asmuni et al., 2017). This paper will further discuss VAT in a later section.

Purchase Tax: Purchase tax is the tax that we pay as a buyer when we purchase a product, just like sales tax is paid by the seller – although the buyer is paying for the tax indirectly (McGee, 2004; Roland, 2015). The reason there is a type of tax known as 'purchase tax' is simply that sellers are always trying to impose sales tax charged on their revenue to be paid by the buyers. In May 1940, the proposal for purchase tax was originally made to account for high rates of sales tax at the wholesale level (Soloway, 1954). This sometimes creates opportunity for sellers to cheat the government, but with the use of purchase tax it is becoming increasingly impossible for the sellers to cheat, as they have to pay the tax when they buy a lot of the product.

Entry Tax: Revenue was being lost from octroi by local authorities, so the entry tax was imposed after its abolition. Octroi refers to taxes collected at some point of entry into an area. Taxes are imposed at checkpoints and the tax collected is later used for the development of the local area; it is imposed on goods being used, sold or consumed in that area. Since entry tax is imposed on goods entering the area, it is not imposed on those goods that will be leaving it. Re-exported goods and those goods that are not used in the provision of services cannot be subjected to entry tax. It is payable on goods that are already paid for by the seller before they enter the area (Hiregange, 2015).

Octroi: According to Iyer (2016), octroi is the same as entry tax. The difference between octroi and entry tax is the authority involved in collecting the tax from people. Vij (2018) clarified that octroi is a type of indirect tax levied by a municipal authority. If a tax is charged by a municipal corporation on goods brought by traders from other parts of the country into their jurisdiction limits for sale, then that tax is known as octroi.

Researchers such as Loughlin et al. (2013) and Morris (2012) mentioned that octroi should only be applied to the following classifications: when the item is a food, a drink or an animal for slaughter; goods used for fuel, lighting and washing; construction materials used in buildings; drugs; tobacco; clothing; etc. Octroi is not applicable to items on which customs duties will be charged.

2.1.3 Differences Between Direct and Indirect Taxes

There are many differences between the two, but the ones listed below are of the greatest prominence (Adam, 2011).

Table 2.3: Differences between Direct and Indirect Taxes

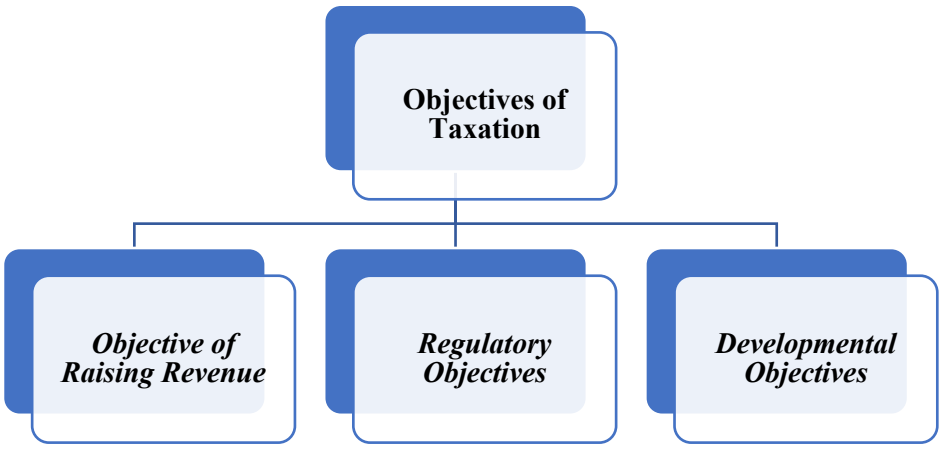
Direct Taxes	Indirect Taxes
It is charged on our personal income and personal wealth.	It is charged on the amount we spend on our daily consumption.
This type of tax is progressive.	This one is regressive.
Direct tax has to be paid by the same person.	Indirect tax can be paid by multiple people.
Income tax and wealth tax are two examples.	Customs duty and central sales tax are two examples.
Direct tax cannot be avoided.	Indirect tax can be imposed on buyers most of the time.

Source: Compiled by Author

2.1.4 Objectives of Taxation

According to OECD (2013), the objectives of taxation are to ensure economic stability, raise revenue for the provision of public goods, redistribute income and wealth and harmonise relationships between state and citizen. Sharma and Anand (2020) said that the primary objective of taxation is to raise resources for the state and its secondary objectives are to raise revenue, regulatory objectives, and developmental objectives (see Figure 2.5).

Figure 2.5: Objectives of Taxation



Source: Sharma and Anand (2020, p. 7)

A discussion of the objectives of taxation follows.

2.1.4.1 To Raise Revenue for the Provision of Public Goods

It is known that the amount of money needed to ensure good public service is very high, and there is no government that can meet all the expenses for public goods all by themselves. It is, then, little wonder that governments put so much importance on collecting tax each year (Muley, 2017). Having collected tax revenue, the government uses this money to create monuments, invest in the country's defence development, build various pieces of necessary infrastructure and so on. In high-paying forms such as VAT, taxation is an easy way to generate the revenue that the government needs to pay for its expenses (Acosta-Ormaechea et al., 2019).

2.1.4.2 Redistribution of Income and Wealth

In every country, there is normally a small percentage of the population that possesses the biggest percentage of the nation's total wealth, while other portion of the nation are either middle class or lower class. We can see that there exists a gap between these classes in society: one class is deprived while another is getting richer day by day. The government works to create and find balance among these classes. Tax can be an effective tool for doing this. When the government collects money from the wealthy as a tax, it redistributes it and uses the money to do something for those in need. It builds various infrastructures to reduce public suffering (Halvorsen and Thoresen, 2017).

2.1.4.3 To Promote Social and Economic Welfare

Because the government takes various social and economic welfare projects in hand that are totally financed by the money earned from tax (Bakija, 2014), these social welfare activities take measures to promote the safety and welfare of the deprived. For example, the government puts higher rates of taxes on the rich and lower amounts of tax on the poor. This brings balance as well as promoting social welfare. Moreover, as the wealth of the rich is distributed over a large number of people, this certainly creates an economic balance in society.

2.1.4.4 Economic Stability

Governments always use taxation as a means of stabilising the economic condition of their countries. Whenever there are signs of significant inflation, the government increases the tax rate; this places restraints on the purchasing power of buyers. Consequently, they cannot increase their level of expenditure even if they want to. In this way, the government easily controls inflation even before it happens. We all know that a mild level of inflation is important

to keep the economy running smoothly, but sometimes the increase in the tax rate decreases inflation and then there comes to be a need for deflation. When this happens, the central banks simply decrease the tax rate on goods and services (Witteveen, 1988).

2.1.4.5 Harmonisation

Harmony is about balance. It is about finding the equilibrium point. This is also true in taxation. Governments impose tax strictly on some classes of people and go easy on other people. Some people do not need any more restriction on them, as they already have a lot to deal with. They may be poor or self-content. On the other hand, there could be people who no longer have any money. A taxation system works as a tool to help both classes to keep their interests intact. This is called 'keeping the harmony'. However, under current tax rules, harmonisation and international cooperation can be hampered (Teltscher and CNUCED, 2000). The harmonisation of indirect taxes can be achieved by harmonising turnover tax within the internal market. Through harmonisation of VAT processes, the system can have a more neutralised tax system; in terms of capital duties, the harmonisation process can avoid double taxation. Harmonisation can be a vertical or horizontal process (Lang et al., 2009).

Section Two: Understanding the Philosophy and Principles of VAT

2.2.1 A Brief Historical Milieu of VAT

A VAT was once a new type of idea. It was initially proposed by two different people in two different places: one was a German businessman looking to improve the gross turnover tax, and the other was an American looking for a better alternative to corporate income tax. The German businessman Von Siemens, and the American was called Thomas S. Adams.

Practically, as VAT reduces the bad effects of sales tax and corporate sales tax, many governments were willing to use it. They mostly used it to gradually reduce or eliminate other sales taxes (Tax Policy Center, 2017). In 1960 and 1970, VAT was enacted in many European countries.

VAT was a technique used by many in those days to avoid the unnecessary hassle of sales tax. Sales tax was bothersome because it only taxed the seller for the selling, whereas VAT distributed the amount of tax among many more concerned, but not yet considered, parties in the closing of a sale. Although it sounds tempting to US policymakers, none have really said anything about implementing VAT in the policy until now. Only recently have a few raised

their voices in support of the use of VAT. A few well-known figures have shown their interest in the introduction of VAT into policy, and, as a result, VAT is currently becoming famous – all for legitimate reasons, of course.

2.2.2 Definitions of VAT

VAT is a consumption tax added to a product's sales price. It represents a tax on the 'value added' to the product throughout its production process. VAT can be seen as the tax paid by the end user of the product, but what actually differentiates VAT from other types of tax is the accountability of each person involved in the delivery and manufacturing process of the product or service. The following is a systemic review of the definitions of VAT that can help to define VAT in ways relevant to this study.

Table 2.4: Systematic Review of Definitions of VAT

Authors	**Definitions**
Studenski (1940)	VAT is a 'cost of service variant'
Neumark (1963)	VAT is a net turnover tax applied at the point of sale as a percentage of sales.
Lindholm (1970, p. 17)	'…a tax as basic as the value added tax (VAT), combine into one skein many economic interrelations.'
First Council Directive (1967, p. 15)	'The principle of the common system of value added tax involves the application to goods and services of a general tax on consumption exactly proportional to the price of the goods and services, whatever the number of transactions that take place in the production and distribution process before the stage at which tax is charged. On each transaction, value added tax, calculated on the price of the goods or services at the rate applicable to such goods or services, shall be chargeable after deduction of the amount of value added tax borne directly by the various cost components.'
Surrey (1970)	VAT is just a fancy name for a retail sales tax.

Tait (1988)	VAT is also the value that a maker adds to his raw materials to prepare something that will provide his/her customers with greater satisfaction.
Ebrill et al. (2001)	A VAT is the sum of all taxes that are paid by each role player in the process of creating value for the end buyer. VAT is a tax that acts as a consumption tax and is imposed at each level of manufacturing and distribution.
Bickley (2003)	A VAT is a relatively, but not completely, neutral tax that impacts economic decisions through its imposition of a one-time change in price level of that country when implemented.
Keen (2007)	VAT is a bit different from other commodity taxes, because sellers get a refund for their inputs based on the VAT charged on the prices of the items they are selling.
OECD (2007, p. 833)	'A VAT is a tax on goods and services that is collected in stages by enterprises and ultimately charged in full to the final purchasers. This heading value added type taxes comprises the value added tax that is collected by the General government and that is applied to national and imported products, as well as, where appropriate, other deductible taxes applied under similar rules to those governing VAT, for simplicity henceforth called 'VAT'. Producers are obliged to pay only the difference between the VAT on their sales and the VAT on their purchases for their own intermediate consumption or gross fixed capital formation.'
Schenk, Thuronyi and Cui (2015, p. 10)	'VAT, as it is employed around the world, is two independent taxes that are joined with the credit for tax on purchases (including imports) against the tax imposed on sales.'
Asmuni et al. (2017)	VAT can be said to be the European way of saying 'Goods and Services Tax', as stated by countries such as Australia and New Zealand, and implies the same thing. It is an indirect tax placed on prices.
Chesham (2017)	VAT is a European tax that is subjected to regular changes due to changes in the policies of the European nations and the United Kingdom.

Source: Compiled by Author

In a critical review, Lindholm's (1970) provided definition of VAT – 'combine into one skein many economic interrelations' – is broad and lacks clarity; this causes confusion. In clarification of his definition, Lindholm (1971) stated that the foundation of VAT is that it is an expanded production tax, as developed in France and as discussed by the originators of the tax in Germany and America. VAT, more than any other tax, makes the cost of government benefits a portion of the entire decision process and of the cost of consumption and production. On the other hand, the definition provided by the First Council Directive is more detailed in outlining the principles and process of VAT. Additionally, Surrey (1970) does not find VAT any more interesting than a retail sales tax that is charged at the point of transaction of goods and services. The definition of VAT provided by OECD is more contemporary and relevant to the business world than any other definition, as it includes many aspects such as the VAT-imposing body and the implications of the process of VAT on products and services. Schenk, Thuronyi and Cui's (2015) definition embraces a wide perspective of VAT that fits for today's global business perspectives.

The reason governments apply VAT to their economies is to increase accountability and the diversification of the total cost among various stakeholders. When a consumer adds tax and other parties involved in the production process do so as well, the total cost of the tax is not only charged over the buyer, but over everyone necessary in the production. Therefore, a balance is created that makes VAT systems a lot more supportive to the economy than the traditional sales tax.

Based on the systematic and critical review of the definitions of VAT, it can be said that VAT is a consumption tax, merging many economic interrelations into one skein, imposed by the government on products and services whenever value is added at each stage of the production and distribution process, from production to final purchase.

2.2.3 Types of VAT

How a firm treats its capital goods is what makes the difference in VAT. There are currently several types of VAT; below is an overview of commonly used types (Cui et al., 2015).

Account-Based Vat and Addition Method VAT: These are based on calculations of liabilities and are calculated by adding certain factors or by subtracting certain aspects.

Consumption VAT: Consumption-type tax is tax that is excluded from goods purchased from other firms in the year of purchase, with the depreciation not being considered in the following

years. Since this tax is put on products that will be used by the company, it is called consumption type.

Credit method, Credit Subtraction, credit invoice, and credit subtraction without invoice: VAT is calculated by adding or subtracting credit, by use of invoice or without it, and by inputting credit as a variable to obtain tax as an output variable.

Income and invoice-based VAT: Income-type tax does not exclude the purchase price from the tax base in the purchase year, but excludes the depreciation from the base value each year. This is exactly the opposite of consumption-type VAT. When invoices are used, liabilities are calculated per the amounts shown on invoices in order to derive taxes.

GNP and GDP types: These do not allow the deduction of the purchase price from the tax base and also do not allow depreciation to be deducted in the following years. The tax is determined on both consumption and the gross investment.

2.2.4 Significance of VAT

VAT is an important part of the economy of every country and is used to collect tax from even the personal level of income. VAT is the amount the government charges the people who are buying a product as a return for the value added to it (Cui et al., 2015). A manufacturer creates form value; a distributor creates place value; finally, the seller that sells us the pen (for example) creates value for us by selling it. All these steps have created a certain type of value for us, so everyone who added that value has to pay a portion of the income they got from providing it. Since this system makes everyone responsible for their contribution to the economy, this creates a sense of accountability and cost efficiency.

2.2.5 VAT Impacts

VAT is currently a very important part of our economy, and it has a lot to offer to the strengthening of the economy of any country in the world. Therefore, VAT surely has a large number of impacts, both positive and negative, on many spheres of our lives.

2.2.5.1 Impacts on National Economy

VAT is collected from all the people who played a role in creating the value that is offered to the final end user of the product. It makes sure that every unit of money that has been earned by people of all levels is collected as tax. The significance of VAT in a national economy is

very visible. When people at every level pay the required amount of tax for goods or services, the government gets the optimum level of income or revenue that it needs to operate its major financial operations and expenditures, like building infrastructure (Simionescu, 2016). If this tax is neglected by the citizens, then the economy will frequently stumble. It is known that the government does not have a job with which to support its financial activities, but, as a nation, individuals have various income sources; therefore, we each have a responsibility toward our government, and we should carry out our responsibility, as it will affect our national economy on a large scale. Additionally, Zafarullah (2017) studied impacts of VAT in the UAE and found that there would be huge economic impacts, such as a one-off rise in the inflation rate from 0.4% to 1.4%, a negative impact on expat income and a negative impact on social security in the UAE – although the VAT rate of 5% would have a positive impact on the national economy, as it was forecast that VAT would contribute between 0.2% and 0.4% of GDP growth in the UAE.

2.2.5.2 Impacts on Consumer Behaviour

Consumers, or any people under discussion, always respond to incentives. Whenever a problem arises, there are always some incentives available that can take care of it. In earlier days, the problem with sales tax was that only the buyer had to pay the tax and the seller was only imposing his tax liability on buyers. Therefore, VAT was introduced to reduce burdens unethically put on buyers. Nowadays, people have more money to spend on their daily needs. But let us assume that they are spending more than they should (TERFA, 2017). In that case, the government can always opt to increase the amount of VAT to ensure people reduce their spending in an effort to get back to their original state. When consumers do not have enough money, they will be bound to cut their spending in order to cope with their changed incentives.

2.2.5.3 VAT Impact on SMEs

Barbone et al. (2012) revealed that today's taxation systems impose a heavy burden on taxpayers, especially on small business taxpayers. The impacts of tax burden are threefold: first, there are the taxes themselves; second, efficiency costs involving tax-induced market distortions; third, the operating costs of the tax systems – the cost of being compliant and maintaining obligations. Grigore and Gurau (2014) studied the impact of VAT on the profitability and cash flow of Romanian SMEs and found that VAT had multifaceted impacts on them that affected both of these variables. In their detailed findings, Grigore and Gurau mentioned that first, the cost associated with compliance is excessively higher for small

businesses; second, direct costs are associated with the implications of the company's profitability; finally, there are VAT costs associated with cash flow management. White (2017), as already mentioned, states that the impact of VAT on SMEs in the UAE will be enormous, as there are direct and indirect costs involved. Indirect costs involved in compliance that certainly affect several parts of the business (including pricing, cashflow, financial reporting, tax accounting, supply chain and compliance processes and cost of non-compliance) could be even greater: multiple penalties may cost 25% of turnover (White, 2017).

2.2.6 VAT Impact on the Performance of SMEs

Alavuotunki et al. (2018, p. 490) studied the impact of the imposition of VAT on businesses and revealed that 'the revenue consequences of the VAT have not been positive'. Azmi et al. (2016) carried out a study on 401 SMEs and found that VAT has a huge impact on the performance of SMEs, as VAT increases both start-up and ongoing operating costs (Evans et al., 1996; Gunz et al., 1995). Again, operating costs were derived from compliance costs (Eichfelder and Vaillancourt, 2014) and administrative costs (Barbone et al., 2012; Basri et al., 2019; Hyklova, 2017; Keen and Slemrod, 2017). The Standard Cost Model Network (SCM Network, 2005) has drawn a clear picture of compliance and administrative costs and how they impact a business's performance, which is shown in Table 2.5.

Table 2.5: Compliance and Administrative Costs

(Operating Costs = Administrative + Compliance)

A. Administrative (or 'enforcement') public sector costs

1. Budgetary costs of revenue department (s)
2. Costs incurred by other departments in providing information
3. Judiciary and other costs related to dispute resolution
4. Interest costs (of 'loans' extended by legal lags in collection)

B. Compliance costs incurred by private sector

1. Direct costs incurred by taxpayers or 'taxpayer costs' (time, labour costs, expert advice, other)
   (a) in complying with legal obligations ('involuntary' or unavoidable costs)
   (b) in tax planning and attempting to evade ('voluntary' or avoidable costs)
   (c) psychic costs (stress, anxiety, frustration)
2. Costs incurred by third parties (information providers, voluntary helpers)

C. Possibly offsetting compliance 'benefits' to private sector

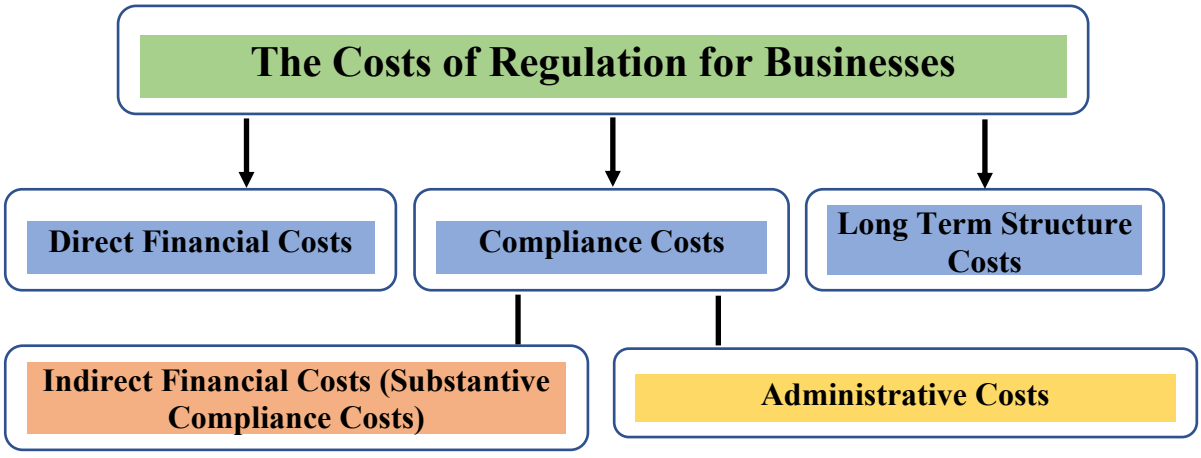
1. Management benefits (from improved accounting required for tax purposes)
2. Cash flow benefits (the private sector side of A.4)

D. Net compliance costs = B-C (in addition, some costs may be reduced to the extent they are tax deductible)

Source: Barbone et al. (2012, p. 4)

OECD (2008) clarified direct and indirect costs of VAT on business and categorised them as direct financial costs, compliance costs and administrative costs, as shown in Figure 2.6.

Figure 2.6: The Costs of Regulation for Businesses



Source: OECD (2008, p. 10)

A discussion of direct and indirect costs of VAT on SMEs follows.

2.2.6.1 Impacts of the Cost of VAT Compliance on SMEs

Sandford and others clarified tax compliance costs for businesses as:

> 'the compliance costs include the cost of collecting, remitting and accounting for tax on the products or profits of the business and on the wages and salaries of its employees together with the costs of acquiring the knowledge to enable this work to be done including knowledge of their legal obligations and penalties'. (King, 1989, p. 10)

Evans (2008) studied the impact of VAT on SME taxpayers and found that VAT has the capacity to impose a heavy burden on them, comprising three elements: the taxes themselves, direct costs, and indirect costs. In addition to compliance costs, other costs – such as psychological costs – are triggered by the operation costs of the tax system (Hasseldine and Hasford, 2020; Barbone et al., 2012; Evans, 2008; Coleman et al., 2003).

2.2.6.2 Impacts of the Cost of VAT Administration on SMEs

According to James and Edwards (2010), there are some indirect costs, especially administrative costs, associated with implementing VAT that impact taxpayers – especially business and net profits, as well as the performance of SMEs. OECD (2011) defined administrative costs as the resources allocated by governments to execute and impose taxes and regulations, including VAT. The World Bank (2010) considers administrative costs a barrier to business. The administrative costs of VAT are generated by creating, cultivating, monitoring and enforcing VAT (Barbone et al., 2012).

According to Evan (2008), compliance and administrative costs related to VAT constitute anywhere from 2% to 10% of the revenue income from those taxes and up to 25% of GDP. A study carried out by Deloitte (2014, p. 4) found that administrative costs, the red tape of civil bureaucracy, cost Australia more than AUD 249 billion every year, of which AUD 94 billion was for administering and complying with public sector rules and AUD 155 billion was for administering and complying with self-imposed rules and regulations.

As mentioned earlier, White (2017) analysed the effect of VAT on SMEs in the UAE and found that, despite the fact that businesses act as tax collectors (collecting consumer tax on behalf of the government), there are indirect costs involved in compliance that certainly affect several parts of the business, including pricing, cashflow, financial reporting, tax accounting and

supply chain and compliance processes. The cost of non-compliance could be even greater, with multiple penalties potentially costing 25% of turnover.

2.2.6.3 Cost Drivers: Administrative and Compliance Costs

Barbone et al. (2012) identified some of the drivers of administrative and compliance costs as being the complexity of legislation; procedural requirements; the size and nature of clientele; and the difficulty of verifying information. The European Commission (2018) identified three problem drivers: the complexity of the current VAT rules on obligations; the diversity of the current rules on VAT obligations in the EU; and the design of SME exemption. Deloitte (2015) studied 1,700 SMEs across Europe and identified four major key VAT-related drivers of the cross-border trade: dealing with complex tax legislation; distortion of competition; distance sales thresholds differing from country to country; and monitoring distance sales thresholds.

2.2.6.3.1 The Complexity of Legislation

Hansford et al. (2003, p. 479) studied 4,796 UK SMEs and revealed that regulatory requirements and complexity of legislation, are 'burdensome and can even be a constraint on the development and growth of SMEs'. The European Commission (2018, p. 27) studied the evidence collected by stakeholders; external research and in-house studies found that the rules on VAT obligations are 'complicated, non-harmonised, costly for business' and made it complex for taxpayers to remain VAT-compliant. A study carried out by Deloitte (2016) on 1,700 SMEs in Europe found that almost one third of respondents identified the complexity of VAT legislation as the core challenge related to compliance with VAT agreements. These complexities of legislation include filling out VAT returns and meeting deadlines for VAT payments (KPMG, 2017).

Naicker and Rajaram (2019), Manson and Ferdjani (2017) and Faridy et al. (2013) found that the complexity of legislation increases with increased turnover, newly registered firms, and increased complexity of legislation. The complexity of legislation does not only increase compliance costs, but also seems to result in higher psychological costs in VAT compliance.

Jordan (2009, p. 627) analysed Australia's Corporations Act 2001 and commented that the Act is 'complex, ungainly, badly drafted, internally inconsistent and conceptually troubled; it is a mishmash of old law, ad hoc amendments, provisions pulled willy-nilly from different legal systems, statements that are not law at all, ideological posturing, and drafting styles that swing wildly from the colloquial to the technical' and has been continuing in this manner. The

Australian Productivity Commission (2011) found that these complexities of the Corporations Act resulted in costs estimated to be as high as 4% of Australia's GDP, or up to AUD 35 billion, in 2005–2006: the average business spent around 400 hours per year obeying guidelines or meeting legal requirements in 2001. The Productivity Commission report further added that administrative burdens related to the complexity of regulation in the UK cost approximately £20–40 billion (1.6–3.2% of GDP) in 2005 (Australian Productivity Commission, 2011).

To ease the complexity of legislation, the European Commission (2018) suggested the option of reducing complexity by simplifying and harmonising VAT obligations; Deloitte (2015) suggested an option for the modernisation of VAT.

2.2.6.3.2 Procedural Requirements

Procedural requirements such as VAT registration processes, deregistration processes, choosing the best VAT special scheme, VAT invoice requirements (including suppliers' details) and claiming VAT refunds can impact the growth and performance of SMEs. According to Grigore and Gurau (2014), to meet procedural requirements, businesses must provide adequate supporting documents and keep detailed and complex enough accounting records to have the information required to submit a VAT return; this has not only required additional work, but also created extra pressure on businesses, as it increases expenditure on wages and salaries. The European Commission (2011) found that costs incurred by procedural requirements for businesses represent 2% to 8% of VAT receipts; the costs are much higher for small businesses and significantly higher for businesses involved in cross-border trade. Deloitte (2015) mentioned that fixed and variable costs involved with VAT compliance are significantly higher for SMEs in regard to cross-border trade and e-commerce. Deloitte (2014, p.) studied procedural requirements and their impacts on businesses in Australia and revealed that the average business spends 8.9 hours a week complying with the rules the organisation itself designed and employees spend 6.4 hours complying with these rules; this costs around AUD 134 billion every year. The report further added that these procedural requirements were 'hampering not only innovation and creativity, but also the productivity of the workforce' (Deloitte, 2014, p. 41).

Deloitte (2018)'s study revealed that procedural requirements put extra burdens on SMEs due to their resource scarcities. These burdens of procedural requirements grow exponentially for SMEs, especially for those who take part in cross-border trade. Azmi et al. (2016) suggested

that, by harnessing information technology – especially adoption of a VAT-compliant accounting system – procedural requirements for SMEs could be reduced.

2.2.6.4 Lack of Unified Regional Policy Impact on Firm's Performance

Rusu and Toderscu (2016) studied taxation policies in Central and Eastern European (CEE) countries, such as Bulgaria, Estonia, Hungary, Latvia, Lithuania, Poland and Romania, and found that the lack of a unified taxation policy was the burdensome area that affected the performance of SMEs. A unified taxation policy can help to mitigate the problems in regional disparities and reduce inequalities present among SMEs (Alavuotunki et al., 2019; Bell, 2017).

According to the European Policies Research Centre (EPRC, 2015), support for business is a key constituent of regional policy in most countries, despite its effectiveness and impact being contested by many professionals and practitioners. For example, Bell (2017) studied regional support policies after Brexit and found that the regions gaining support from the EU were also strong supporters of leaving the Union. Bell further added that the effectiveness of regional support in reducing spatial inequalities is mixed. Kurihara (2011) studied the impact of Regional Trade Agreements (RTAs) on international trade, and revealed that factors such as currency integration had little impact on international trade, as the proportion was not constant. RTAs are more effective in international trade in OECD countries than in non-OECD countries (Kurihara, 2011).

2.2.6.5 VAT Creates Inequality among Businesses

According to Yiallourou (2019), VAT accentuates inequalities between businesses located in remote areas and those located in urban areas, as well as increasing regional disparities; however, SMEs situated in rural areas could potentially be more prone to evade VAT than businesses in urban areas. Having said this, VAT is harder to evade than other forms of taxation. Alavuotunki et al. (2019, p. 490) studied the introduction of VAT and its effects on revenue and inequality in America, Asia and the Pacific, ex-Soviet Central Europe, the European Union, North Africa and the Middle East, and Sub-Saharan Africa; they revealed that 'the revenue consequences of the VAT has not been positive and income-based inequality has increased due to VAT adoption, whereas consumption inequality remained unaffected'. The government can reduce these inequalities by using revenue earned from VAT for financing transfers and the provision of public goods and services (Alavuotunki et al., 2019; Hamilton and Beck, 2016).

2.3 Section Three: Taxation Management Customisation, Factors Impacting VAT Practices

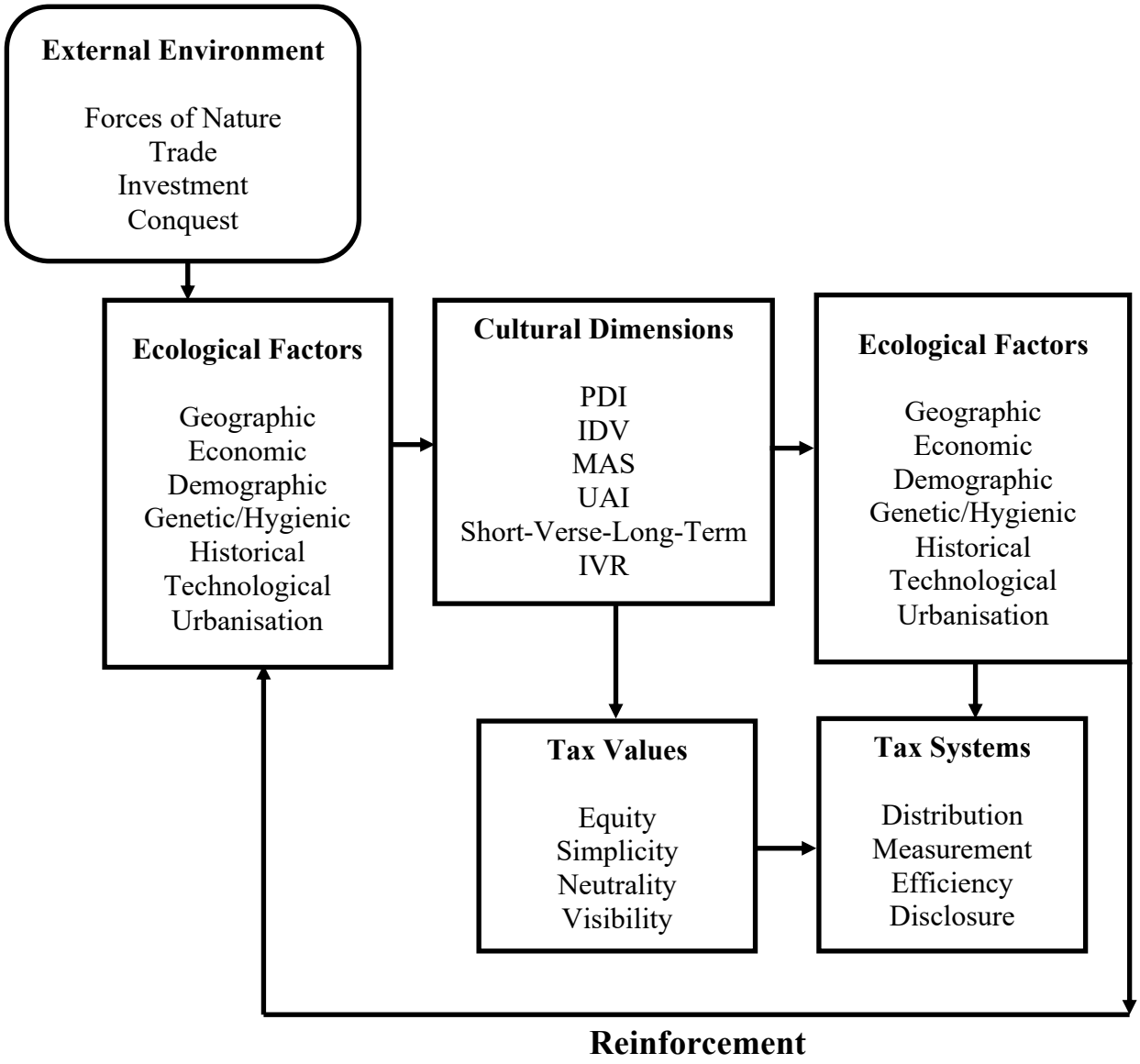
There are, inevitably, many broad factors that have an impact on VAT (Bikas and Andruskaite, 2013; Brederode, 2009; OECD, 2017). However, cultural, economic, political and social factors can prove to be of particular prominence. For this reason, in the following chapters, the topics of discussion of this paper will be these key factors that influence VAT. Social factors and economic factors also contribute to how VAT is influenced.

The only implications in terms of VAT that are not limited to the key factors but show how these issues affect the way that VAT is executed and behaves in an economy are economic, political and social factors. These are the only indicators of VAT performance, VAT capacity and VAT efforts that a nation's society can accommodate to (Shojaee, 2016). For this reason, in the following chapters, the topics of discussion of this paper will be these key factors that influence VAT and their effects on VAT.

2.3.1 Cultural Factors

Hofstede (1980, p. 25) defines culture as 'the collective programming of the mind which distinguishes the members of one human group from another.' He goes on to identify four unique components in his cultural theory: 'external influences, ecological factors, cultural factors, and institutional consequences' (p. 27). According to him, the external environment (forces of nature, trade, investment and conquest) impacts ecological factors (geography, economics, demographics, genetic/hygienic factors, history, technology and urbanisation). These ecological influences affect six cultural dimensions: the power-distance index (PDI) (high versus low); individualism versus collectivism (IDV); masculinity versus femininity (MAS); the uncertainty avoidance index (UAI) (high vs low); long-versus short-term orientation; and indulgence versus restraint (IVR). These impact systems, including educational, religious, political and legal ones. The system, in response, underlines the ecological factors and cultural dimensions (see Figure 2.7).

Figure 2.7: Culture, Cultural Dimensions, and Accounting Sub-Culture



Source: Richardson (2007, p. 61); Gary (1988, p. 7); Hofstede (1980, p. 27)

Richardson (2007) studied cultural frameworks designed by Gray (1988) and Hofstede (1980) to figure out the influence of culture on tax systems internationally, and found out that culture plays a significant role in the adoption and development of tax systems in a country as well as globally. Gray (1988)'s study revealed that accounting takes different shapes in different parts of the world, as there is an association between cultural characteristics and the development of accounting systems. Eugster and Parchet (2019) mentioned that there is a significant relationship between culture, beliefs and preference shared by individuals and economic outcomes. Consequently, different tax policies and levels of distribution are somehow apparent

around the world, especially in regions characterised by different cultures (Alesina and Angeletos, 2005).

As mentioned earlier, in the Arab states, although taxation is long-established in different shapes and forms, the Islamic method of taxation mostly has two tax structures: one for Muslims and the other for non-Muslims. Examples include *Zakat* (the principal tax for Muslims only); *Ushr* and *Kharaj* (land taxes for both Muslims and Non-Muslims); and *Jizyah* (a poll tax for non-Muslims) (Askari et al., 2013). The modern tax system is a new phenomenon for the Arab states and has yet to flourish, due to the nature of their political system.

2.3.1.1 The Theory of Basic Human Values by Schwartz

Schwartz (2010) conceptualised values in the determination of cultural dimensions in a process that contextualises these various outcomes for practical purposes. The framework is established on the assumption that it is possible to identify the terminal outcomes based on instrumental aspects. In the context of the evaluation of an m-government system, the users base their decisions on their personal values, which were earlier attributed to past experiences, expectations and the norms of society. The model by Schwartz (2012) identifies ten values that depict the relations, although these values are components of four key factors, including conservation, self-enhancement, openness to change and self-transcendence. The ten values are selected based on an implicitly selected range of values that are essential to an individual but may not be perceived as important by others.

The ten values are selected based on the results of over 200 studies that sought to determine which values are important to people from different cultures. As indicated by Cieciuch (2011), the ten values represent what most human beings are concerned about in their day-to-day lives. Schwartz (2010) indicated that, in spite of the prominence of these values as representative of the convergence of human nature across a multiplicity of cultures, they cannot be considered universally representative. As a result, we adopt the ten values based on the results of the study by Schwartz (2012), who found that these values acted as proxies for the rest of the values in studies where cultural aspects were studied. Furthermore, as indicated earlier, it is possible to define a culture as a variation across a specific spectrum of variables, as was done by Hofstede et al. (2010) with cultural dimensions. These assumptions notwithstanding, the ten values have shown extensive validity and flexibility in describing the culture of individuals in research, thus making them a robust measure for our research.

These values have been applied extensively in research as the short form of Schwartz's values survey approach. According to Schwartz (2012), the values can either be ranked in terms of importance in the decision-making processes by the individuals themselves or by means of a Likert's-based scale, based on whether they are congruent with the perceptions of the individuals (Lindeman and Verkasalo, 2005). The values are defined in Table 2.6.

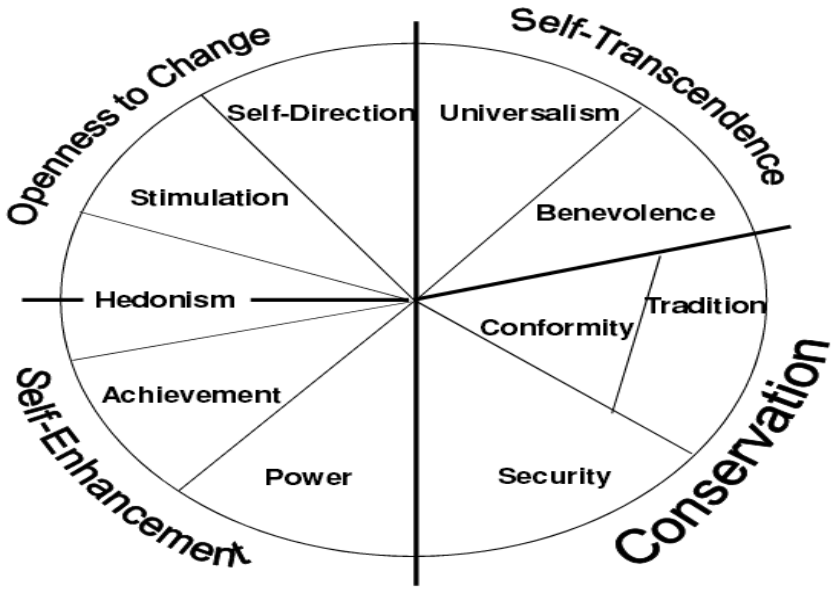
Table 2.6: Schwartz Value Survey Descriptions

1.	Universalism	Understanding, appreciation, tolerance, and protection for the welfare of all people and for nature, justice, wisdom, peace
2.	Benevolence	Preservation and enhancement of the welfare of people with whom one is in frequent personal contact (family, friends), friendship, love
3.	Tradition	Respect, commitment, and acceptance of the customs and ideas that one's culture or religion imposes on the individual
4.	Conformity	Restraint of actions, inclinations, and impulses likely to upset or harm others and violate social expectations or norms
5.	Security	Safety, harmony, and stability of society, social order, personal, family and national safety
6.	Power	Social status and prestige, control or dominance over people and resources
7.	Achievement	Personal success through demonstrating competence according to social standards
8.	Hedonism	Pleasure and sensuous gratification for oneself
9.	Stimulation	Excitement, novelty, and challenge in life
10.	Self-Direction	Independent thought and action – choosing, creating, exploring, freedom

Source: Lindeman and Verkasalo (2005, p. 174)

According to Saris et al. (2013, p. 3), 'the closer any two values are in either direction around the circle, the more positive the conceptual and empirical association between them; the more distant they are, the less positive their association. If one value is theorised to relate positively to an attitude, behaviour, or personal characteristic, its adjacent values should also relate positively to that variable'. As a result, the use of the advantages of the Schwartz model are twofold. First, it can be used to compare the cultures of two groups based on the outcomes of a survey; second, it can be used to indicate what elements are relevant in the decision-making of individuals, based on the objectives of the study. In the current study, it will be applied for the second objective. Specifically, it will be applied in determining the variables that are relevant to SMEs being VAT-compliant in the UAE.

Figure 2.8: Values as Identified



Source: Schwartz (2012, p. 9)

The ten values, as indicated in Figure 2.8, depict a high level of correlation based on proximity in the chart. For example, there is a high correlation between self-direction and universalism, even though they fall into different dimensions, while hedonism and self-direction have a lower correlation, even though they are in the same dimension. Essentially, the chart facilitates the analysis of the tendencies of individuals based on the ten variables. However, it also indicates that, when classified into the four key dimensions, the variables are highly correlated.

2.3.2 Economic Factors

It can be argued that a country can only grow and flourish economically when its government has enough revenue to ensure a significant standard of living and provide the basic necessities that its population demands. Tax is a major source of revue for governments, which they can use to generate the means required to be one of the countries of the global village (Adegbie et al., 2016).

When analysing the key economic factors influencing VAT, it is at first important to observe the economic situation that the country is facing, because this forms the basis on which VAT is imposed. After all, the economic system is a reflection of the society that exists in a country, its livelihood and standards of living (Shojaee, 2016). The standards of life can then be measured using GDP criteria, followed by GDP per capita. Consumption costs determine the

level of consumption within an economy, so a look into exports and imports and levels of unemployment is critical.

In this chapter, all of these economic factors that influence VAT will be scrutinised.

2.3.2.1 Economic Situation of a Country

When looking at the economic implications of VAT, it is plausible to look at how structural factors affect the way in which a country's economy prospers when VAT is imposed. Tax evasion is the most common way of avoiding VAT impositions. Most countries have a certain number of businesses that take advantage of a lack of integrated banks in order to evade tax payments by using cash payment (instead of credit cards, where VAT is directly and more easily imposed) (Moeinadin et al., 2014).

Moreover, VAT has some very dominant implications for how an economy functions. A good example is the evidence that taxes on consumption, such as VAT, are regressive in nature most of the time. The implication here is that those who do not earn much will suffer more than those who have a significant monetary netting. The evidence for this lies in various analogies that have shown that, as impacts that focus on consumption as a percentage of income decrease, income levels increase. VAT is also similar to retail taxes; therefore, just like retail taxes, VAT can be said to be regressive (Adegbie et al., 2016).

The implications of VAT for inflation are twofold: when VAT is imposed, some market prices see an upward shift that is transferred to customers and retailers and impacts the supply and demand functions; then, when a government faces budgetary deficits, it can borrow from the central bank or decrease savings interest to bring more money into the economy. Imposing VAT on this will further add to the inflammation of the currency, making it zero or negative (Erfani et al., 2013).

2.3.2.2 Higher Standard of Life in the Country (GDP)

The GDP of a country can normally be used as a measure to gain an idea about the standards of life or living in that country. The measure is calculated by making a summation of all the goods and services produced within the country and measuring this against a well-adopted benchmark. The closer the figures are to the benchmark, the more economically healthy that nation is (Kaul and Tomaselli-Moschovitis, 1999).

It is also believed that raising personal saving rates at present can contribute to be a success at gaining international competitiveness and increased efficiency. Some economists and VAT researchers have suggested that imposition of the tax reduces the GDP of a country for a period of time. In the case of countries such as Nigeria, this was highly observed. Furthermore, trends have shown that there is usually a general increase in economic growth and development, particularly in developing countries, before VAT is imposed. Soon after the imposition, there is a sharp decline in economic growth; however, it slowly stabilises as time goes on (Simionescu and Albu, 2016).

There has been significant evidence from developing countries such as Ethiopia, where 15% VAT was imposed to replace their existing tax: the growth rate was at 66.7% and GDP increased to 21.9% on average from being just 2.53% before VAT was imposed (Adegbie et al., 2016).

In the non-US OCED countries, 19.2% of government revenue raised for public expenditure comes from VAT, and these countries saw an increase in GDP revenue of 6.4%. This led to an important measure of VAT yield ratio, which is calculated by dividing 'revenue as a share of GDP against the standard VAT rate'. The goal is to see how much the GDP rises in accordance with a 1% increase in standard VAT rate (Gale and Harris, 2013).

Regarding VAT-to-expenditure ratios, when considering developing countries such as Iran, there is a positive correlation between current expenditure and GDP ratios and long-term VAT. The less-than-perfect privatisation features of these countries may be responsible for the positive relation between construction and GDP ratio and long-term VAT. This indicates that less of the revenue collected by the government is spent on things like education and health, so poverty prevails in Iran and there is hindered growth in living standards in the country. In order to achieve a high standard of living, more of the taxes collected through VAT imposition should be used in the health and education sectors (Alizadeh and Motallabi, 2016).

2.3.2.3 GDP Per Capita

GDP per capita is calculated by dividing the gross domestic product of a country by its total population to come to a number indicating how much of the GDP accounts for each individual within a functioning economy (Kaul and Tomaselli-Moschovitis, 1999).

There are two factors in regard to taxation that differentiate outcomes from the enactment of tax. One of the important features measures how much the country has developed after the

imposition of tax, through a phenomenon called GDP per capita; the second is the level of foreign trade through the concept of openness (Oordt, 2016). Research has shown that VAT has a positive correlation with GDP and higher income earnings influence an increase in GDP per capita, while GDP per capita decreases as the agricultural sector of a country flourishes. So, when taking different countries into account, it can be said that the variables discussed – along with political stability and GINI index – influence the impact of VAT on GDP per capita in any given country (Aizenman and Jinjarak, 2005).

It is expected that GDP per capita will decrease as the size of the agricultural sector increases, because GDP per capita and informal sectors such as agriculture are negatively proportionate (meaning that as one increases, the other decreases (Oordt, 2016)). An example of this can be highlighted by looking at the case of Bangladesh. In 2008, the GDP per capita was USD 1,389 per person (according to IMF figures), whereas in developed countries it was at an average amount of USD 10,500 per person. The reason highlighted was that much of the working-class population was engaged in the agricultural fields and did not earn more than USD 35,000 per capita, which was the amount after which VAT would be imposed. This meant that VAT registration was low, and, in 2003, GDP per capita in Bangladesh was only USD 400 (Smith et al., 2011).

GDP per capita is also affected by inflationary rates. Theoretically, higher inflation rates tend to increase savings and reduce investments in the long run, which, in turn, reduces real economic activities. This has a similar effect to the cases seen above, where there are fewer cases of individuals and businesses registering for VAT and the high government expenditure contributions to GDP actually impair economic growth (Miki, 2011).

2.3.2.4 Higher Consumption Level in the Country

Consumption is a concept intertwined with GDP, because GDP represents 'total value added in an economy', which is calculated by subtracting intermediate consumption from the value added (Oordt, 2016). A consumption-based VAT is one where capital expenditure incurred in the entire taxable time frame is not accounted for when considering the tax base (Ruebling, 1973).

This is an important factor, because how the private sector responds to tax brackets determines if consumption or investment is reduced and how it impacts growth rates. These, in turn, have a significant impact on what the imposition of VAT would mean when determining

consumption costs. It is obvious that aspects of the money market impact how many resources are held or released into the market and, therefore, have a real impact on present and future consumption prices. When relative prices of future consumption increase, there is more economic growth observable than when they are reduced (Ruebling, 1973).

General consumption taxes are imposed on goods and services and include VAT. The reason why VAT imposition aids economic growth is because it has a significant impact on labour supply and savings in the economy. An important fact to look at here is that VAT increases inequalities between those who earn more and those with moderate or low incomes. Those who earn less tend to save more money than they spend, due to more of their income going into taxes put on consumption and that income not being subject to VAT if saved. In order to reduce these consumption inequalities, countries may reduce taxes on necessities such as food and newspapers. Higher rates of consumption can be seen when the government announces that VAT will increase, and people tend to buy more items before the increase happens. Interest and inflation rates affect VAT as well, and can be measured using the Consumer Price Index (CPI) (Miki, 2011).

2.3.2.5 The Level of Exports and Imports

Sometimes, the government offers exemptions from VAT on sales. This means that a company does not face any tax liabilities if it engages in selling activities and does not have to pay VAT (Ruebling, 1973). In the EU, exemptions and lowered rates can prove to be advantageous. In any open economy, the balance of payment is calculated as exports minus imports, plus all earnings brought home from abroad. In the EU, commodity taxes have recently become more competitive, due to debt and the financial crisis looming in the region. (Simionecu and Albu, 2016). This is true for other countries in general too. VAT increases international competitiveness. The ideal lies in a mix of corporate tax and VAT. Corporate tax is imposed on the cost of producing finished goods, so it increases costs and makes foreign competition difficult. On the other hand, exports have their VAT amount refunded and this aids domestic economic growth (Miki, 2011). A country's balance of payments is also impacted by the General Agreement on Tariffs and Trade (GATT). Through this agreement, rebates of VAT are offered on exports. This means that direct taxes, such as corporate taxes, have a positive effect on prices; a country's exports will tend to go up and imports will go down (Ruebling, 1973).

Trade openness also has a direct impact on GDP and VAT. It can be measured by calculating the 'simple trade shares', which is derived by adding exports to imports and dividing by GDP. It can be seen that, when exports and imports are high and VAT is low, there is more economic growth and a fruitful result can be found from the imposition of VAT (Miki, 2011).

2.3.2.6 Unemployment

Changes in price levels have an impact on the goods and services consumed by a country's population. Research has shown that, when VAT is imposed on consumer goods and services, commodity prices tend to increase. This means that, whenever there are changes in VAT levels, there can be expected changes in prices and the Federal Reserve will change its monetary policy accordingly so that unemployment does not increase. The implication here is that the conditions of the economy are interconnected, so when VAT levels change there is also stress forward and backward between employees, employers and the government alike to facilitate for changing prices. Nominal wages can be expected to change or fluctuate, and to accommodate for such oscillations and avoid an imminent increase in unemployment amidst the transition time frame, the monetary policy needs to be revised (Nunns and Toder, 2017).

It is evident that a negative relationship exists between unemployment and VAT imposition and its impact on economic development. Moreover, research has found that the relationship between unemployment and VAT, although negative, is not strong – with a correlation factor of -0.20 in the EU. However, this value has a direct impact on the national level of income and consumption, which, in turn, impacts the economic development and growth of a country (Bikas and Andruskaite, 2013).

A fiscal devaluation can cause the demand for exports to increase, which will cause a fall in unemployment as more jobs are created and an enhancement in the balance of trade in its country. However, if the country's market is not in equilibrium, this can disrupt the system of nominal wages and cause real exchange rates to spiral out of control, leaving the economy with a large number of involuntarily unemployed people and impacting the standards of living in the country (Mooij and Keen, 2012).

2.3.3 Political Factors Influencing VAT

There is evidence that VAT impositions create a certain degree of political sensitivity that has significant impacts on other economic factors that a country is exposed to. The institutions governing a country's political stance are highlighted through taxation policies and the way its

VAT performs in many cases. This is because the political influences of a country shape the way that VAT is implemented within it. Some countries are more willing and compliant in paying taxes than others, and this directly impacts the level of revenue the government has to spend on public demands. All of these are reflected by how well VAT decisions are being executed (Oordt, 2016).

2.3.3.1 Government Policy

Taking the political arena of the USA as an example, there are many things that influence the addition of a tax on consumption. In the United States, taxes on corporate and personal income are becoming increasingly complicated. This complication is arising largely due to the disproportionate trends in its inflationary measures. Moreover, the country is in a huge budget deficit, which it voluntarily nurtures. This complicates the VAT imposition procedures in the country (McLure, 1993).

As already discussed, due to the subsistence nature of the agricultural sector, many citizens can tactfully avoid paying their VATs, particularly in developing countries. In the case of developed countries and their economies, political instability and violence and the inability of government to control corruption and violence or enforce rules are powerful indicators of its VAT performance (Oordt, 2016).

VAT capacity is directly affected by factors such as level of corruption. VAT audits may be an indicator as to how VAT is performing, but if the system does not perform well on all levels of political and legal stance, then the economic benefits obtainable from VAT collection will be impaired. A 'tax audit' refers to an investigation led by tax authorities to justify whether the taxes returned are accurate and valid and done using a reliable source. Many researchers argue that the tax audit is a critical element of documenting VAT recordkeeping and reporting that helps in justifying a country's level of GDP, GNP and overall economic and political viability; therefore, non-compliance leads auditors to believe that there is some problem in the policy system of the country (Nura et al., 2017).

Socio-economic growth is empowered by the cooperation and coordination of SMEs. The actions taken by SMEs on a local, national or international level have large consequences, so the decision probability, penalty and complexity of VAT systems and compliance impact the SME business execution arena (Nura et al., 2017). This incurs core costs in the functioning of SMEs, which are mandatory if VAT rules and regulations are to be fulfilled. These core costs

add to compliance costs that, if high, lead to perceived psychological costs associated with VAT amenability (Hansford et al., 2003). Additionally, a small enterprise must be careful about compliance. In the case of Nigerian SMEs, it is likely that penalties can help reduce the likelihood of non-compliance. The political settings of the country play a large part in how effectively VAT policies are implemented and how much importance rules and regulations governing the country have for its business players (Adegbie et al., 2016).

2.3.3.2 VAT and Politics in Arab States

As mentioned earlier, in the Arab states, the modern tax system is a new phenomenon and has yet to be developed due to the nature of their political system. Hazem Beblawi (1987) provided a 'rentier state theory' by referring to Arab oil-producing states as rentier states, whereas Freer (2018, p. 13) says that most of the Arab states are rentier states – meaning the states have a 'no taxation, no representation' philosophy. Mclntosh (2019) stated that oil-rich Arab states use oil as a political tool to benefit their regimes. Haouas and Heshmati (2014), Ross (2013) and Bartsch et al. (2004) considered the abundance of oil in the Arab world more of a curse than a blessing. Economic diversification is one of the remedies that can help Arab countries free themselves from this oil curse (Callen et al., 2014; Gelb, 2010; Herb, 2009). It may be that oil-rich Arab countries have agreed to the common goal of economic diversification to reduce their dependency on natural resources, especially crude oil.

Richter (2017) analysed structural reform in the Arab Gulf states, especially adoption of taxation policies in GCC states, and found that since the consistent fall in world oil prices started in the summer of 2014, there has been a huge budget deficit in the GCC members. This consistent drop in oil prices had made the GCC countries formulate policies for economic diversification and look for revenue from taxation (Said, 2019; Jensen, 2018; Mahroum and Al-Saleh, 2016; Haouas and Heshmati, 2014). This policy of economic diversification in the Middle East is a consequence of the limited influence of the G20 and a huge regional agreement among GCC members countries (Deloitte, 2018; Richter, 2017).

2.3.4 Social Factors

The social economy of a country develops when agents, such as the government, helps it to accomplish its tasks. Economies in developing countries are, therefore, dependent largely on the use of VAT and other consumption taxes to provide revenues that can be used to pay for

societal costs and expenditures that, in turn, can be used to help alleviate poverty by balancing and maintaining the structure of the social economy (Moeinadin et al., 2014).

The social economy consists of social factors where rules, philosophies, ideas, beliefs, traditions and ethical values are incorporated together to form a socialisation process that helps members of society feel more intertwined with the features of their societal environment. Since tax is a feature of 'social treatment and security', tax culture determines the inclination of employees, employers and social individuals in general to pay their VAT and taxes (Moeinadin et al., 2014).

Social expenditure therefore depends on the socioeconomic variables of the country it is operating in. Social expenditure can be calculated by taking into account all social insurance and welfare programme activities and calculating them against the country's GDP. It should also be noted that the socioeconomic variables concerned here largely reflect factors such as level of income and earnings, urbanisations, openness, literacy rates, power generation, government structure, political stability and agriculture. In addition to these demographic factors of population, population density, percentage of dependents who are over 65 and under 14, and women in the labour force must be taken into consideration (Lee et al., 2013).

As regards social factors, the case of the Netherlands can be taken into account: there, the goods and services demanded by different income groups are becoming more uniform in nature and identification of what should be provided to lower income social class groups is becoming more difficult; thus, a lot of redistribution volume with reduced VAT rates has become redundant in value. As for the European Union, its basket of goods and services is extremely diverse, and the VAT rates applied to each are not uniform: the disinformation that exists makes it difficult to measure the weights of each basket, so comparison among baskets becomes even more complex. This complexity, in turn, affects social and unemployment factors within members of the European Union (NEI – Netherlands Economic Institute, 1998). However, it should not be ignored that reduction of VATs for smaller income groups encourages them to pay their due taxes and engage in business activities concerning VAT payment; therefore, care should be exercised when deciding on VAT rates for different social groups within a country (Zidkova and Pavel, 2016).

In Kenya, social commerce has similarly allowed greater expansion of markets and, in turn, allowed more efficient globalisation in the African market. However, due to insufficient awareness, skills, knowledge and trust in social commerce, rates of online VAT enforcement

have been declining. There is, therefore, a gap created in social media platforms' VAT collection. A lack of social awareness in the population of Kenya has made things difficult for the VAT implementation process as it pertains to social media businesses (Macharia, 2014). Researchers have further implied that when education levels are higher in a society, people will be less motivated to avoid VAT payments and more motivated to understand VAT laws –even if they are more complex in nature (Zidkova and Pavel, 2016).

2.3.5 Issues Concerning the Effects of a VAT

The effects of VAT can be observed due to the presence of the key factors already discussed; however, the level of impact is variable and based on issues that concern the way VAT is executed by the government: certain factors have a positive impact, and others have a negative impact. The variables that have a key impact include the level of inflation that exists within the economy, the level of economic growth and stability, the general distribution of income and how it impacts economic growth, and the balance of trade issues.

2.3.5.1 Inflation

Much of fiscal policy is responsible for determining the structure of government policies. When fiscal policies are constructed ineffectively or are inefficient in nature, they cause inequalities in the distribution of income and expenditure and, therefore, have a significant impact on the imposition of VAT. Low rates of private investments in the economy, together with inequalities due to a bad fiscal system, cause high inflation as government debts increase and there is a disproportionate tax burden on the population (Lee et al., 2013). In developing countries in particular, taxation policies are severely impacted by inefficient tax systems where non-compliance is high and tax evasion and low payments rig the system to a great extent. This process causes inflationary structures to change, and a large proportion of the GDP must be generated using collection of taxes such as VAT (Moeinadin et al., 2014).

Expected inflation rates can be measured to get an insight into the expected changes in price. When a country expects that its inflation rates will increase or decrease, this can impact consumer spending positively or negatively. If the inflation rate is expected to go higher, then the average prices of goods and services in that country are also expected to go higher, and, in effect, people become less willing to spend money. They want to save for the future, and there is a negative effect on income expenditure.

On the other hand, when prices are low and people are encouraged to buy goods and services, there is a positive impact on the substitution effect. These changes can be predicted and calculated by the use of the consumer price index, which shows how VAT rates are announced by government impact, consumer decisions and inflation in the economy. The consumer price index is a good indicator of the effect of VAT on consumer goods and services, because it measures the volatility of the population of a country with regards to changes in the general price levels of those goods and services (Kaul and Tomaselli-Moschovitis, 1999).

Additionally, higher inflation rates also impact GDP per capita positively, as prices are higher. However, as population increases, GDP per capita decreases (Miki, 2011). It should also be remembered that a mere change in taxes cannot be held responsible for inflation or deflation. Even when sellers raise prices to cover for more taxes, this may not increase prices on average, because all prices in general are increasing anyway. There needs to be a rise in the dollar amount of goods and services in relation to output produced in order for inflation to incur, and some change in balance of money in the economy needs to take place (Reebling, 1973).

2.3.5.2 Economic Growth and Stability

Research has shown that, when a country is in recession, there is greater tendency in its population to not comply with tax laws. There is a VAT gap that gets created because of this. This VAT gap can be calculated by analysing the variance observed by making two calculations – one to account for actual collectable VAT and another for the VAT that was supposed to be collected – then measuring the difference between the two to see how much deviance there is. When predicted collectable VAT is calculated, it is assumed that all tax is collected at an equal, standardised rate, and it is assumed that there is 100% collection of all collectable VAT. In the calculation of actual VAT collected, considerations are made for exemptions, rate reductions and compliance levels (Zidkova and Pavel, 2016).

To reduce this VAT gap, one can look at GDP. Research investigating area-based final consumption of households and non-profit organisations showed that GDP increases had a positive impact on VAT and reduced the gap that existed. It also showed that, when there were varying rates of VAT in the economy, there was a negative impact on VAT gap and economic growth. The negative impact could be justified by looking at Scandinavian countries, where high VAT gaps existed due to higher tax brackets and varying efficiency in the public sector, which, in turn, affected the amount of VAT in the GDP (Zídková, 2014).

A stable economy can, therefore, be characterised by – among other things – the willingness of the population to pay taxes and the level of economic development happening in the economy as a result of compliance with VAT rules and regulations (Ruebling, 1973).

2.3.5.3 Income Distribution

An example from Great Britain can be used to illustrate the effects of VAT on income distribution. Great Britain converted to a VAT system in 1973 from a selection employment and special purchase taxes system. The VAT system was focused on imposing 10% VAT on retail items, except for necessities such as food, housing, fuel and power. Before this system, the 10% tax was imposed more uniformly; after the imposition of the VAT system, it could be more clearly seen how transition from one tax system to another affected income distribution in an economy and the prices of commodities. The aim was to investigate whether VAT imposition created a regressive effect when the prices of goods and services purchased by lower-income households increased relatively more than the prices of goods and services purchased by higher-income groups (Ruebling, 1973).

Moreover, when VAT is imposed, it provides an incentive or hindrance to the way that people consume. This is largely due to the income distribution effects that VAT has on consumption behaviour. Since VAT was imposed as a means of reducing the burden of unethical selling, people now had more money to spend on goods and services, because buyers were now more liable for the goods and services that they sold through imposition of VAT. However, if the income levels of consumers do not allow for high levels of commodity consumption, they are likely to cut back on consumer spending to accommodate the changes in VAT imposed by the government (TERFA, 2017).

Furthermore, it is observable that, as people at all levels of income opt to pay consumption taxes such as VAT, there is optimisation of the revenue income that is received by the government in the form of VAT collection (Simionescu, 2016). A look at the tax capacity of a country can also give insights into the income distribution, because the factor looks into two structural and voluntary variables that are income-dependent in nature. One of the critical structures already discussed was the level of involvement of the population in the readiness to pay their part of VAT. This can be measured in terms of per capita income, and can guide the government's economic and macroeconomic policy developments (Shojaee, 2016).

Additionally, the income levels of a country – as seen based on a study of Tehran – impact the voluntary factors of a population regarding the paying of taxes. When the income distribution is more uniform, people in the economy are more socially aware, and tax evasions become less common (Shojaee, 2016). However, as the purchase parity increases among different income groups (due to income distributional challenges and imposition of VAT), compliance with VAT also becomes dysfunctional (Majumder et al., 2015). When the taxes are for the government's benefit rather than considering the income distribution that exists in the country's economy, the government is likely to suffer from tax evasion and lack of compliance by its citizenry (Simionescu, 2016).

2.3.5.4 Economic Growth

It is often argued that indirect taxes such as VAT produce a higher economic gain than the imposition of income taxes. The logic behind this is that, when consumption taxes are imposed, their relationship with GDP and economic growth is a positive one due to more savings being made and increase in the labour supply (Miki, 2011).

However, it should be noted that developing countries' governments focus more on economic growth and domestic and international competitiveness than on income distribution factors. The increases of VAT, aggregate consumption and economic growth are sides of the same coin. It is true that, right after VAT is imposed by the government, the rate of total domestic consumption normally falls by a significant amount, and, as a result, there is also a fall in the rate of economic growth; however, this fall is usually already accounted for due to the high level of consumer spending that occurs as soon as the government announces that VAT rates will see a rise in the future (Miki, 2011).

It is also evident that the investment share in GDP also has a great impact on economic growth. The relation between high levels of investment and economic growth seems to be positive and linear. The theory here is that, if large sums of capital investments occur in an economy, this will foster an increase in the productivity levels seen by that economy. When a large quantity of investment is made in machinery and equipment, the national rate of productivity is also likely to increase in the long run, and this higher productivity will in turn lead to higher GDP, income rates and economic growth (Miki, 2011).

Another variable in economic growth is trade openness. The hypothesis is that whenever there is more trade openness, the impact on economic growth will be a positive one. This is due to

the fact that trade openness is measured by assessing the total share of imports of a country and adding this to its exports in GDP (Miki, 2011).

2.3.5.5 Balance of Trade

The General Agreement on Taxes and Tariffs (GATT) allows for governments to charge border taxes on imports, and this tax is equivalent to indirect taxes imposed by the importing country. This is characterised by the 'destination principle'. The principle, in its basic form, states that national inhabitants are freed from the burden of VAT payments on goods and services that are to be exported to another country. The implication is that VAT is a consumption tax, and so is collected in the place where the goods and services are consumed (NEI – Netherlands Economic Institute, 1998). This means that the imposition of VAT on exports and imports would mean that imports became more expensive while exports became cheaper. Foreigners would regard this factor of VAT imposition positively, as direct tax impositions would likely make exports more lucrative, and, as a consequence, exports would increase and imports would decrease; therefore, using a VAT system would solve this issue (Ruebling, 1973). However, this principle does not apply when origin-based VAT systems are used to collected taxes in goods and services for export and import. In this system, VAT is imposed on goods and services in countries where the good or services were manufactured or produced (NEI – Netherlands Economic Institute, 1998).

The imposition of VAT sometimes causes cases of fiscal devaluation, which can be classified as a method for preserving government revenue with respect to reductions in the social contribution rate of employers and increases in VAT. This is not a bad effect for the economy as a whole, because the manufacturers can now reduce the prices of domestically manufactured items in the export market, while the import market prices remain the same. This means that, when VAT is charged equally on both exports and imports, exporting becomes cheaper and importing becomes more expensive. However, for this policy to work, it is important to note that exchange rates and nominal wages must be aligned (Mooij and Keen, 2012).

2.4 Section Four: Examining the Theories of VAT Implementation to Identify and Overcome the Success and Failure in GCC

Part A: Critical Evaluation of the Theories of Taxation

2.4.1 Benefit Theory by Erik Lindahl

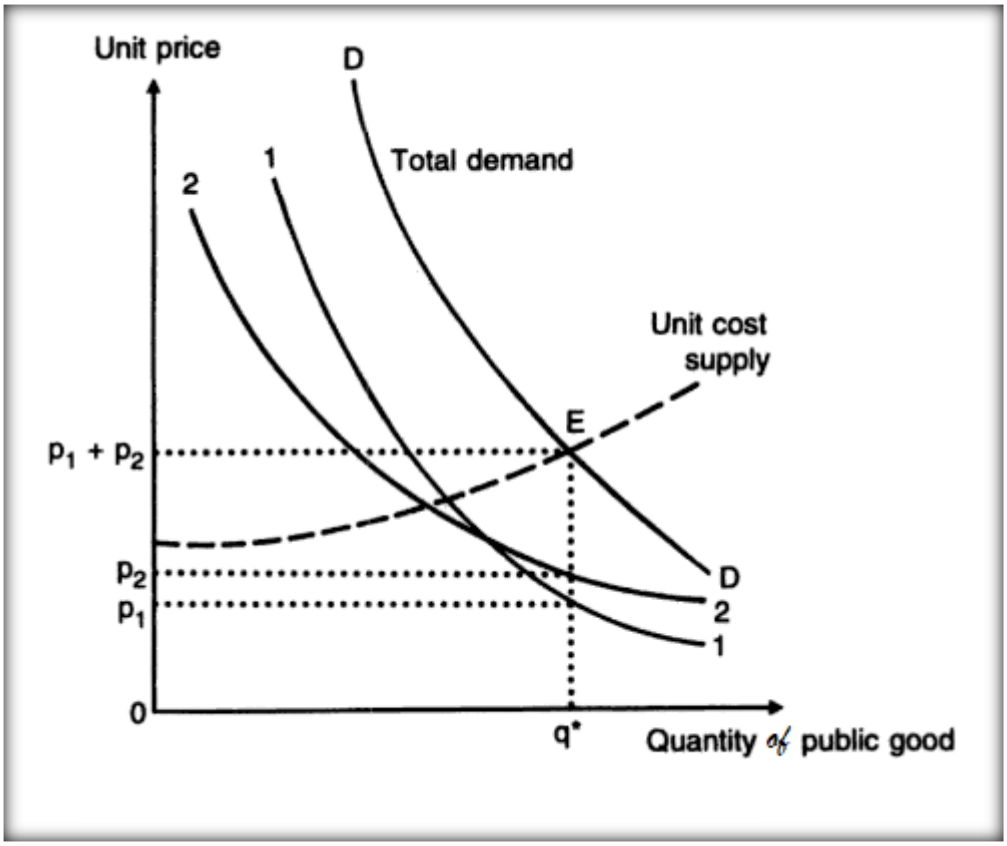
When the Sixteenth Amendment to the United States Constitution was passed in 1913, it gave birth to direct income tax in that country. In 1935, when President Roosevelt came to power, he argued that income taxes should be charged on the basis of progressivity, taking into account the proportion of benefits and an individual's ability to pay taxes (Weinzierl, 2014).

In 2011, Barack Obama also introduced marginal income tax rates (Weinzierl, 2014). Benefit theory states that the amount of taxes to be paid depends on how much an individual receives in benefits from the state, in accordance with their contributions: the higher the benefits received, the more taxes should be levied on them (Razo, 2014). This benefit theory can be attributed largely to the work of Knut Wicksell and Erik Lindahl and then evolved through the works of Paul Samuelson, Richard Musgrave and others in the field (Razo, 2014). Benefit theory can also be categorised as the 'benefit principle'. The benefit principle is important for identifying the level and magnitude of government-provided services that businesses receive from 'state-local taxation' (Oakland and Testa, 2000, p. 154). Benefit theory is also known as 'exchange theory' (OECD, 2014).

2.4.1.1 The Lindahl Model

The Lindahl model was developed in 1919, in connection with a tax known as the 'Lindahl tax'. The model has provisions for the optimum level that forms the basis for the Lindahl tax. The optimum level is measured by calculating at what rate all individuals are willing to pay for consumption of one more unit of a good and how much marginal cost will be incurred in supplying it. The Lindahl tax, on the other hand, is the sum of 'optimum quantity demanded by an individual into the willingness of that individual to pay for one extra unit at that quantity' (Young, 1994, p. 103).

Figure 2.9: Lindahl Taxes for Two People and One Public Good



Source: Jain (1989)

Figure 2.9 is a simple example of how the Lindahl tax can be applied to benefits received from government provision of goods and services. For the purpose of keeping things simple, this diagram illustrates that two individuals in a society are opting for provision of services received from one public good; q represents the quantity of public goods demanded and p represents unit price. The demand curves of the two individuals are summed up and demonstrated through the curve DD and meet the unit cost supply curve at point E. This point E is the Lindahl equilibrium. The equilibrium represents the optimal level of public goods, where marginal or unit cost is equivalent to the quantity demanded. However, one thing to note here is that the optimal levels for Person 1 and Person 2 (represented by demand curves 1,1 and 2,2) are not the same: there is variation according to the willingness of that particular individual to pay for that particular level of optimal service. Therefore, for Person 1,1 the tax imposed is p1q, and for Person 2,2 it is p2q. This diagram shows that the Lindahl tax is progressive in nature and rises as the income of an individual increases (Young, 1994).

1.4.1.2 Core philosophy of Lindahl's Benefit Theory

Lindahl's benefit theory is designed to separate the components of income tax to account for day-to-day ability and the reimbursements received from the government. In the case of businesses, this theory gives the government authority to tax both those who are living inside a country and those who are not – particularly corporations – based on services they receive from the government (OECD, 2014). In the case of individuals, it takes people's wealth and service standards into account: the wealthier would have to pay more taxes to contribute more to society, because they have earned more. Those who are familiar with tax theories will know that this is a classic form of benefit taxation (Weinzierl, 2014). Lindahl suggests that the issues with 'socio-political distribution of wealth' and the 'purely fiscal' provision of public demand satisfaction without sacrificing wealth can be resolved through the implementation of three specific variables: proper identification of public taxes and costs; identifying how to satisfy public needs and wants through goods and service provision in accordance with allocation on public expenditures; and distributing these taxes and costs on an individual basis in a mutually satisfying manner (Singh, 2014). Lindahl further suggests that, when done properly, this process of tax allocation is similar to that of the market for joint products, where prices in the market are determined based on how much individuals are willing to pay to consume specific goods and services (Young, 1994).

1.4.1.3 Advantages of the Benefit Theory

One of the biggest advantages of the benefit theory is that the heavy tax burden that European countries have been imposing can now be more logically justified through the composition of models that illustrate whether the money collected through taxation by the government is being used to enhance the standard of living in each area or simply represents the government expanding through the collection of bigger tax revenues (Hessami, 2010). Another important advantage is that clearer distinctions between benefits and ability have been made possible through the use of this theory: they became two separate bases for tax reasoning, which was previously combined into one 'benefit-as-ability' factor. This made taxation more relevant in the eyes of those concerned and made mutual grounds in tax compliance easier to reach (Weinzierl, 2014). The benefits principle has now become a basis for judging the fairness of tax impositions and provided a way of using clearer and more quantifiable variables to bridge the gap between tax factors and those who will be paying tax. Additionally, the proportional income tax is also a type of benefit tax. This states that those who have earnings can keep them

and the services can be assumed as equivalent to the income earned (Razo, 2014). Another important aspect of the benefit theory is that its implementation makes it easier to allocate individual funding for public services such as education, fire services, ambulances and police, and tax liabilities are levied accordingly with respect to income earned; therefore, no individual is overcharged (OECD, 2014).

1.4.1.4 Limitations of the Benefits Theory

Benefit theory has been subject to many criticisms. One of the most prevalent ones is the existence of quid pro in benefit theory. A tax is normally imposed as a provision to the government of contributions that will help them to raise the finances required to pay for public expenditure; therefore, if taxes are charged according to the amount of service the taxpayer takes from the government, the whole purpose of imposing taxation is impaired (Fried, 1999). Another drawback comes from the rationality of the taxing method and the philosophy behind it: it is important to remember that not all taxes can be adjusted according to a benefits basis. Another drawback comes from the proportionality factor: those who are earning less will be more burdened, because these are the sectors of society that normally consume more government services. This is a very critical factor in the provision of taxes, because those who do not have money to pay taxes cannot be expected to pay them (Razo, 2014). Another problem with this theory is how much public consumption of government services is actually intangible. It is quite difficult to accurately quantify how many services are consumed by an entire population, let alone individual consumption. This makes the irrationality factor of this theory even more noticeable, and this, in turn, paves the way for free-riding – many people contributing to the consumption of public goods and some individuals getting away with paying for less than they consume, due to the indivisibility of services provided (Weinzierl, 2014). Finally, if an observation is made about how businesses in the US use government services, it is quite clear that they are free and, therefore, extremely difficult to measure; consequently, determining rates based on business usage will be extremely difficult (Oakland and Testa, 1996).

2.4.2 Benefit Theory known as the Voluntary Exchange Theory by Bowen

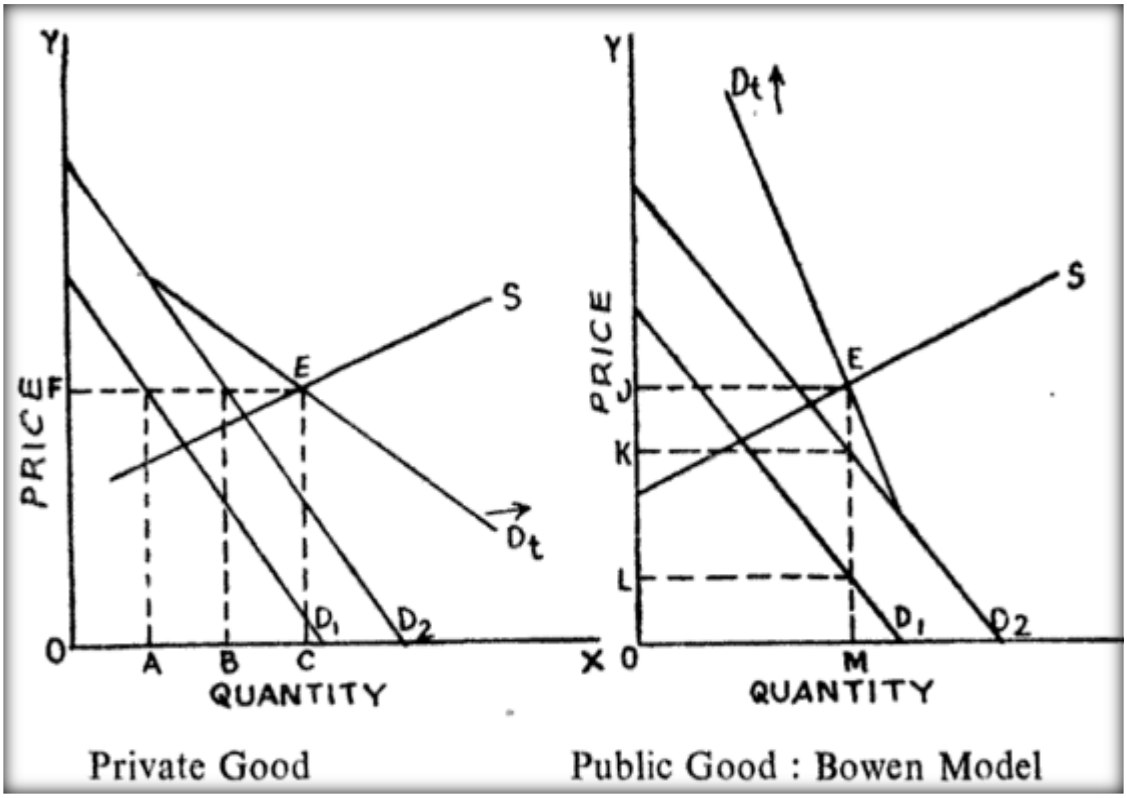
Benefit theory has its drawbacks, which has led to the popularisation of voluntary exchange theory. The first clear statement of Lindahl's benefit theory sheds light on how the optimal level is achieved through the use of public expenditure and taxation. Due to the many flaws and impracticalities of the classic benefit theory, as well as the rejection of Lindahl's voluntary

theory, voluntary exchange theory gained much attention and investigation (Jain, 1989). The theory was further scrutinised and experimentally tested by Johansen and Bowen, and the latest investigation on the theory was conducted by Samuelson and Musgrave (Singh, 2014). In a 1939 paper, Richard Musgrave published his views on the 'voluntary exchange theory of public economy' (Blankart, 2016, p. 4).

Voluntary exchange theory, as projected by Bowen, states that the market and its prices correspond to how incomes are distributed across public sector variables (Jain, 1989). The amount is equivalent to government-driven benefits on services provided – this is called fiscal exchange theory (Kornhauser, 1996). Fiscal exchange theory implies that the motivation to pay taxes comes from the incidence of the government's public expenditures. The theory lies in the belief that when effective products and services are delivered by the government, compliance with taxes increases due to the individual's demand for that good. People are inclined to pay taxes due to the motivation of receiving more government services (Fjeldstad et al., 2012).

Bowen's model can be explored by looking at an example of how tax provision impacts the public or private consumption of an individual. According to this theory, the costs of receiving both public and private purchases follow the same guidelines. When private goods are purchased, market prices must be paid; when public goods are purchased, the government must similarly be paid through taxes and the consumer tries to receive the most benefits possible from the payment that he or she provides for the receipt of public services.

Figure 2.10: Voluntary Exchange Approach to Optimal Allocation.



Source: Jain (1989)

This simple model can be used to demonstrate how Bowen's theory is theorised to work. Assuming that only one type of public good and one private good is produced and offered to only two taxpayers, it is possible to derive the non-rival nature of public consumption through analysis of the demand and supply diagrams that emphasise consumer preference. Here, A and B represent the two consumers, D1 and D2 signify the demand curves of both diagrams and S signifies the supply curve. The horizontal addition of D1 and D2 gives the demand in the market for private goods. For both the public and private goods graphs, the point of intersection denotes the equilibrium point of consumption (Jain, 1989).

In correspondence to private goods, equilibrium point E is achieved at FEC. However, the purchase of A is shown by OA and the purchase of B is shown by OB, so total production at price OF is OC, which can be found by calculating the sum of A and B's purchases (OA + OB = OC). This is due to the inclusion of the exclusion principle, which involves consumers competing for access to resources (Jain, 1989).

When public goods are purchased, on the other hand, this does not happen: the consumptions of A and B are parallel and equal. This difference can be attributed to the omission of the

exclusion principle: people do not, in this case, have to fight for the consumption of the goods offered and there is no rivalry. However, one person may pay more and another less, because only the marginal cost of consuming the offered public goods is considered; therefore, the price that each individual is liable to pay accounts for the price required to insure the total costs of consumption. For this reason, the total demand for public goods is derived from the 'vertical addition' of D1 and D2. The equilibrium point E is achieved at CEM. The purchase of A is shown by OL and the purchase of B is shown by OK, so total production at equilibrium output OM is OJ or ME, which can be found by calculating the sum of A and B's total prices (OL + OK = OJ). This is due to the omission of the exclusion principle: consumers do not have the urge to compete for access to resources (Jain, 1989).

2.4.2.1 Advantages of the Voluntary Exchange Theory

One of the biggest gains of voluntary exchange theory is its functional value when compared to Lindahl's benefit theory, which was rather focused on achieving the optimal result instead of how viable the solution truly was (Desmarais-Tremblay, 2017). Due to the lack of implementation qualities in Lindahl's voluntary theory, voluntary exchange theory became popular, because it seems more viable (Jain, 1989). Another advantage of this theory is that it implies that its application makes the prospect of paying taxes more attractive for individuals in general, due to the motivation to receive more public offerings that come with more tax payment (Fjeldstad et al., 2012). Yet another benefit of voluntary exchange theory is that the inapplicability of the exclusion principle makes it more proportional in terms of services provided through public expenditure, and there is less rivalry to gain access to public goods through taxes than there is to obtain private goods through the payment of demand-and-supply-derived prices (Jain, 1989).

2.4.2.2 Limitations of the Voluntary Exchange Theory

One of the biggest drawbacks of voluntary exchange theory is that it assumes that there are uniform and 'perfectly competitive' markets. This is not an accurate representation of the real world, and only gives an insight into the 'pure theory' of public finance. Another implication that is unclear in this theory is how exactly the true preferences of individuals concerning public goods in a diverse society can actually be extracted and demonstrated accordingly. Even in this theory, there are concerns, such as free-riders as a large proportion of the population, and the ambiguity that arises if there is a small number interface (Buchanan and Brennan, 1999). The limitation that the theory serves on various levels is that many of the variables and constraints

that serve as explicit factors for this theory to work are those of an ideal market and an ideal world; these can typically be shown on graphs and models but can be difficult to demonstrate and execute in the real world (Desmarais-Tremblay, 2016).

2.4.3 The Cost of Service Theory

The cost of service theory is very similar to the benefit theory approach, in the sense that it is focused on the government and its relationship with individuals under its influence. This theory adopts the foundation that the provision of services by the government and the tax imposed on individuals should be closely linked.

The simplest definition is one that implies that any services provided by the state and utilised by individuals must be paid for. The amount of tax imposed on the taxpayer is directly proportional to the amount of government-provided services that the taxpayer consumes over a certain period of time (Bhatia, 2018). Cost of service theory is a type of taxation theory that aims at drawing a line between a government's public expenditure and an individual's tax burdens. The use of this theory allows for two provisions: the first justifies the reasoning behind the government's imposition of taxes upon legal entities; the other determines on what basis taxes should be allocated to taxpayers (Bhatia, 2018).

2.4.3.1 Advantages of Cost of Service Theory

The big advantage of this theory is that it takes into account the ability of those who have less income by entailing those who have wealth to use that wealth or income to support government expenditure. Taking ability into account is important, because it would be futile to impose taxes on people and businesses that do not have the income to pay them (Kennedy, 2012).

2.4.3.2 Limitations of the Cost of Service Theory

The very first limitation is that the tax is levied on individuals regardless of the level of service consumption actually taking place. Another disadvantage is that how much tax each individual taxpayer is paying cannot be easily determined. One of the easier taxes to determine is old age pensions; however, many other services cannot be taxed on an individual basis. These two points make the imposition of a cost of service tax somewhat impractical (Jain et al., 2008). Another major drawback is the lack of concern about income distribution and the government forgoing one of its critical functions for state and welfare protection – this includes activities for handling relief. There are similar difficulties in measuring state services and allocating

them. Furthermore, the principle of exclusion does not apply here, so no divisions are made based on such factors as different levels of earnings or family size; consequently, even distribution of taxes among people is very difficult. The final drawback is that a very economical approach being implemented by the state would hamper economic growth and savings, and investment on capital would suffer (Bhatia, 2018).

2.4.4 Ability to Pay Theory

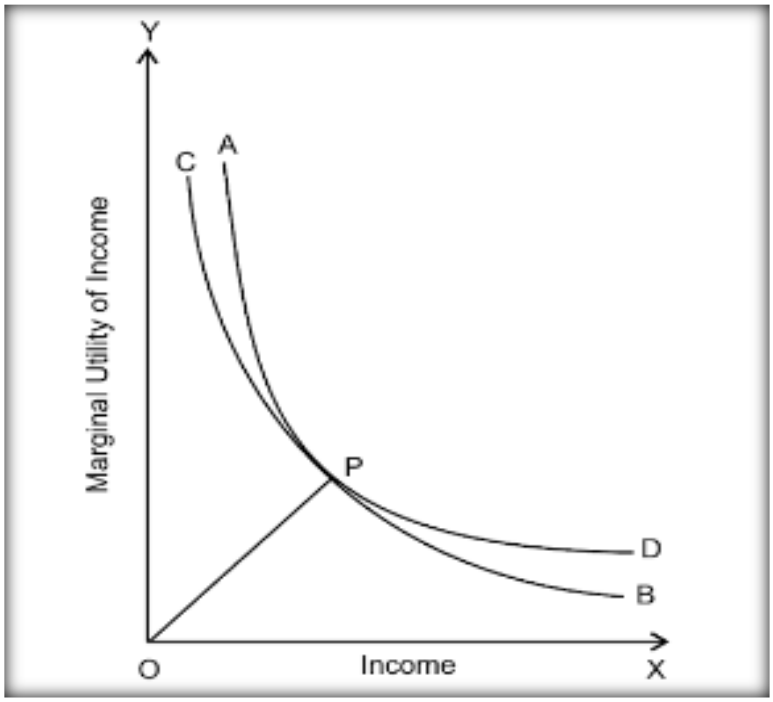
Sometimes, benefit theory and ability to pay theory describe the same tax from two different perspectives. This can be demonstrated by looking at the example of gasoline: when looking at it from a benefit theory perspective, one provides for fairness by taking into account how many people are driving on roads and using this to distribute the liability of payments for public roads (Cordes et al., 2005).

Professor A.C. Pigou first provided an extensive view into the ability to pay theory. This theory implies that those who have sufficient wealth should come forward and add to the wellbeing of society, because they are able to pay for it (Cauvery et al., 2010). It is one of the theories under the theory of the first best (Tresch, 2002). According to Pigou, the government readily makes plans for how to pay for the goods and services they provide to the public, and so it should not be an issue of concern for them to cover production costs. However, Pigou noted that the public wellbeing should not be compromised, and so the goal of the government should be to provide services to increase the standards of living of as many people as possible. Therefore, focusing on one group of people or entity is unfair and unethical. The marginal utility should be equivalent to the amount of money that the public is spending on obtaining government services (Cauvery et al., 2010). There is no quid pro quo in this theory, which means that individuals and the government do not share a semi-commercial relationship. According to this theory, payment of taxes is based on the extent to which each individual can pay. The ability to pay has three indices: property, consumption expenditure and income. The theory has been constructed on three grounds: equality of sacrifice and tax payment; the application of the law of diminishing returns; and how much individuals produce and utilise in terms of income, wealth and property ownership (Cauvery et al., 2010).

In this theory, the ‘relative rate of change in marginal and average utility of income will have to be looked into’ (Bhatia, 2018, p. 79). Proportional tax is possible, considering there is equal sacrifice based on a constant marginal utility on income. However, there will be progressive

tax if the increase in marginal utility is faster than the increase in average utility and a regressive tax if the opposite happens.

Figure 2.11: Marginal utility changes with income



Source: Bhatia (2018)

In the diagram above, a proportional income tax can be observed if the marginal utility graph overlaps with CPD. If the movement downwards is more rapid than CPD, then a progressive rate would be seen; similarly, if the marginal utility falls more slowly than CPD, then a regressive rate would be seen (Bhatia, 2018).

2.4.4.1 Advantages of the Ability to Pay Theory

The ability to pay theory justifies how and why taxes are imposed. This is similar to what benefit theories do but clearer, due to the fact that the tax is placed directly on services that the state is providing to an individual (Bhatia, 2018). Taxation under ability to pay theory is not strictly progressive: it can be proportional or even regressive, because of the concept's dependence on the expenditures mentioned in the budget (Bhatia, 2018). The tax is aimed at promoting the good of society through the use of taxation. It also aims to grow the economy, reduce income gaps and inequalities, and establish a common ground for the sake of achieving mutuality and convenience for both the administrators and taxpayer (Jain, 2008).

2.4.2.2 Limitations of the Ability to Pay Theory

The foremost problem with the ability to pay system is that it is mandatory: taxpayers have no choice but to pay the tax burdens they are subjected to, and the previously discussed benefit theories cannot come into play when determining taxpayers' ability to pay (Cordes et al., 2005). A disadvantage highlighted by Professor Pigou is the difficulty in measuring the social or welfare benefits that are to be achieved through the ability to pay theory; keeping marginal social benefits and costs at steady levels at all times can also prove challenging. Keeping income distribution constant can also make it difficult to assess whether any particular sectors need help in terms of social advantages. Moreover, the theory seems to have very close interactions with various utilities (Cauvery et al., 2010), and the tax may be distorted in various ways. Unequal liabilities can lead to equal tax payments; conversely, an unequal tax allocation can lead to equal liabilities (Tresch, 2002).

Part B: Overviewing Theories/Models of VAT

2.4.5 Benchmark Model Determining VAT Efficiency by Cukierman, Edwards and Tabellini (1992)

The paper emphasises the presence and importance of seigniorage in a country's political situation, represented in the form of tax reforms. This significance comes from the assumption that efficient tax systems depend on the administration of a more expensive and effective tax collection system that allows an equilibrium to be reached in the tax structure. High political instability causes high seigniorage. Tests across 79 countries tried to find evidence for this theory of seigniorage. The study finds that 'seigniorage is positively correlated to political polarisation'. The basis of the study is built on the idea that seigniorage is observed through the visibility of high administration and execution costs associated with tax collection. In accordance with inflation and seigniorage, it was expected that GDP, GDP per capita and urbanisation would have negative coefficients due to inefficiencies and low tax rates. However, results showed a positive coefficient for urbanisation. A political tax reform model shows the difference between a fiscal policy and tax reforms. The model illustrates the government's constraints on budget and on the private sector, in order to demonstrate the economy; equations are then used to find instability and polarisation variables within the economy. Economic policy and the tax system are analysed to come to a conclusion using evidence from regression and sensitivity analysis. Finally, the empirical findings are used to come to the conclusion that

seigniorage is dependent on political stability and divergence, as well as the soundness of the decision-making process (Cukierman et al., 1989).

Aizenman's research adds additional impacts to this model of political stability and seigniorage by showing the de facto efficiency of VAT, where limitations are caused due to non-compliance with tax laws and VAT exemptions. The GDP, GDP per capita and political situation are also reflected in the paper and are expected to cause higher VATs. One standard deviation change in urbanisation and effectiveness of political regime shows higher VAT C-efficiencies. The differences between higher-income countries and lower-income countries are highlighted in both, showing that income inequality causes the GINI coefficient to regress negatively and reduce VAT collection efficiency as a percentage of GDP (Aizenman and Jinjarak, 2005).

2.4.6 Optimal Taxation with Household Production by Kleven, Richter and Sorensen 2000

The Becker model of household production is used as a basis for re-evaluating the tax unit's optimal use of joint taxation. Two-member households are considered as variables, and labour income is taxed to find the impact on the behaviour of households. The shadow shows that goods-intensive activities are reduced when shadow income falls and reduces the market's labour supply, and different shadow wages between husband and wife also impact the labour input mix. The researchers imply that for an optimal taxation system to be implemented, both of these should be reduced. Piggot and Whalley's study forms the basis for this particular study to set up the model of household production, and tries to highlight what the impact of a completely optimised tax system would have in an unmodified condition, with constraints on commodity taxation and the role of the supply elasticity of labour. The conclusion drawn is that income tax should not be a family tax but, rather, should be imposed on singular individuals while keeping in mind that higher minimal rates apply for primary earners. This result relies on the use of labour-leisure models and, therefore, does not account for commodities that generate utility. The study acknowledges that when joint taxes are used during implication of restrictions on commodity taxes, the result from levying taxes is more ideal; and that taxes in the real world are much more dependent on the political and economic conditions prevailing in a country, and, therefore, there may be adverse impacts on joint taxation due to increased price of marriage. Those who are not married and living together face different tax burdens, because they do not face items such as marriage subsidies and penalties

due to income distribution variations. However, the paper also emphasises that the choice of unit tax may have varied responses with respect to inter- and intra-distributional factors that were not considered for this paper (Kleven and Kreiner, 2001).

2.4.7 Successful Implementation of VAT

VAT is the tax that is levied upon the buyer of a product or service. With the proper implementation of VAT variables, it can be a successful one that will help the economy to flourish. There are certain things that can make VAT implementation successful; one of them is how the VAT is imposed. This decision determines how VAT is collected and who will be paying VAT at all levels of consumption (Remeur, 2015). Another important factor in the success of a VAT system is the collection of VAT and how well the taxpayers can be encouraged to pay their share of it in an attempt to contribute to society. Furthermore, it should be carefully decided what to tax in the form of VAT and what, or whom, to exempt. Successful implementation depends on the maintenance of the VAT system and proper monitoring and observation of whether the imposed taxes are being duly paid or not. VAT compliance can be a powerful indicator of how well the country's economy is doing (Nura et al., 2017).

2.4.8 Failure in VAT Implementation

Failure in VAT implementation is largely due to mishandling, lack of maintenance and negligence towards collection. Failure can normally be attributed to discrepancies or lack of documentation regarding VAT payments or collection; this can happen at both governmental and company level, and is even more prevalent in countries where there is economic or political instability (Oordt, 2016). VAT values can be overly appreciated or depreciated based on how well it is documented. However, both appreciation and depreciation of VAT values can have severe implications that can make the VAT system fail. The VAT system can also fail if there is no proper account of the current values or market prices of products on which VAT should be levied. Additionally, if a country's government fails to acknowledge the regressive nature of a VAT system, this can impair the livelihood of its population – particularly the lower income groups – and this will cause the VAT implementation process to fail in the long run. Compliance costs and auditorial corruption can also contribute to the process of failure in a VAT implementation process (Nura et al., 2017).

2.4.9 How to Make VAT Implementation Successful

One of the most valuable implications of VAT implementation is that it is imposed on products and services because it is a type of consumption tax. Consumption taxes can be beneficial to an economy, because they are one of the easiest ways to earn an income. In order for VAT execution to be successful, it has to be imposed on all individuals rather than a particular individual or group of individuals. VAT is a common type of tax in all sectors, so it can be easily imposed on any business if it seems necessary (Remeur, 2015). Every business adds some kind of value to the products that buyers use, so each business must pay a certain sum of money as VAT to the government. The tax must be imposed on suppliers of goods and services, and those who are directly involved in the provision and distribution should be liable for its collection. Its success lies in the compliance mechanisms of those who act as taxpayers in the supply chain of provision of goods and services (Adegbie et al., 2016). Successful implementation also depends on how well the VAT system is maintained; therefore, learning how to execute and collect VAT is of utmost importance for its successful implementation. The collection process and its auditing are important because they determine a society's VAT compliance, which can be a powerful indicator of how well that society's economy is doing (Nura et al., 2017). These steps ensure the successful implantation of VAT, because the process of collection occurs on all levels of the economy and its income distribution, and, therefore, there is a certain level of accountability in complying with and abiding by VAT laws and legislations (Cui et al., 2015).

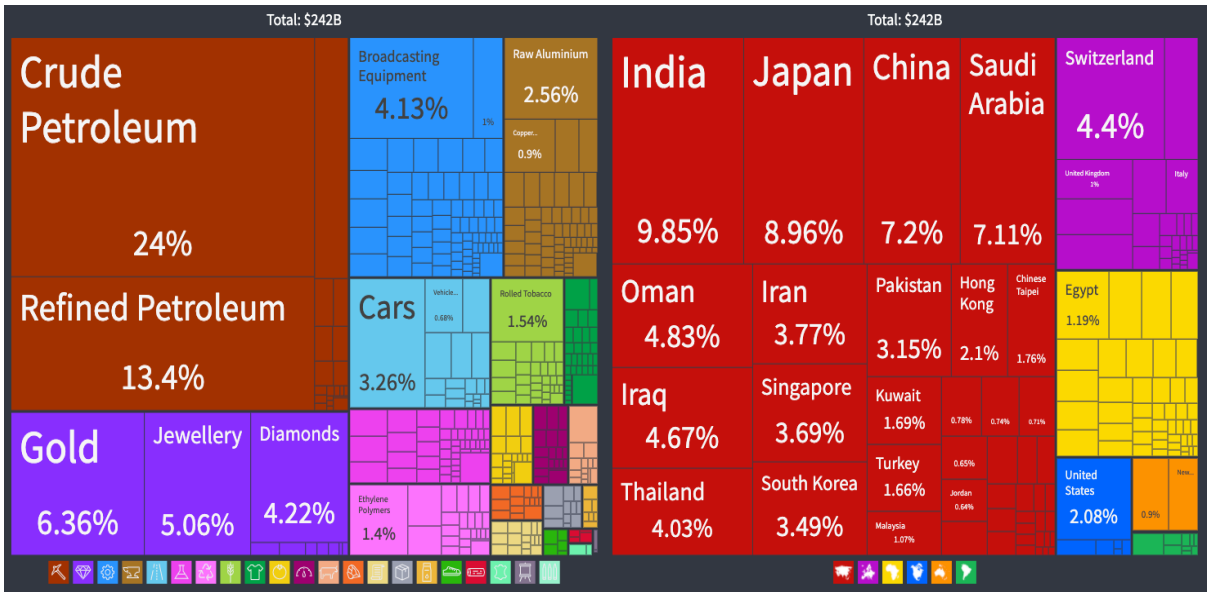
2.5 Section Five: VAT Policy and Implementation: The UAE as a Case Study

2.5.1 Economic Outlook of the UAE

According to the World Bank (2020b), the UAE is currently considered the second largest economy (with GDP US$ 421,142,267.94 in 2019) amongst Middle Eastern and North African countries, only exceeded by the KSA (GDP US$ 792,966,838.16 in 2019). According to the Observatory of Economic Complexity (OEC, 2020), in terms of GDP, the UAE was the 28th-largest economy out of 196 countries in the world in 2018.

According to OEC (2020), in 2018, the UAE exported goods worth $215 billion and imported goods worth £232 billion. Figure 2.12 shows that crude oil has remained the UAE's main export product ($58.1 billion, 24%), followed by refined petroleum ($32.2 billion, 13.4%). Some leading destination countries for UAE exports in 2018 were India ($23.88 billion, 9.85%), Japan (£21.7 billion, 8.96%), China ($17.4 billion, 7.2%), Saudi Arabia ($17.2 billion, 7.11%) and Oman ($11.7 billion, 4.83%) (OEC, 2020).

Figure 2.12: Graphical Depiction of United Arab Emirates Product Exports in 2018

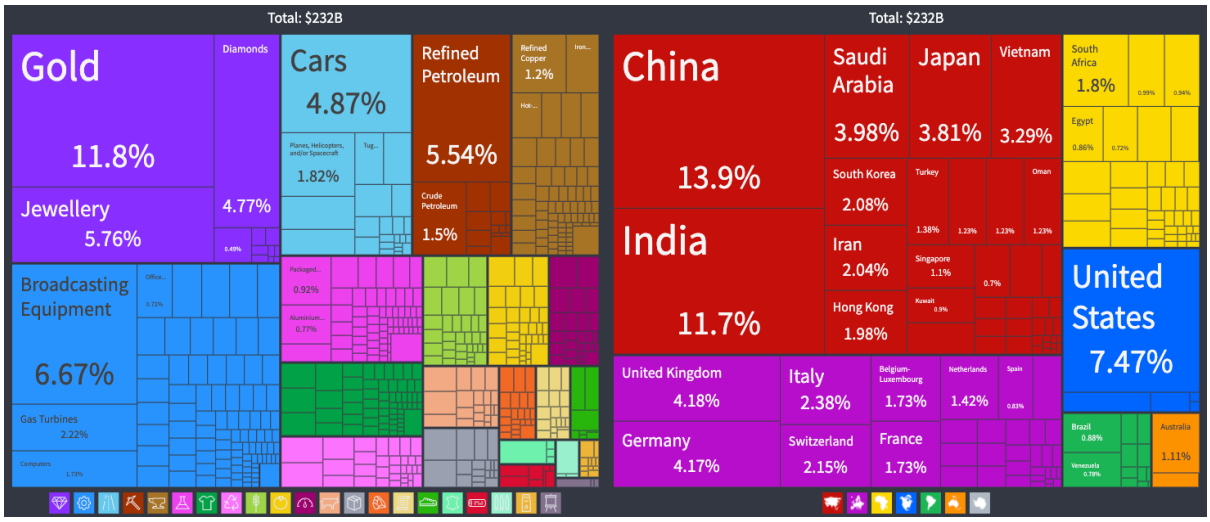


Sources: OEC (2020)

As per OEC (2020), in 2018, the UAE imported $232 billion's worth of products. Figure 2.13 shows that Gold ($27.3 billion, 11.8%) has remained the main imported product, followed by broadcasting equipment ($15.5 billion, 6.67%), jewellery ($13.4 billion, 5.76%), refined petroleum ($12.8 billion, 5.54%) and cars ($11.3 billion, 4.87). The UAE imported from China ($32.1 billion, 13.9%), India ($27.1 billion, 11.7%), the United States ($17.3 billion, 7.47%),

the United Kingdom ($9.69 billion, 4.18%) and Germany ($9.68 billion, 4.17%) in 2018 (OEC, 2020).

Figure 2.13: Graphical Depiction of United Arab Emirates' Product Imports in 2018



Source: OEC (2020)

The economy of the UAE was almost exclusively concerned with crude oil back in its early days. Today, conversely, the UAE is only straightforwardly reliant on oil revenues for around 4% of its GDP. Any visitors to the country can easily meet with bounteous proof of the UAE's booming economy, with widespread nationwide evidence of tremendous infrastructure spending – airports, hotels, residential areas, attractions. Expenditure is assumed to be almost 21 trillion US dollars over the next five fiscal years across the Gulf corporation countries, most of which will be spent in the UAE (Kader, 2011). The UAE's economy is now primarily based on trading – very different from its historic perception. The country is concerned with diversifying towards a more intuitive and service-oriented economy, safeguarding its position as a hub for business, finance and tourism. Although the UAE Vision 2015 initiative worked extremely well, the country has faced several new crises since, and Dubai is currently losing some of its shine (Fattah, 2018).

Counted among the world's most dynamic markets, the UAE is currently among the sixteen biggest exporters and twenty biggest importers of commodities in the world (Santander, 2017). Its progress in infrastructure and real estate sectors in recent times has helped make it an international travelling destination. The involvement of tourism in the UAE's GDP increased from 3% in the middle of the last decade to more than 16.5% by the end of 2010. This tendency has been aided by tremendous community investments in tourism, currently valued up to 40

billion dollars per annum, primarily to grow the capacity of the current infrastructure in places such as ports and airports (The World Bank, 2018). The UAE and India are considered each other's major international trading partner, in addition to there being many hundreds of thousands of Indian citizens in the UAE. The total international trade between these two major partners exceeds over 75 billion dollars, or 275 billion United Arab dirham (Associated Press, 2018). The UAE's economy is, at present, legitimately healing from breakdown and diversifying in various sectors to increase progress (Callen and Cheriff, 2014). Due to the rapid increase in the price of oil, the oil sector embodies the more than 33% of GDP. Demand from the UAE's neighbouring countries has also improved its export actions (Sharpley, 2002).

The UAE is a wonder of economic progress in itself. It is a tiny minority striving to acquire, in a very small period of time, standards of development that Western economies have experienced for centuries. The economic spectrum of the UAE can be fundamentally evaluated through its private and public sectors (Thompson and Wissink, 2016). At present, the country is facing a state of interior quarantine, due to its inability to gather a preferable workforce in the private sector. By contrast, the government-fuelled sector, which once was the 'womb-to-tomb' agent for domestic and international employees, is not accepting local Emiratis into ranks overfilled by worthy workers from around the world (Connel and Burgess, 2013). In addition to this, state policy – relying on social capital values – is to adopt a continual inflow of skilled and knowledgeable expats, who may remain for multiple years and continue in their jobs comparatively smoothly until they reach the age of 60, when they must depart their former professional area (Sonmez, 2011). This may seem disappointing to the competitive workforce, but this practice has led to workplaces surviving in the present environment. Given all these expats, and with 1% or less of people in this sector being locals, the issue of utilising the local population is low on the government's list of importance (Fernandes and Awamleh, 2006). Success is treated as incredibly elusive unless the policy the government is attempting to implement is not focused to encourage a significantly greater notion of perpetuity in the workplace for finance, banking and insurance (Randeree and Mahal, 2012). The UAE has workplaces proposing financial incentives for outcomes, personality and attitude; by contrast, fundamental conditions among corporate clients excluding employees are predictably disordered and demoralised (Ali, 2008).

2.5.2 SWOT Analysis of the UAE

2.5.2.1 Strengths

After decades of concrete attempts at economic divarication, the UAE is a recovered, robust, dynamic and matured economy. Being the third largest exporter of crude oil, the UAE is considered diplomatically powerful and politically stable (Hazem, 2015). The UAE's fiscal state is stable, and the currency is freely convertible to US dollars. There is no foreign exchange control for the country, which leads to superior trading independence for companies (Hanna and Bank, 2006). The UAE is also highly admired for its vision and practice of zero trade barriers. Compared to other GCC countries, the UAE is holding competitive labour and real estate costs stable. Taxation is also next to zero for personal and certain corporate sectors. Furthermore, taxation agreement contracts are not important for trading with other countries and corporations. The UAE benefits from being a free trade zone that provides relative ease for start-up businesses (El Shimy, 2008). Government-mandated immigration policies are very friendly for business development. It is quite easy to get hired for a skilled position in the UAE's thriving workforce market. The banking system of the UAE is so effective in terms of protecting privacy, it is now considered and compared with Switzerland's system. The country enjoys efficient distribution and transport facilities and well-planned amenities, i.e. waterworks, roadworks and more than 100 airlines connecting more than 150 destinations worldwide. Furthermore, energy is very inexpensive in the UAE.

2.5.2.2 Weaknesses

The most evident organisational bias in the UAE is that many of the top-level service sectors are predominantly reserved for Emiratis, which is why it is difficult to do business in a flexible manner. Real estate services in the UAE are still very complicated for non-nationals and foreign companies (Ponzini, 2011). The government requires the involvement of Emiratis in the business process and ownership of real estate property in order for legality to be maintained. In addition to this, taxes and interest are very discriminatory, which makes the prospect unattractive for foreign investment unless the margin is quantitatively potential. This issue can extend to rental and leasing services as well, especially for automobiles. Leasing has become a compulsory step, due to expats from several European countries opting for outright ownership. Dubai's economy very much relies on minerals, tourism and trading; it is difficult to start and grow agricultural businesses, not always because of a lack of soil fertility, but because of policy barriers. The government of the UAE is very strict about forestry

preservation, which is why utilising land is very difficult and cities are artificially highly priced. Dubai's economy is also very discriminatory toward utilising the resources of its maritime territory, especially fishing. To do business while honouring these rules and policies is quite complicated and confusing, because each emirate has its own regulations and rules. Even hiring personnel for investigation and private security services is a very perplexing process. English is not the default language for common law jurisdiction; this forces companies to go to local Arab legal bodies, which can be biased and weak in nature for big and crucial cases. Networking and lobbying are crucial requirements for expansion (Shihab, 2001).

2.5.2.3 Opportunities

The UAE is evidently situated at the heart of the Middle East, with connections to international maritime trade routes. Therefore, the UAE can ensure trade benefits without any assistance from other countries as a transit medium (Hassan et al., 2010). Also, the UAE is in close proximity to the African market, which is valued up to 1.5 billion dollars but has great potential in the near future. Capturing the African market is easy and with comparatively less margin for expense. the UAE already has a huge export market – a positive indication of sustainable trade, especially with countries that are already in trade missions and agreements with the UAE, such as Singapore, China, India, Mercosur and, most importantly, the European Union (Istaitieh and Hugo, 2007). A significant number of trade deals have yet to be signed; if signed, they would indicate massive growth in the near future. The government of the UAE is working on the efficiency of its international connectivity with existing markets in Europe and Asia while installing new business in the Indian subcontinent, Africa and the Middle East. The UAE is currently witnessing a massive rise in global trade, with imports increasing gradually at approximately 8% per year over the prediction period of the current decade; this indicates strong sustainability. Bilateral contracts with the Islamic Republic of Iran, the Republic of South Africa and the USA – among others – can help future investors, businesses and entrepreneurs with a tremendous competitive advantage. The current regime is aiming to boost various money-generating industries, such as tourism, through massive expansion projects in airports and hotels: the country will see a major transformation of positive and progressive culture in the coming decades. In addition, the country is investing heavily in civil services, which will attract skilled executive workforces to move into the UAE and improve the skilled manpower situation for companies in the UAE (Ponzini, 2011).

2.5.2.4 Threats

Due to massive infrastructure costs and the improvement in the quality of civil services, the UAE is struggling with fiscal control, which is why the cost of living is becoming extremely high for its inhabitants. This is dissuading skilled expats from moving there (Callen et al., 2014). There is also the issue of economic volatility of perceived real estate, which is considered a potential risk for future foreign investment. The Middle East has been very politically volatile in recent times, which affects the UAE's risk profile as well – especially for issues regarding international and regional relations, like regional militant groups and Iran's nuclear programme. Although the market is growing at an astonishing rate, the UAE's subsidies for agriculture and utilities are very back-dated. Furthermore, the UAE's tax system is extremely antiquated when compared to its neighbouring GCC partners, which will result in weakened stability in the near future if it is not fixed. As for climate change and weather activities, the UAE is infamous for its sandstorms and dust storms, which can result in a negative impression for companies that require sensitive supply chain management (Geoff, 2018).

2.5.3 Overview of SMEs in the UAE

According to the UAE's Ministry of Economy, SMEs currently account for 92% of the total number of companies in the country, and they are contributing almost half of the UAE's current GDP. In addition, UAE-based SMEs number as many as 200,000 and are currently providing approximately 85% of employment in the private sector (Ministry of Economy, 2016).

2.5.3.1 Political Factors

With its federal constitution monarchy, the UAE currently has no political parties; even though this might result in massive revolt in countries with complicated histories, The UAE is far more stable with a much more obedient local population; this is why SMEs can enjoy superior stability and a sustainable political lobby with the stable, non-partial government. Being an oil exporting economy, the UAE enjoys diplomatic weight in global politics. It is a great ally for the European Union, the United States and the counter powers like Iran, China and Russia. This can be beneficial for SMEs in case of sudden political turmoil around the world: the UAE's government will be safe diplomatically, so the risk factors for SMEs are comparatively low. On the other hand, it is evident that political interest is present in the UAE; political interest, however, is very insignificant, especially when it comes to the performance of the state to make flow work efficiently for SMEs (Schilliro, 2015). There are issues with labour safety

and the labour environment, and the potential for labour movement; but, due to creating barriers for labour unions in the workplace, SMEs can benefit from a cheap and competitive labour market where the bounce rate is low, like other GCC countries. Currently, the UAE is in a dispute with the Islamic Republic of Iran over three islands, but this is miniscule compared to other Middle Eastern political issues, and SMEs can easily work in a bilateral partnership with Iran (Santander, 2017).

2.5.3.2 Economic Factors

Prior to the discovery of oil potential, the economy of the UAE was primarily dependent on gold trading as well as the fishing industry, which was in decline. With oil exportation, the economy of the UAE entirely transformed into an oil-powered one. Due to massive cruel oil reserves, the economy of the UAE is very stable, rich and robust for today's SMEs. Energy prices are very low, which helps new start-ups start business with minimal energy expenses. The price of oil within the region is also very cheap, hence the inexpensive transportation and delivery of products enjoyed by SMEs. After the current attempt to diversify UAE's economy, the UAE is not heavily reliant on commerce and tourism. The government is very optimistic about this approach and they are inviting companies and start-ups – SMEs in particular – to invest their innovation, talent and money into this industry. Suffice it to say that there are strong direct and indirect SME investment opportunities for outside parties, if their innovations succeed. In many ways, the current economic condition is inviting innovation in the tourism industry and it is highly possible that SMEs will contribute to this potential sector (Schilliro, 2015). The UAE is putting a lot of effort into restricting foreign ownership of corporations, which is why it is sufficient to conclude that internal economic stability and sustainable trade margins are easily achievable for the UAE. Dubai is a hub of finance with free trade zones that can lure executives and investors from around the world. Apartment projects, e.g. Palm Islands and Burj Al Khalifa, are the cellarium of tourism and contribute to the income and profit of the city as a whole and, as a result, the SMEs around it. With no trade barriers, a high growth rate of Grade Point Average (GPA) and a low unemployment rate, the UAE, especially Dubai, is the top destination for SME dreamers (Santander, 2017).

2.5.3.3 Social Factors

The government of the UAE has strict policies for expats in the workforce (Hazem, 2015). Those who migrate for work purposes from other countries (particularly from third-world countries) seek better income and aim to help their underprivileged families by sending a portion of their income home. This notion is creating a racial exclusivity between the Emirati

elites and locals. This is why the diversity of the UAE is very temporal in nature and does not reflect its perpetual social stratification. SMEs in the UAE have to involve local Emiratis into ownership for longevity and sustainability of the firm (Schilliro, 2015). Apart from the deprivation of certain privileges in the expat working class, locals are well-treated with all civil and social benefits like education and healthcare. Although living arrangements are not very comfortable for working class expats with poor quality of food, underprivileged foreigners still come to find fortune for their families through this expense. The UAE, being an Arab Muslim country, is unlike other neighbouring countries in being quite progressive, open and liberal; it does not have alcohol prohibition or strict restrictions regarding hijab for women. This societal liberty can result in better organisational flexibility for SMEs to practice unorthodox approaches within firms and practice ideas more openly in their surrounding communities. The inhabitants of the UAE typically enjoy comfortable living, due to their well-paying employment opportunities. The trend of globalisation is aggressively producing a collision of various cultures within the region of the UAE.

2.5.3.4 Technological Factors

Spending money on technological breakthroughs is very common in the UAE: a significant sum of their earned profit through tourism and commerce are being spent on such things (Ali, 2008). For instance, Emirates Airlines and Fly Dubai are considered the paramount defining airlines in the planet, with fleets of cutting-edge, technologically well-equipped planes and aircraft. Dubai International Airport is considered the most connected airport in the planet, with hundreds of intercontinental flights, and for SMEs it is important to avoid transit flights to reduce company expenses. Therefore, this technological superiority is potentially very beneficial for SMEs.

Technological practices have supported the UAE in endorsing tourism by making applications that suggest the best places of interest to visit, foods to try; these spots are predominately covered by SMEs and they get use monetary benefits for that. Widespread placement of cutting-edge modern RFIDs is ensuring real-time connectivity of supply chain management for SMEs (Schilliro, 2015). Meanwhile, Dubai Metro, which is currently driverless, is also considered ahead of present time; is great mode of transportation within city and it is making the people much easy to go to work with minimal inconvenience; this is vital for productivity of SMEs and hiring people who remote part of cities. It is unfortunate to witness that the mentality of businesses is far from investing in research and development, but rather uses extreme purchasing power to import cutting-edge technologies from other countries like China

or the USA. Despite this mentality, the government can happy to endorse local innovations; this is where SMEs can utilise price point opportunity (Connel and Burgess, 2013).

Azmi et al. (2016) stated that technological factors, especially compatibility, complexity and related advantages, affect SMEs in IT adoption. According to the Telecommunication Regulatory Authority (TRA, 2013), the UAE government provides the fastest broadband facilities for the residents and business.

2.5.3.5 Legal Factors

The legal structure of the UAE is quite different, and the laws provided by the regime are very sensible to the locals but not very justified for expats (Hanna and Bank, 2006). Unlike the chaos existed in neighbouring gulf countries, the UAE is considered the safest country among GCC, with Dubai holding a nearly 0% crime rate. This insight indicates that the regulations and rules are strictly followed, and the content of legal politics is extremely strict with severe punishments. Unlike other GCC counties, western clothing is allowed except in public appearance – particularly for the female population. Laws regarding business are very friendly and flexible, so SMEs enjoy significant freedom to spread their innovation and products within the region and beyond (Schilliro, 2015). The tax system is almost non-existent, so corporate personnel enjoy spending most of their earned money freely (Gulf Business, 2014).

2.5.3.6 Environmental Factors

According to Azmi et al. (2016), environmental factors including coercive pressure, kinetic pressure and regulatory pressure affects in perceiving technology by SMEs. It is worth noting that environmental factors are related to the external forces exerted on organisations. In detailed explanation, when SMEs are dependent on other VAT-registered firms, these external forces put pressure on the dependent SMEs to be VAT-registered as well as complying with the VAT rules and regulations.

The UAE has quite a dry climate, which forces SMEs to expend money on air conditioning in their office facilities; consequently, their fixed expenses inevitably rise. But thanks to low energy costs, this is not a critical issue for SMEs in the UAE. With progression of artificial island projects, hotels and other rapid development projects, the environmental consequences are ignored. This notion has affected maritime resources, as the fishery industry has fallen and drinkable water is going to be rare in near future (Richlen et al., 2010). Due to a century of oil drilling projects, salinity of water has been increasing in an unprecedented manner, which will make city dwellers suffer – especially that part of the workforce deprived of specialised care

(El Shimy, 2008). SMEs will have to address this latest crisis to sustain their business operations. There is also a massive chance that these pollution activities will lead to resource collapse and a more import-oriented economy in near future. This is bad for SMEs within the region – particularly in Dubai – but, geographically speaking, the UAE exists near coastal areas with land access to Asia and seaports to access directly to the world, which helps SMEs with reduced costs (Schilliro, 2015).

2.5.3.7 Organisational Factors

Organisational factors comprise of all those components that affect the way that a system, and everyone within it, behaves (French, n.d.), and the decision to adopt it (Azmi et al., 2016). Organisational factors regarding SMEs' tax compliance and IT adoption are influenced by learning from external resources and tax compliance costs (Henderson et al., 2012). To make VAT successful, employees of SMEs must be inspired to learn about the significance of VAT implications and cope with the VAT system.

Elbeltagi et al. (2013) studied SMEs' adoption of ICT in the UAE and found that there is no significant support for a direct association between organisational factors and the adoption of ICT. But there is a positive indirect relation, mediated by owner-manager factors. The results of the study refer that the key role played by the owner-manager in supporting SMEs to make the best of ICT (Elbeltagi et al. 2013). However, lack of ICT knowledge is one of the key challenges to ICT adoption in SMEs (Ashrafi and Murtaza, 2008).

2.6 Section Six: Overview of OPEC Crude Oil Prices and Economic Diversifications

2.6.1. Analysis of OPEC Crude Oil Price from 1960 to 2002

Following a strike of the Oil, Chemical and Atomic Worker Union in May 1970, the first nominal price of oil surged up to 8%, which resulted in the fifth post-war recession in December 1969, ten months after the first oil price rise.

From October 1973 to January 1974, followed by the Syria- and Egypt-led attack on Israel, the Organisation of the Petroleum Countries (OPEC) declared an embargo on oil exports to selected countries that supported Israel. This has resulted in a massive cutback in OPEC's total oil production. Iran had seen an opportunity to increase its oil production and on 1 January 1974, the Persian Gulf countries boosted the price of oil, increasing the price from USD 2.70 in 1973 to USD 11.00 per barrel in 1974.

Between October 1978 and January 1979, the Iranian revolution played a vital part in the surge of oil prices. Following the Iranian revolution and the Iraq-Iran War, in October 1978, oil prices tripled, jumping from USD 12.79 in 1978 and USD 35.52 per barrel in 1980. The surge of oil prices during this period occurred due to panic and misunderstanding as consumer governments, mainly the USA and Japan, insisted their businesses reserve oil supplies at any cost.

In October 1981, although OPEC eventually recovered control of the oil market at USD 34 per barrel, the results of the oil shocks were starting to appear as demand sides (importers) moved petroleum products out of the global energy mix where supply sides (exporters) started a major surge in non-OPEC supply.

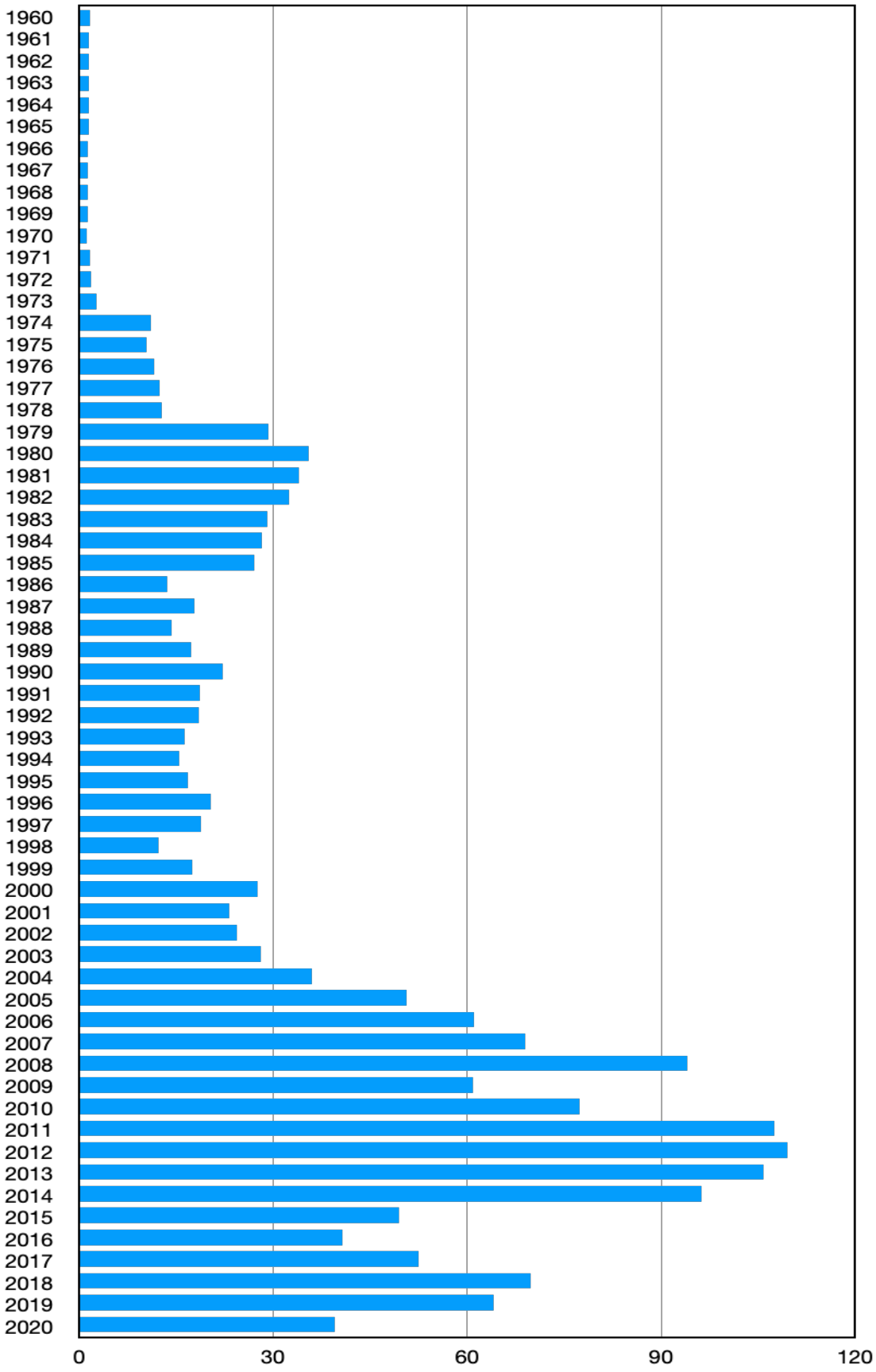
From 1981 to 1986, there was a great price collapse in crude oil. The decline in the oil price was triggered by the war between Iran and Iraq, which caused slow oil production in these two countries. Besides, the Kingdom of Saudi Arabia willingly reduced its production rate to three quarter between 1981 and 1985. Lesser production of crude oil could not help to prevent a 25% decline in the nominal price of oil and significantly bigger slumped in the real price. The KSA resumed its crude oil price production in 1986, which triggered further price dropped from USD 27 in 1985 to USD 12 in 1986 per barrel. The decline in the oil price has remained the biggest 'oil shock' for the oil-exporting nations.

According to Steven (2005), Saudi Arabia and Iran developed a mutual understanding and recovered from the oil shock in 1986. One of the dimensions of this mutual agreement was to drop administered oil prices and replace the use of a mixture of spot prices of a limited number of crudes, especially in WTI, Brent and Dubai. This strategy was not sustainable in the long term; it became gradually volatile, since these administered prices were fixed in the marketplace and progressively in forwarding and prospect markets. It is evident that OPEC struggled to defend a consistently reasonable oil price; in some cases, they were successful; most of the time, they failed.

Between 1987 and 2002, oil prices had been fluctuating from USD 12.28 per barrel in 1998 to USD 24.36 in 2002. By 1990, Iraqi oil production had reached its former levels in the late 1970s; it collapsed again when Iraq invaded Kuwait in August 1990.

An analysis of the oil prices between 2003 and 2020 is provided in the next section, as OPEC nations had to change their strategies, such as economic diversification – especially imposing VAT in the UAE and Saudi Arabia, due to many events of the oil price fluctuation.

Figure 2.14: Average Annual OPEC Crude Oil Price from 1960 to 2020 *(in U.S. dollars per barrel)*



Source: Statista (2020)

2.6.2 Analysis of OPEC Crude Oil Price from January 2003 till July 2020

From an analysis of OPEC crude oil prices for the period between January 2003 and July 2020, it has been found that there has been a large fluctuation in the crude oil price.

For instance, between May 2003 and July 2006, there was a steady growth in the crude oil price: from USD 26.71 per barrel (bbl) in May 2003 to USD 68.42 in July 2006. The oil price jumped from USD 77.43 per barrel to USD 136.03 for the period between September 2007 and June 2008. There was a dramatic fall in oil prices, from USD 136.03 per barrel to USD 36, for the period between July 2008 and December 2008. During this period, there was volatility in the oil prices.

From January 2009 to June 2014, there was a sharp rise in oil prices: they rose from USD 42.02 per barrel in January 2009 to USD 108.59 in July 2014.

Following four years of relative steadiness at around USD 105 per barrel, oil prices started to drop sharply from USD 108.59 per barrel (July 2014) to USD 29.11 per barrel (January 2016). According to Arezki (2017), oil prices have more than halved, taking most analysts by surprise, since June 2014.

Between February 2016 and September 2018, oil prices had witnessed a slow growth from USD 30.13 to USD 81.48 per barrel. Although there was a slow rise in the oil prices in that period, February 2016 and September 2018, oil prices have never seen a heyday and stability such as they had in the period between 2009 and 2014.

Since October 2018 till April 2020, oil prices have been consistently declining from USD 75.24 (in September 2018) to USD 18 (in April 2020) per barrel.

Figure 2.15: OPEC Crude Oil Price between 1 January 2020 and 13 July 2020

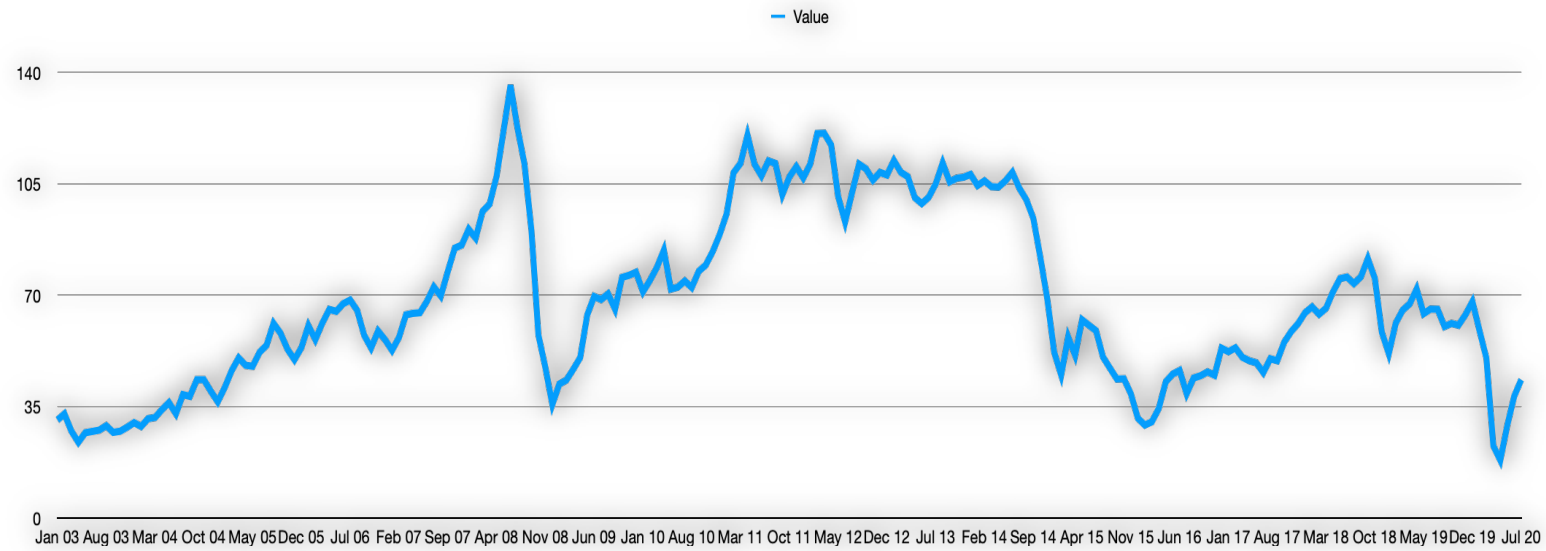
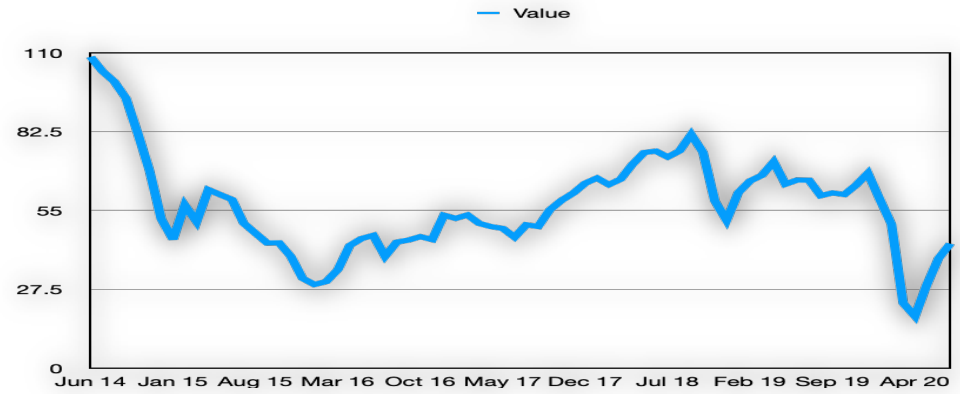


Figure 2.16: OPEC Crude Oil Price between June 2014 and July 2020

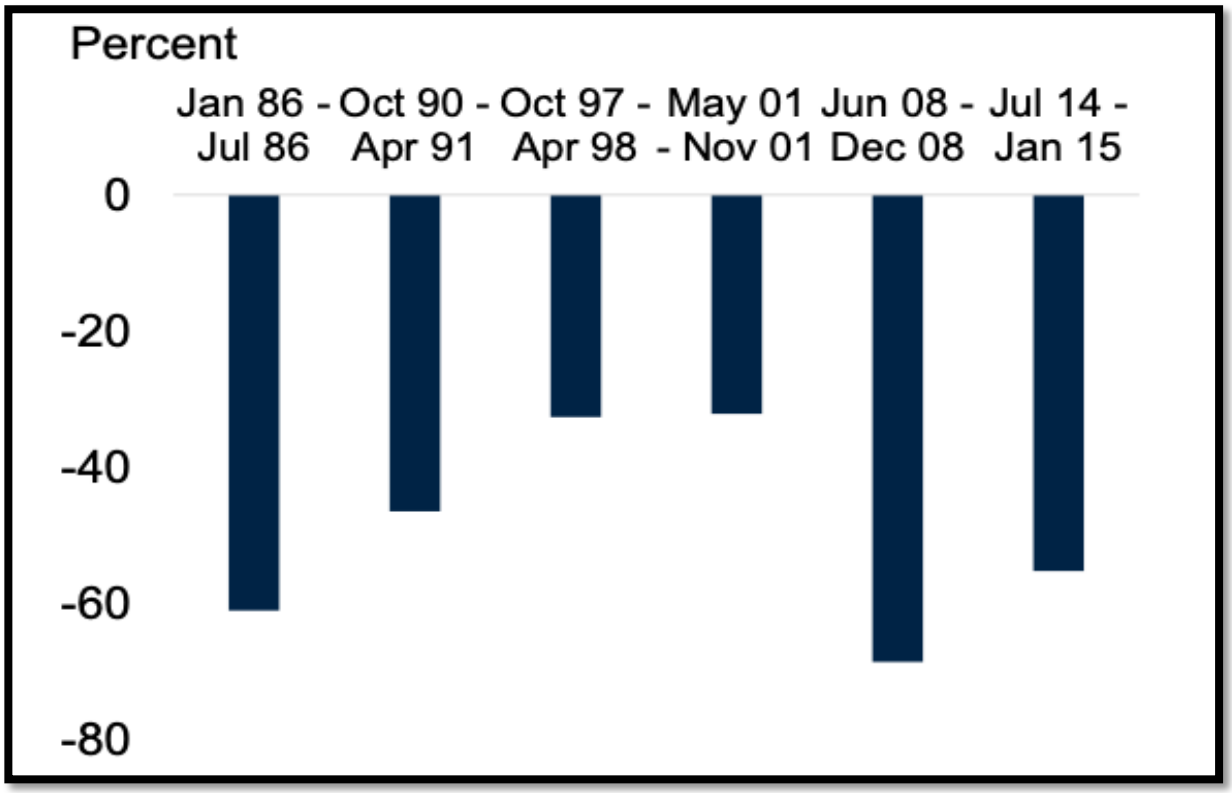


Source: Quandl (2020a)

2.6.3 Analysis of Major Oil Price Decreased

According to Baffes et al. (2015), the dramatic decline in oil prices since June 2014 is an important but not unprecedented event. Throughout the history of oil prices over the last three decades, since 1960 (see Figure 2.16), there have been five other incidents of oil prices fall of 30% or more in seven months, corresponding with major changes in the global economy and oil markets (Baffes et al., 2015; Mohaddes and Pesran, 2017; Obstfeld et al., 2016). The six incidents of oil prices fall were (1) January 1986 and July 1986; (2) October 1990 and April 1991; (3) October 1997 and April 1998; (4) May 2001 and November 2001; (5) June 2008 and December 2008; and (6) July 2014 and January 2015 (see Figure 2.17). Additionally, there is an ongoing oil price decline due to the Saudi-Russian oil war and COVID-19 pandemic.

Figure 2.17: Magnitude of Significant Oil Price Drops

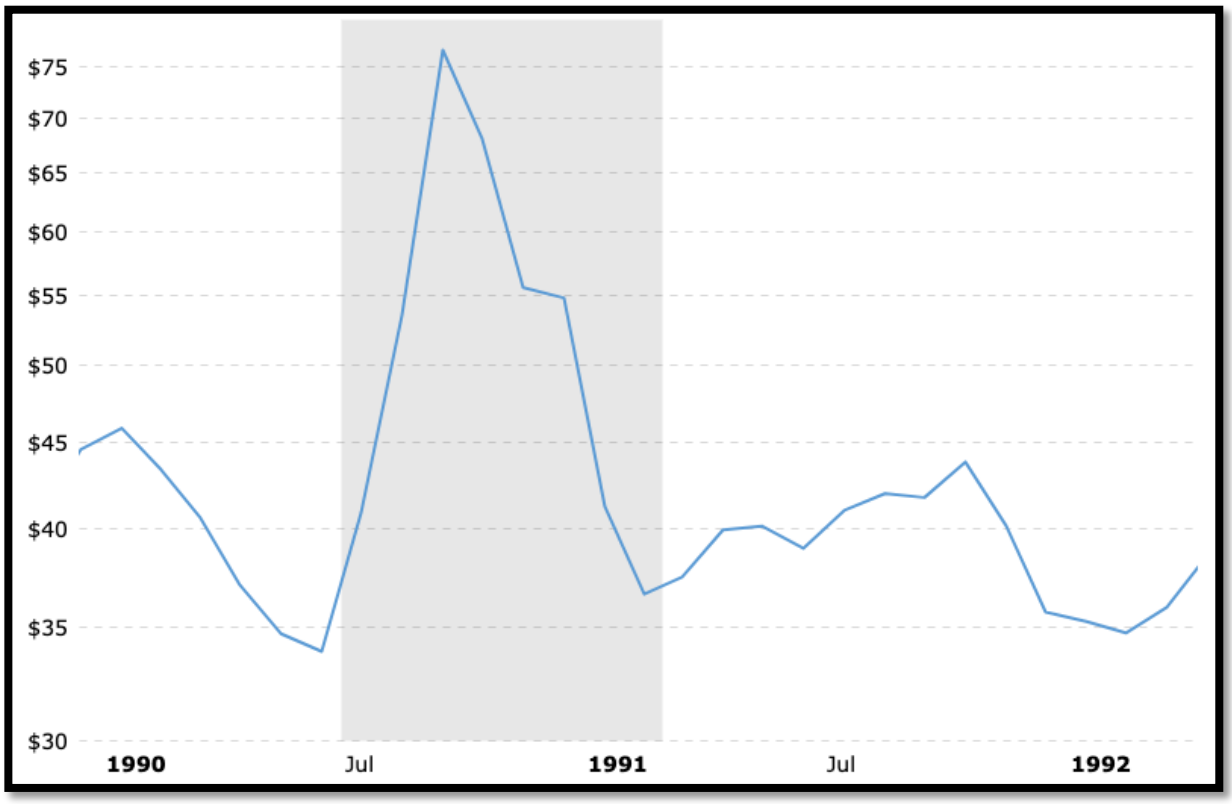


Source: Baffes et al. (2015, p. 6)

It is evident that, following the US attack against Iraqi military targets in January 1991, crude oil prices dropped USD 9-10 per barrel on 16 January 1991 after having risen $3-5 per barrel during the first half of January 1991 is considered a record in oil price decline in one day in the history of crude oil prices (Daniel, 2001). Chill (2007, p. 43) studied warfare in the Persian

Gulf during Iraq-Iran War between 1980 and 1988 and the Gulf War in 1991 and mentioned that 'oil can be both a cause of and a weapon in conflict'.

Figure 2.18: Oil Price During Gulf War in 1991

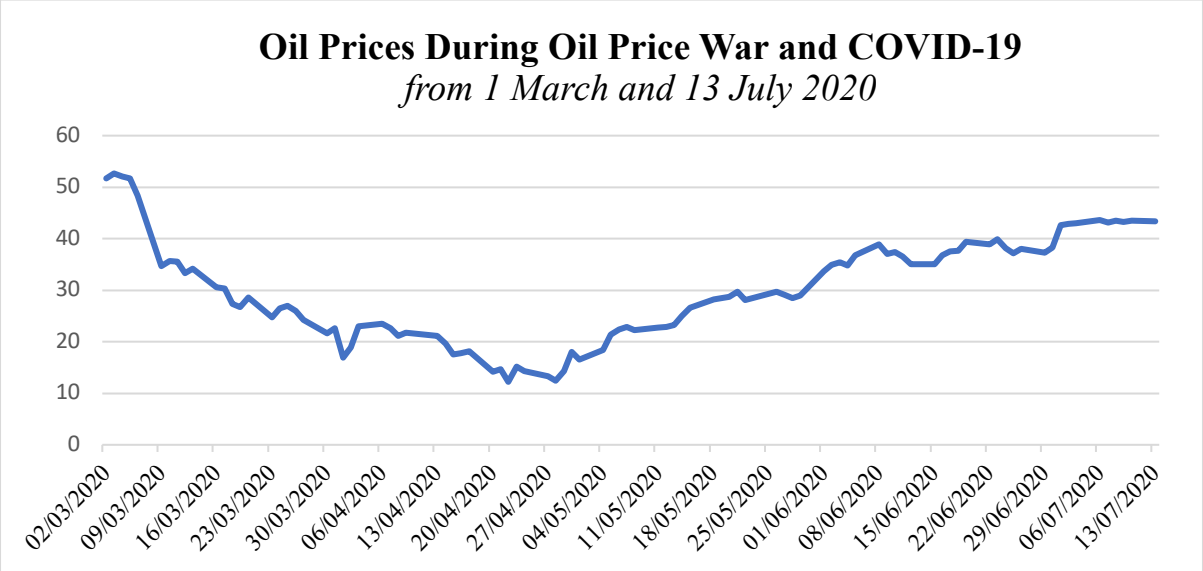


Brower et al. (2020) reported on Financial Times that on Sunday, 8 March 2020, Saudi Arabia and Russia engaged in the nuclear version of an oil price war, which resulted in 30% oil prices decreased, dropping from USD 41.28 on 7 March 2020 to USD 31.13 on 8 March 2020 in a day – the biggest one-time oil price drop since the event on 16 January 1991 (see Figure 2.18). This oil war between Saudi Arabia and Russia has shaken the oil market and the world (Brower et al., 2020).

The oil market has been affected significantly by the COVID-19 pandemic in 2020, which has caused a large stock market fall. According to Evans-Pritchard (2020), the effects of COVID-19 on the oil market is considered as 'COVID-19 demand shock' signified a bigger decline in the oil price than that experienced during the Great Recession in 2008 – 2013. Evans-Pritchard further added tension among OPEC members trigged as oil demand decreased significantly to 4.5m million barrels a day. Figure 2.19 shows that, on 20 April 2020, due to the COVID-19 pandemic and lack of storage of the large surplus in production, US crude oil price plunged from USD 18 per barrel to – $ 38 per barrel within an hour on Monday, 20 April 2020 and to

fall further, which is a record for the first time in US oil prices history (Ambrose, 2020; Team, 2020). Team (2020) reported on Forbes that while WTI crude oil sees a negative territory on 20 April 2020, prices for Brent crude remain positive at levels of over USD 20 per barrel.

Figure 2.19: Oil Price During Oil Price War (Saudi-Russia) and COVID-19 Pandemic



***Source*:** Quandl (2020b)

2.6.4 Causes of Oil Prices Decline

Baffes (2015) revealed a number of causes of the plunge in oil prices, such as '(i) several years of upward surprises in the production of unconventional oil; (ii) weakening global demand; (iii) a significant shift in OPEC policy; (iv) unwinding of some geopolitical risks; and (v) an appreciation of the U.S. dollar' (Baffes et al., 2015, p. 4). Moreover, Vohra (2017, p. 8) studied the impact of oil prices on GCC economies and found out the cause of a sharp decline in oil prices in 2014 as 'a sluggish global growth, high OPEC production, and the astonishing strength of shale extracted oil supplies'. Furthermore, Kilian (2014) found out that a major political event can cause a major fluctuation in oil prices and the Arab spring including the Libyan uprising in 2011 may be one of the key contributors to the devaluation of oil prices in 2014.

2.6.3.1 Supply and Demand Factors

Researchers such as Obstfeld et al. (2016), Baffes et al. (2015) and Arezki and Blanchard (2014) studied the triggers of the event, especially the comparative role of supply and demand factors, and revealed that both supply and demand factors have been playing a key part in the dramatic fall in the oil prices since June 2014. Arezki et al. (2017) clarified that the factors –

given demand and supply price elasticities – are low disruptions on either side of the market that can cause dramatic price variations.

Indeed, volatility in the oil market during the event occurred due to the fact that demand was hugely resulted by adverse revisions to the global economic forecasts whilst supply disorders had many sources including 'armed conflict; new discoveries and extraction technologies; strategic shifts on the part of the OPEC (Arezki et al., 2017, p. 4).

While these supply instabilities performed within an environment where short-run demand elasticities in the oil market were very slim, such conditions are unlikely to continue over the medium term provided that the advancement of cutting-edge technologies rely on natural gas, hybrid (both gas or oil and electricity), electricity, and solar-powered transportation.

2.6.5 Consequences of Oil Prices Decline

The plunge in the oil prices can have an adverse consequence in the national economy of the major crude oil exporting countries including the United Arab Emirates. According to Baffes et al. (2015), some of the consequences of rapid fall in the oil prices are (i) leading to significant real income shifts from oil exporters to oil importers, which may require dramatic changes in the economic policy of the oil-exporting countries; (ii) incurring budget deficit; (iii) reducing or eliminating subsidies on items such as natural gas, electricity, etc. Moreover, Haouas and Heshmati (2014) found that a decline in oil exports impact the GDP of GCC countries including the UAE significantly, as the contribution of oil to national economy declines in tandem. Hence, the UAE government shifted its focus from crude oil dependency to economic diversification.

Experts such as International Monetary Fund (IMF) (Arezki et al., 2017) and the World Bank (Baffes et al., 2015) suggest that GCC countries need a barrel of oil to be sold at USD 85 to finance their public spending and around USD 60 to keep its current account in balance (Vohra, 2017). Hence, declining the price below USD 60 is not beneficial for the oil-exporting countries including the UAE. According to IMF, during 2015 and 2016, revenues of the oil-exporting nations lower oil price shrank USD 340 billion off Arab oil-exporting states' government revenues in 2015 and 2016 is looking worse if the price of oil continues to be on the low side.

Furthermore, Vohra (2017) revealed, indeed, low oil prices have been impacting all GCC countries, including the UAE, which has caused slow economic growth as well as growing unemployment rate.

2.7 Section Seven: Constructing Variables, Hypotheses and Conceptual Framework

2.7.1 Defining Variables, Adoption

From a comprehensive and critical literature review, this research study has attempted to comprehend the philosophical extend of the taxation followed by VAT, identified the factors influencing VAT, examined different theories of VAT implementation to identify and overcome the success and failure of VAT in GCC. This chapter also analysed VAT policy and implementation in the UAE, and examined the volatility in oil prices, which has resulted in VAT adoption and implementation in the process of economic diversifications in the UAE.

From this extensive literature review, this research study figured out the gaps in the existing scientific knowledge. Besides, this can help to identify variables to construct hypotheses and define them in the contexts of VAT adoption in SMEs in the UAE, which is shown in Table 2.7.

Table 2.7: Constructs' Definitions and Adoption

VAT Impacts		Variables	Sources/Adoption
Positive Impacts	**Government**	*To raise revenue*	Acosta-Ormaechea and Yoo, 2012; Muley, 2017;
		Contribute to a national economy	Ghodsi and Webster, 2018; OECD (2018); Simionescu, 2016; Zafarullah, 2017
		Redistribution of income and wealth	Havorsen and Thoresen, 2017
		To promote social and economic welfare	Bakija, 2014
		Economic stability	Witteveen, 1988
		Harmonisation	Lang et al., 2009; Teltscher, 2000;
Negative Impact	**on SMEs**	*Overall performance*	Alavuotunki et al. (2018); Azmi et al. (2016); Evan et al., 1996; Gunz et al., 1995; OECD (2008)
		Compliance costs	Barbone et al., 2012; Basri et al., 2019; Coleman et al., 2003; Eichfelder and Vaillancourt, 2014; Evan 2008; Hasseldine and Hasford, 2020; OECD (2008); Sandford et al. (1989)
		Administrative costs	Barbone et al. (2012); Hyklova, 2017; James and Edwards (2010); Keen and Slemrod, 2017; OECD (2008); OECD (2011), The World Bank (2010) White, 2017;
		Cost drivers	Barbone et al. (2012); Deloitte (2015)
		Inequality	Alavuotunki et al. (2019); Yiallourou (2019)
Key Factors Influencing VAT Adoption & Implementation		*Cultural*	Alesina and Angletos (2005); Askari et al. (2013); Eugster and Parchet, (2019); Hofstede (1980); Gary (1988); Richardson (2007)
		Human values	Cieciuch (2011); Hofstede et al. (2010); Lindeman and Verkasalo (2005); Saris et al. (2013); Schwartz (2010); Schwartz (2012)
		Economic	Adegbie et al. (2016); Erfani et al. (2013); Moeinadin et al. (2014); Shojaee (2016)
		Political	Bartsch et al. (2004); Beblawi (1987); McIntosh (2019); McLure (1993); Nura et al. (2017); Oordt (2016); Richter (2017)
		Social	Lee et al. (2013); Moeinadin et al. (2014); Zidkova and Pavel (2016)
		Technological	Ali (2008); Connel and Burgess (2013); Schilliro (2015); TRA (2013)
		Environmental	Azmi et al. (2016); El Shimy (2008); Richlen et al. (2010)
		Organisational	Azmi et al. (2016); Ashrafi and Murtaza (2008); Henderson et al. (2012); Elbeltagi et al. (2013)
		Oil price fall	Arezki (2017); Arezki and Blanchard (2014); Baffes et al. (2015); Brower et al. (2020); Haouas and Heshmati (2014); Mohaddes and Pesran, 2017; Obstfeld et al. (2016)

Source: Compiled by Author

2.7.2 Research Hypotheses

Considering the key findings from this comprehensive literature review, this research study formulates constructs' definitions shown in table 2.7. The variables identified in table 2.7 helped this study to design the following research hypotheses, which will be tested throughout the primary research in this study:

H1: VAT has an impact on SMEs in the UAE;

Hypothesis 1 consists of the following impacts:

H1a: The impact of VAT on the companies' profitability and cash flow (Costs involved in understanding legislation (exclusions, exemptions, deductions, good/service distinctions etc.);

H1b: Procedural requirements (such as supporting evidences for VAT registrations, accounting records, bookkeeping for tax return, and accounting record for VAT return) involve additional workforce and, hence, increase in expenditure on wages and salaries;

H1c: The compliance costs are significantly higher when businesses are involved in cross border trade;

H1d: Other administrative costs related to VAT claim, missing deadline, and others;

H1e: The company falls within the scope of the payment of VAT incurs a direct cost on the companies' profitability;

H1f: VAT adversely affects companies' profitability;

H1g. Costs related to cash flow management;

H2: Factors, such as compliance, penalties, belief, financial burden, honesty, prosecutions, deformation, ease of making payment through tax, and contributions to the national economy, that make UAE SMEs to be VAT compliant;

Hypothesis 2 comprises the following factors:

H2a: Because it is a law;

H2b: Concerning at having to pay interest charges for late payment of tax;

H2c: Concern at having goods seized by the Federal Tax Authority for failure to pay tax;

H2d: Belief that other taxpayers are declaring and paying honestly;

H2e: Concern that a third party (e.g. a bank), owing money to you, will be ordered to pay that money over to the Federal Tax Authority;

H2f: That fact that the Federal Tax Authority presumes that you have been honest in your dealings with them;

H2g: Concern that the Federal Tax Authority will obtain a court judgement against you for failure to pay tax and publish details of that judgement;

H2h: Your personal belief that you should do the 'right thing';

H2i: Concern that you will be audited by the Federal Tax Authority;

H2j: Concern that your name will be published on the Federal Tax Authority's Quarterly List of Defaulters;

H2k: Knowing that the Federal Tax Authority has the power to receive certain information about you from third parties (e.g. payments, rental income, interest, dividends);

H2l: Because the Federal Tax Authority makes it easy to pay taxes;

H2m: Because tax payments are used to fund public services.

H3: The UAE SMEs have the capabilities to meet the challenge of VAT and grow their businesses.

Hypothesis 3 includes the following capabilities:

H3a: Capability of the business in regard to people management in performing a range of tasks

H3b: Developing and implementing a business plan and strategy

H3c: Entering new markets

H3d: Developing and introducing new products and services

H3e: Accessing external finance

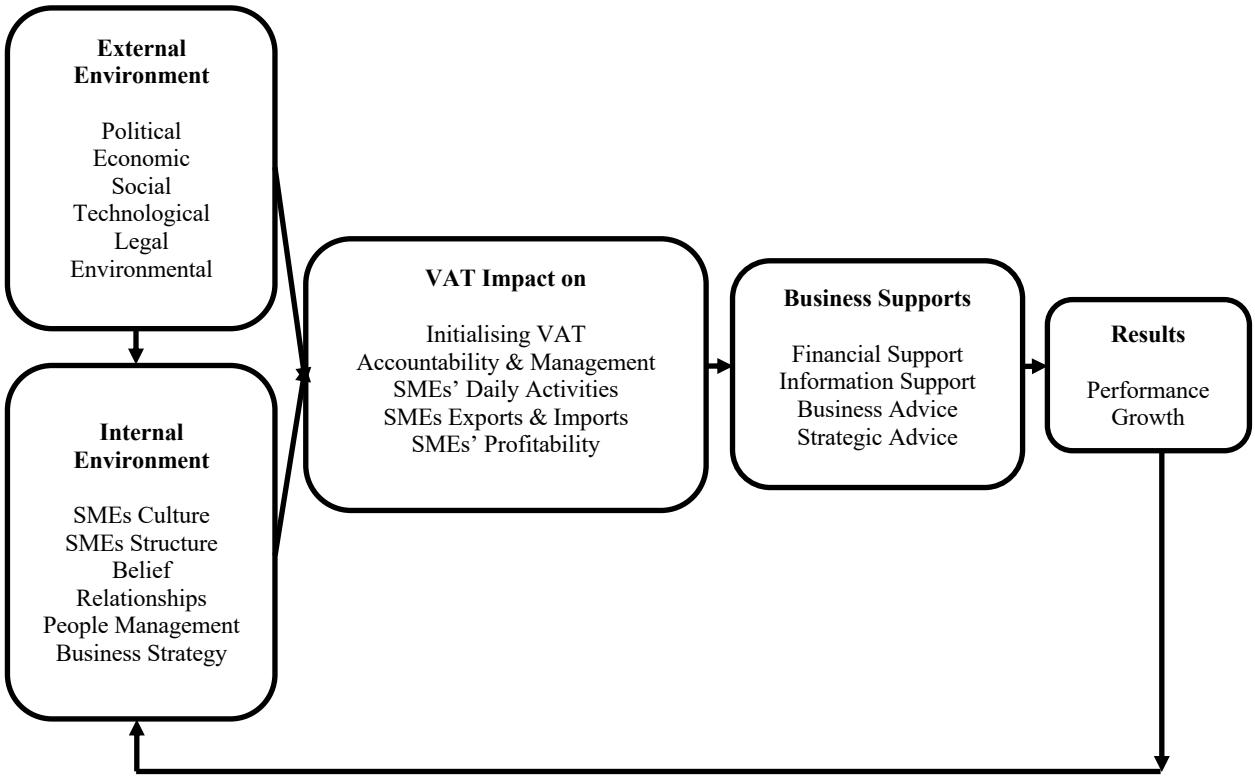
H3f: Operational Improvement, e.g. adopting industry best practices

H3g: Taking decisions on regulation and tax issues

2.7.3 Conceptual Framework of this Study

From a comprehensive literature review, this research study has designed a conceptual framework (see Figure 2.20). The conceptual framework of this study has been tested throughout primary research and qualitative data collected form policymakers and stakeholders of the UAE SME and quantitative data from owners and managers of SMEs in the UAE.

Figure 2.20: Conceptual Framework of the Study



Source: Compiled by Author

From the literature review, this research study has identified some external forces (political, economic, social, technological, legal and environmental) and internal factors (SMEs culture, SMEs structure, belief, relationships, people management, and business strategy) of influencing VAT adoption as well as in the UAE and added in the conceptual framework. Since these external and internal forces impact VAT, the components such as initialising VAT,

accountability and management, SMEs' daily activities, and SMEs' exports and imports have been considered in the process of VAT implementation in this research study. It has also recognised the significance of business supports to lessen the impact of VAT on SMEs in the UK. The business supports include financial support, information support, business advice and strategic advice required to meet the challenges posed by VAT implementation in the UAE. The impacts of VAT on the UAE SMEs have been analysed and understood by looking at the results, especially the performance and growth of SMEs.

2.8 Summary of the Chapter

The purpose of this literature review chapter is to review the philosophical stance of taxation especially VAT and its impacts on SMEs. This has provided a clear understanding of taxation, and its importance and how it is different in nature. All these topics covered give a total picture of the taxation system of all countries in the world as well as in the UAE.

This chapter has tried to understand the factors impacting VAT adoption in a country to identify the relevant factors influencing VAT adoption in the UAE. The impact of VAT in daily life and in the macro environment of the country as a whole has been analysed from a theoretical perspective. This literature review has helped this study to define constructs (variables), which have been of assistance in designing research hypotheses followed by a conceptual framework of this research study.

Chapter 3: Research Design and Methods

3.0 Introduction

The objectives of the research are to contribute to fulfilling a gap in knowledge in the academic sense and solve a problem (Jankowicz, 2005). This research study contributes to the fulfilment of the gaps in VAT study from conceptual as well as the UAE perspectives. Additionally, this solves problems (any negative impacts) in UAE SMEs triggered by a historical event of VAT implementation in the UAE on 1 January 2018. To fill the knowledge gap as well as solve problems in UAE SMEs, Mouly (1980) suggested a research process such as the planned and systematic collection, analysis, and interpretation of data can help a research study to reach a dependable solution to problems followed by filling a knowledge gap.

This chapter is planned to provide a detailed explanation of the research methods including research philosophy and approaches to theory development, formulating the research design, selecting samples, data collection procedures, analysing qualitative and quantitative data, negotiating access and research ethics approval procedures used in conducting primary research of this study. Also, this will provide stages associated with the data collection process. Finally, the rationale for the research materials and procedures used in this study can help to increase the validity and reliability. The study follows the research 'onion' designed by Saunders et al. (2015) throughout the planning and discussion of this chapter.

3.1 Rationale for Research Methods

The rationale for using research methods in this study is to achieve aims and objectives of the study mentioned in Chapter 1 of this thesis. However, the aim of this study is to evaluate the critical factors associated with the successful implementation of VAT and analyse the impact of VAT on SMEs to establish critical success in implementing VAT in the UAE. The followings are five objectives of the study:

1. To critically review the taxation philosophy and the factors impacting a successful implementation of VAT in the UAE;
2. To evaluate the current fiscal policies and implication of VAT and its impacts on UAE SMEs;
3. To document the concerns of different stakeholders of SMEs associated with the introduction of VAT in the UAE;
4. To study the imposition of VAT impact SMEs in the UAE;

5. To recommend strategic measures that could be useful to the UAE government's VAT's implementation.

To achieve Objective 1 – to critically review the taxation philosophy and the factors impacting a successful implementation of VAT – this study carries out a comprehensive literature review, reflected in Chapter 2 of this thesis. According to Saunders et al. (2016, p. 714), literature review is 'detailed and justified analysis and commentary of the merits and faults of the literature within a chosen area, which demonstrates familiarity with what is already known about your research topic.' Therefore, the literature review comprises of five different sections reviewing the philosophy and principles of tax and taxation (section one), understanding the philosophy and principles of VAT (section two), analysing taxation management customisation on the basis of factors impacting VAT practices (section three), examining the theories of VAT implementation to identify success and overcome the failures in GCC (section four), and analysing VAT policy and implementation in the UAE (section five). The chapter also uses available secondary data collected by individual researchers, governments, research institutions, and in some cases, agency to examine VAT philosophies, theoretical development, advantages and disadvantages of VAT, VAT impacts on national economy and SMEs, factors impacting VAT adoption and implementation, and case study on VAT application on SMEs in the UAE.

To achieve Objective 2 – to evaluate the current fiscal policies and implication of VAT and its impacts on SMEs – a qualitative research technique, especially semi-structure interviews, has been used in this study.

To achieve Objective 3 – to document the concerns of different stakeholders of SMEs associated with the introduction of VAT in the UAE – a quantitative research technique, especially survey questionnaire has been applied.

To accomplish Objective 4 – to study how imposing VAT has an impact on SMEs in the UAE – a quantitative research technique, mainly survey questionnaire has been used in this study.

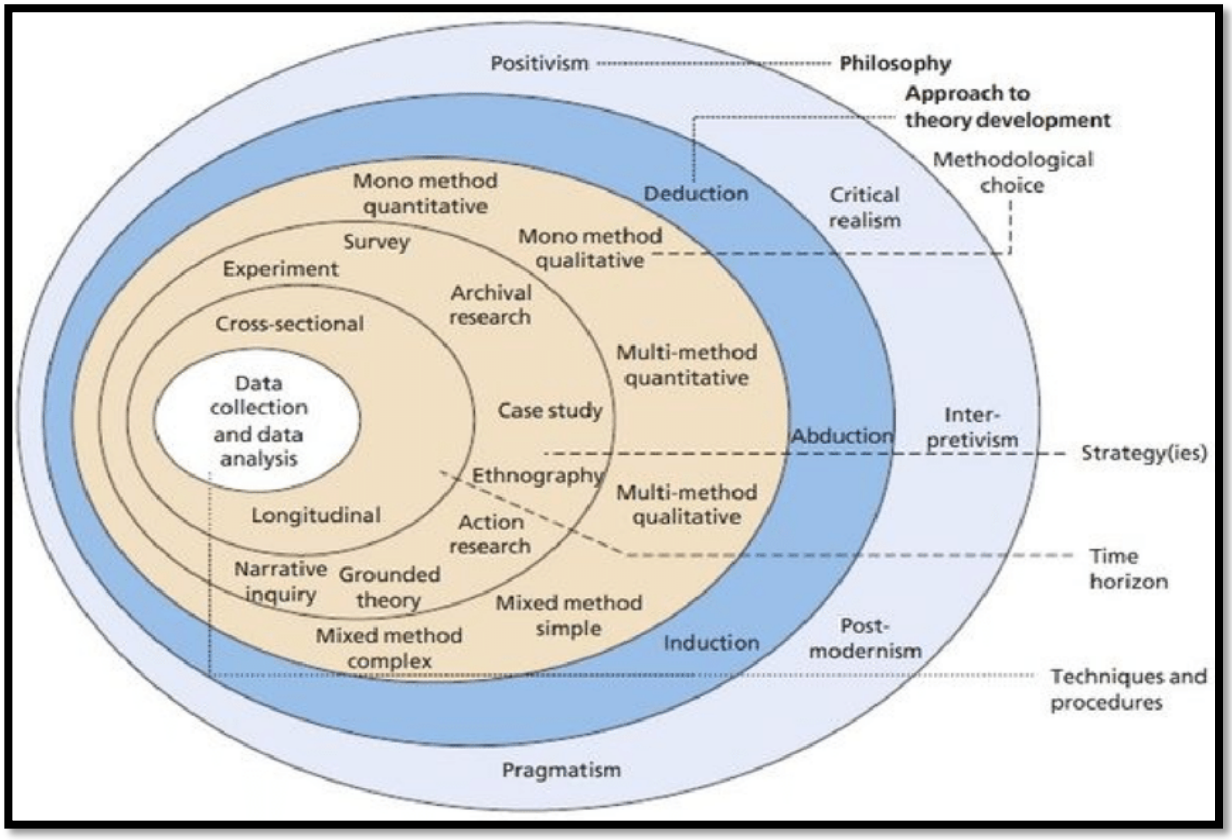
The Chapters 4 and 5 have been planned to deliver a detailed data analysis that can help this study to accomplish Objectives 2, 3 and 4.

Chapter 6 is designed to achieve Objective 5 of the study, which is to recommend strategic measures that could be useful to the UAE government's VAT's implementation.

3.2 The Research 'Onion'

Saunders et al. (2015) outlined different layers of a research and showed in a research lifecycle called the research 'onion' (see Figure 3.1).

Figure 3.1: The Research 'Onion'



Source: Saunders et al. (2016, p. 124)

From the above-mentioned figure, there are six layers in the research 'onion', and they are philosophy, approach to theoretical development, methodological choice, strategy, time horizon and techniques and procedures (Saunders et al., 2016, p. 124). A detailed explanation of the different layers of the 'onion' in the context of this study is in the following.

3.2.1 Philosophical Assumptions

Understanding philosophical assumptions is significant for this study, as was found by the study carried out by May (2011): central to social or business research is an explicit account of data procedures, but that this is comprehended as well as construed means more than the application of research methodology and following data collection procedures. Burrell and

Morgan (1979) identified and explain three philosophical assumptions: ontology, epistemology and axiology. A critical analysis of these three philosophical assumptions is provided in the following to figure out a relevant philosophical assumption and its application in this study.

3.2.1.1 Ontology

Research 'ontology' is one of the most important parts of research philosophy. It deals with the reality existing all around us. This is an age-old conception, as natural phenomena are always matters of great assumption and research to human beings. It started at the beginning of human civilisation and has been going on relentlessly with the flow of time. Ontology is a very old branch of knowledge and, according to Aristotle, is the 'first philosophy' (Killam, 2013, p. 7). Its roots are in the Latin word *ontologia*. Saunders et al. (2016, p. 722) defined 'ontology' as 'branch of philosophy concerned with assumptions about the nature of reality or being.'

The researchers use 'ontology' is to indicate their 'beliefs about the nature of reality' (Killam 2013, p. 7) The notion of 'ontology' can be furthered rationally understood as a core research philosophy (Poli and Seibt, 2010), which can be classified in different forms in the context of this research study.

The ontological assumption of this study is to find out the answer of the following questions:

- What is the nature of reality to impose tax in the UAE?
- To what extent SMEs are significant to the UAE economy?
- What is the nature of reality, paying VAT by SMEs in the UAE?
- What are SMEs in the UAE like?

3.2.1.2 Epistemology

According to Saunders et al. (2016, p. 716), 'epistemology is a branch of philosophy concerned with assumption about knowledge, what constitutes acceptable, valid and legitimate knowledge, and how we can communicate knowledge to others.' It mainly depends on four ways to collect necessary knowledge, including intuitive knowledge, authoritative knowledge, logical knowledge, and empirical knowledge. Intuitive knowledge is nothing but the very primary idea of any subject that depends on intuition, so it is not very reliable; authoritative knowledge refers to the knowledge collected from different sources, such as books. Logical knowledge indicates the rationally developed knowledge that takes the idea to a maturity and

empirical knowledge is based on observations that do not have very congenial place to the rationalists who claim that this type of knowledge is based on sense organs and so deceptive. Moreover, research work's authenticity depends on the tracking the right information collected in proper methodological processes. Epistemology also refers to the validity of knowledge used for research and the processes of collecting it. Finally, Mack (2010, p. 5) defines epistemology as 'what we mean when say we know something'.

Considering the above, the epistemology position of the study to reviews the existing research in the field of taxation, especially factors impacting VAT adoptions and VAT impacts on SMEs. By the epistemological position the study will answer the following questions:

- How can we know what is exist in the field of modern taxation in broader context and impacts of VAT in the UAE's SMEs in a specific perspective?
- What is considered acceptable knowledge?
- What constitutes good-quality data?
- What kinds of contribution to knowledge can be made?

3.2.1.3 Axiology

The term axiology is taken from the Greek work *axia,* which means 'value' or 'worth'. Saunders et al. (2016) defined axiology as 'a branch of philosophy connected with the role of values and ethics within the research process.'

In research philosophy, it refers to the researcher's addition of value to all the paradigms of his research. This is a very important part of research philosophy as it incorporates the objectives of the researcher in his research-work. Moreover, it, as commented by Bryman (2016) incorporates the ethical and aesthetic issues of the research. Value in research work is a predominant aspect as a process of introducing knowledge.

The study determines to the following questions to validate axiology of philosophical assumption.

- What is the role of values and ethics in research? How should we treat our own values and ethics when carry out this research?
- How should we deal with the values of research participants?

The above-mentioned philosophical assumption, axiology, along with limits to the questions helps this study to pay attentions achieving aims and objectives of the study. It is believed that the study focuses on obtaining the knowledge and experiences of policy markers currently working in the Ministry of Finance, the Ministry of Economic, Federal Tax Authority and The National Program for Small and Medium Enterprises and Projects, Owners and Directors of SMEs, and Stakeholders of SMEs such as managers, employees, subcontractors, manufacturers, suppliers, accountants, and consultants. To validate axiological assumption, the study respects participants' values and carry out the ethical research along with the six principles set by Economic and Social Research Council (ESRC) and the Ethics Committee at UWTSD, London.

3.3 Objectivism and Subjectivism in this Research

All the three types of philosophical assumptions, ontology, epistemology, axiology, are perceived by continua with two sets of extremes, and they are (i) objectivism, and (ii) subjectivism. According to Bryman (2016, p. 693), objectivism is 'an ontological position that asserts that social phenomena and their meaning have an existence that is independent of social actors'.

Objectivism, as defined by Saunders et al. (2016), refers to the relationship between social entities and the social actors. These two entities are completely independent from each other. Dasgupta (2010) defined social entities are persons, groups, and external entities that perceived to exist, by its members and the public at large, as a given, i.e. something that exists before and outside of them where Caldas-Coulthard and Coulthard (1996, p. 33) found that social actors are 'sayers', which may refer an individual or individuals or collectives (political parties, trade unions, social movement) who voice their concern as oppose to constraining disparities. Therefore, social entities of this study are fiscal policies of the government, Emirati culture, religion and belief as well as Islamic way of taxation whereas social actors are the Ministry of Finance, Ministry of Economy, Federal Tax Authority, The National Program for Small and Medium Enterprises and Projects, SMEs and Stakeholders of SMEs who are impacted positively and negatively by the introduction of VAT in the UAE.

On the other hand, subjectivism, as an ontological dichotomy, refers to the incorporated relationship between the social entities and the social actors. It indicates the fact that social realities are necessarily the products of the perceptions of the social beings. These two paradigms are inseparably connected. For this reason, it is called to be constructionism or

interpretivism. Social life, as commented by Bahari (2010, p. 2), is inevitably the 'product of social interactions and the beliefs of the social actors.' This process is always an ongoing paradigm for discovering the subjects' assumptions from time to time. Subjectivism, as an ontological approach, is the accumulation of the subjects' imagination regarding reality.

Similarly, the study is related to objectivism as it offers different types privileges to the researchers in conducting researches. It is applied in research as it 'guides everything from the choice of topic that one studies, to formulating hypothesis, to selecting methodologies, and interpreting data' (Ratner, 2002, p. 1). The researchers use it as it facilitates them in all the fields concerning the research. It clarifies the values and objectives in a mixed method complex. Through this process, the researchers can reach SMEs as well as investigate VAT impacts on them and the policymakers and businesses and stakeholders of SMEs' perceptions to discover the alma mater existing in it.

3.4 Five Major Research Philosophies

Saunders et al. (2016) figure our five main research philosophies such as positivism, critical realism, interpretivism, postmodernism and pragmatism. A detailed discussion and relevant of the major research philosophies in this study are as follows:

3.4.1 Positivism

Positivism is the process of thinking independently. In data collection, the researcher can decide freely what he needs to study. It is to be mentioned here that the researcher must think of the objective observation regarding his study. He should never be guided by subjective assumptions. In this process, first of all the hypothesis is to be produced; then it must be analysed from deductive perspectives to come to a conclusion regarding its authenticity. This helps produce data about the concept functional following quantitative processes. There are also multidimensional analyses in this process to monitor the functionalities of the collected data. Aliyu et al. (2014, p. 81)'s view is that positivism appears to be the paradigm of finding out the truth and 'that truth and reality is free and independent of the viewer and observer. Moreover, positivism argues that reality has an existence beyond the researchers and for this reason, the researchers must apply scientific method to unfold it. Positivism, furthermore, argues that deals with the world of senses in which empirical assumptions can be made by smelling, seeing, and touching. It clearly states the fact that human actors share a logically built nature, in which fact has more space than value.

3.4.2 Critical Realism

Critical realism is a distinctive area that, as per Maxwell (2012), shows the disparities available between ontology and epistemology. Ontology indicates the aspects of reality while epistemology offers the process of gaining knowledge about the reality. In contrast, critical realism is the process of combining 'realist ontology … with a constructive epistemology' (Maxwell 2012, p. 7). Moreover, the critical realist researchers always try to analyse the society with a view to discovering the aspects of the society. Lawson (2006, p. 4) sums up the roles of the critical realists by adding that they 'endeavour to provide empirically feasible and competitive explanations from phenomena of social relevance and concern.' The critical realists form the views that the nature of knowledge is inevitably subjective and so, the actors have inseparable connection with the social phenomena and the way they exist in the existing paradigms.

3.4.3 Interpretivism

Interpretivism is completely different from positivist assumptions. The major characteristics of this genre include the differences between the social and natural phenomena. The interpretivists argue that it is quite impossible to decipher nature and society by applying identical methodologies. They further claim that diversified methods are required to interpret nature and society. This is also to be mentioned here that it is a paradigm that believes in the multiplicity and relativity of reality. These characteristics also incorporate other fields and thus, it becomes very difficult to analyse them from one dimensional perspective. Carson et al. (2001, p. 5) comment that the assumptions made in these areas are 'socially constructed rather than objectively determined.' The interpretivist researchers are very liberal with their outlook. They believe in interpreting the interpretation. Thus, they are psychologically prepared to welcome the newness in the field of research that accelerates their non-fixity of research.

3.4.4 Postmodernism

According to the theorists, there are two types of knowledge such as knowledge with fixity and knowledge with non-fixity. One school of thinkers believes in the field that knowledge is rigid and so, unchanged. In contrast, another group believes in the fact that the aspects of knowledge are always at a flux. It is something like the river water: always in movement. The idea that relies on the assumption that knowledge is static refers to structural knowledge, while post-structuralism relies on the constant movement of the assumptions in the field of thinking.

Postmodernism is a branch of post-structuralism that strongly denounces the fixity of anything. It does not believe in the centre or permanence of any ism or understanding. Michel Foucault, Jacques Derrida, and Roland Barthes are the three greatest mouthpieces of post-structuralist thinking. Foucault (1988, p. 18) believes that post-structuralism 'involves a critique of metaphysics: of the concept of causality, of identity, of the subject, of power, knowledge, and of truth.' Souse (2010, p. 468) explains postmodernism as an all engulfing force that emerged 'in the early 1970s as a fierce and shocking reaction to the positivist orthodoxy.'

3.4.5 Pragmatism

Pragmatism considers that the selection of one paradigm from ontology, epistemology, or axiology as a research trajectory is 'somewhat unrealistic in practice' (Ihuah and Eaton 2013, p. 937) and the research question is to be found out by applying pragmatism. This means that the research question is to be sorted out considering the congeniality from the list of the approaches. There are two schools of the pragmatist thinkers such as the classical pragmatists and the neo pragmatists. The former believes in the fact that knowledge comes from the 'reflections and experiences of a variety of human knowledge and activities' (Rylander, 2012, p. 5).

3.4.6 Rationale for Employing Postmodernism Philosophy in this Research

From the discussion of the five research philosophies, positivism, critical realism, interpretivism, postmodernism, and pragmatism, the study adopted postmodernism research philosophical stance, as an aspect of post-structuralism, is widely used in research for its openness and non-fixity in dealing with the texts and ideologies. Foucault (1988, p. 18) rightly observes that the 'premises of post-structuralism disallow any denominative, unified, or proper definition of itself.' It works closely with structural ideas that attempt to establish close linguistic tie in the analysis of any text while post-structuralism liberates it from rigidity. Thus, research can entertain more freedom in its functionalities if it is based on postmodernism. The postmodernists promote the theory of examining knowledge from neutral observation. It is also called 'conventionalism, idealism, interpretivism, relativism, (strong) social constructionism, or (strong) social constructivism, or subjectivism' (Sousa, 2010, p. 468). The intellectual background of using postmodernism in research becomes evident if the discursive openness of this trend is analysed.

The use of postmodernism philosophy in this study from three philosophical assumption is described in the following Table 3.1:

Table 3.1: Postmodernism philosophy and three philosophical assumptions

Ontology *(nature of reality or being)*	**Epistemology** *(what constitutes acceptable knowledge)*	**Axiology** *(role of values)*	**Typical methods**
Nominal Complex, rich Socially constructed through power relations Some meanings, interpretations, realities are dominated and silenced by others Flux of processes, experiences, practices	What counts as 'truth' and 'knowledge' is decided by dominant ideologies Focus on absences, silences and oppressed/repressed meanings, interpretations and voices Exposure of power relations and challenge of dominant views as contribution	Value-constituted research Researcher and research embedded in power relations Some research narratives are repressed and silenced at the expense of others Researcher radically reflexive	Typically, deconstructive-reading texts and realities against themselves In-depth investigations of anomalies, silences and absences Range of data types, typically qualitative methods of analysis

Source: Saunders et al. (2016, p. 137)

3.4.6.1 Advantages and Disadvantages of the Use of Postmodernism in a Research

There are different advantages of using postmodernism philosophy in research work. As it is against all that is cantered and rigid, it offers a way to come out of this paradigm of fixity by incorporating 'the contrary, ambiguity, paradox, chance, and arbitrariness' (Ntini 2014, p. 650). It enhances the ideas that modernism has failed to accommodate. The rapid acceleration in the field of technology creates many perceived and unperceived newness for human beings. The existing isms have failed to offer proper paradigms for accommodating all of these new ideas. Postmodernism takes initiatives to solve the problems forwarded by the technology. Ntini (2014, p. 650) sums up the advantages of postmodernism by adding that it 'advocated for a less hierarchal approach in which authority sources are more diffuse.' In addition, it deals with the social aspects that experience tremendous changes throughout the ages. It examines the

changes more subjectively and tries to come to the conclusion that change is the ultimate reality.

The use of postmodernism puts forward some undeniable problems. Many of the aspects offered by postmodernism are not well-defined. Sometimes they are self-contradictory. It talks about the changes available in society, which have already been analysed in different theoretical paradigms. So, there are some visibly redundant areas in postmodernism. It has already been mentioned that postmodernism deals with fragmentation rather than unified world order. Some critics severely criticise this view offered by postmodernism. Moreover, postmodernism cannot offer any suitable solution to the degrading human morality that gives birth to massacre, genocide, rape, murder, terrorism etc. The modernist ideas advocate that an ethical standard is required to check all of this incoherence available in the society. Postmodernism is not very concerned about all of these issues as it relies more on plurality. It is also very concerned about textuality, which makes the persons behind it secondary. Thus, the objective of reading is shifted from living beings to abstract ideas.

3.5 Approaches to Theory Development

3.5.1 Deductive

Deductive approach to the development of theory in research is very much conventional and canonical. Historically, the method has been being used by the researchers. It is a method in which the researchers apply the existing theories to form a research-hypothesis through proper testing. Designing of the strategy for testing the hypothesis is a very crucial part of deductive approach. It offers rational background for overgeneralising a particular theory. According to Zalaghi and Khazaei (2016, p. 24), the method moves from 'general to the specific, since the researcher needs to develop a logical structure to achieve the objective.' Through the hypothesis, the deductive strategy turns a proposition into deductive conclusion. Mention should be made here that there is always a causal relationship between concept and variable and deductive method is applied with a view to analysing this link. In this approach, concepts are measured quantitatively. Burney (2008) describes the approach by saying that it goes downward from theory to confirmation having two more aspects in-between namely hypothesis and observation. Therefore, it is like the following structure: theory-hypothesis-observation-confirmation. It is also called a top-down strategy.

3.5.2 Inductive

Bryman (2016) defined inductive reasoning as drawing conclusions from an exhaustive body of facts. While deductive theory tries to analyse an existing theory in different areas of knowledge aiming at finding out new overgeneralized ideas, inductive method offers a strategy to introduce a new theory by analysing the existing data collected from different entities. Inductive approach uses a research question to put forward the research. It does not try to establish causal relationship between the theory and proposition rather it is interested in dealing with the possibilities of giving birth to new perspectives in the fields of knowledge. It is a part of qualitative research. It attempts to deal with the research question more vigorously from different perspectives so that new phenomenon can be explored. If the structure is shown in a model, it will like the following one: theory-tentative hypothesis-pattern-observation. It begins from the lower position and goes up gradually.

3.5.3 Abductive

Saunders et al. (2016, p. 710) defined abductive approach as 'approach to theory development involving the collection of data to explore a phenomenon, identify themes and explain patterns, to generate a new – or modify an existing – theory that is subsequently tested.' In abductive approach, an observation is usually supported and established by properly explained paradigms. The conclusion made in this strategy is not rigid and absolute. There is always an open end in this type of analysis. According to Svennevig (2001, p. 1), the term abduction was originally used by Aristotle, but it was popularised by American philosopher Charles Sanders Peirce. In addition to deduction and induction, he feels that there should be a third mode of research that will be 'qualitatively different from the two others.' He goes on telling that this strategy is a process of 'inferring a case from a rule and a result' (p. 2). He furthers the idea by adding that human beings can gain knowledge through observation. The shifting of the idea from observed aspect to another field gives birth to a hypothesis in this system.

3.5.3.1 Rationale for Using Abductive Approach in this Study

From the analysing of inductive, deductive and abductive approaches, it has been found that abductive reasoning is more justified for this study's theoretical development. From the analysis, it is revealed that 'deductive' is an objective process for acquiring knowledge, whereas induction is an inferential approach that demands a large amount of data. Goldman (2006) criticised inductive reasoning, and argued that no scientist has ever been a strict follower

of it: scientists do not have the luxury of obtaining 'true' knowledge and voluminous data. As abduction depends on credible reasoning, the study finds abduction to be a more viable method for guiding this research.

Yu et al. (2008) discussed three routes of abductive reasoning: seeking alternative explanations, reverse engineering and analogical thinking. Seeking alternative explanations is the activity of abduction to seek for patterns in surprising phenomena and to recommend creditable hypothesises (Peirce, 1935); reverse engineering is one theory is enhanced by being explained by another theory similar to working backwards (Polya and Conway, 1957); analogical thinking is the preceding creative ideas, and creative thinking does not exist in a vacuum (Hempel, 1966). Considering the existence of these three different routes, the study follows analogical thinking of abductive reasoning to carry out this research.

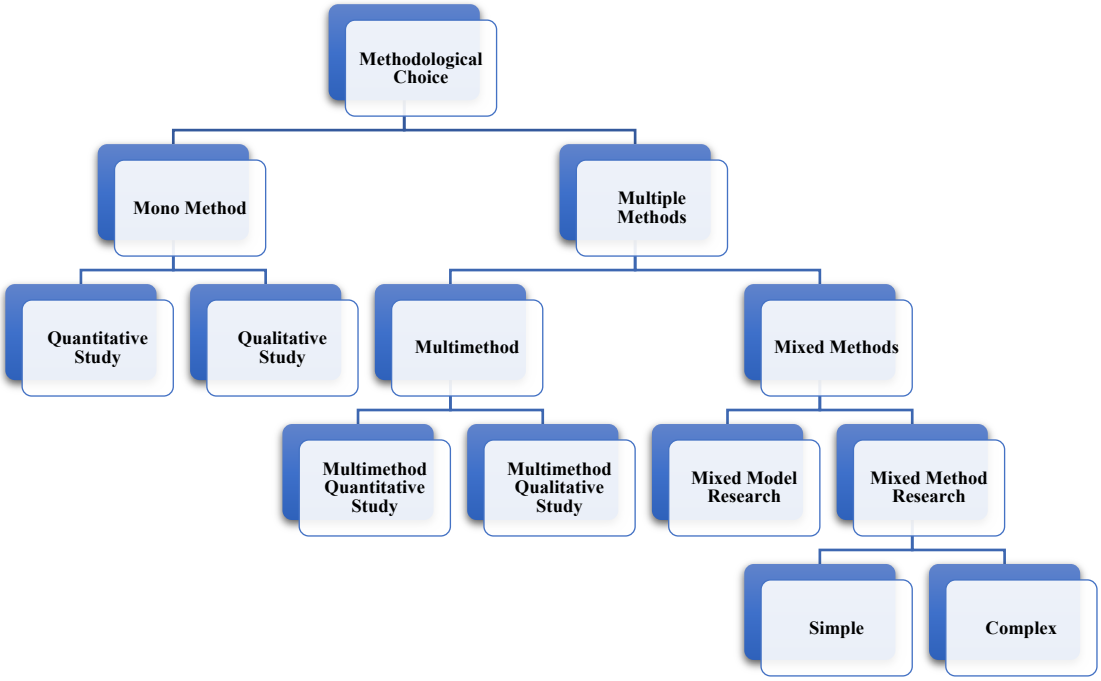
Considering the analogical thinking of abductive reasoning, the study determines a reasonable reasoning exhibited by the following pattern:

- VAT has direct and indirect impacts on SMEs in the UAE
- VAT impacts put challenges for SMEs to grow in the UAE
- SMEs are absolute
- VAT is true
- VAT impacts are unknown

3.6 Methodological Choice

Methodological choice is the third layer of the research 'onion' designed by Saunders et al. (2016). A methodological choice represents the use of a qualitative, quantitative or mixed methods research design. Qualitative and quantitative are two most prominent types of methodological alternatives use by scholars, researchers and practitioners to carry out their field study. Bryman (2016, p. 694) defines qualitative research as 'emphases words rather than quantification in the collection and analysis of data' and quantitative research usually 'emphasises quantification in the collection and analysis of data.' Saunders et al. (2016, p. 169) defined 'mixed methods research is the branch of multiple methods research that combines the use of qualitative and quantitative data collection techniques and analytical procedures.' The following Figure 3.2 shows a methodological choice.

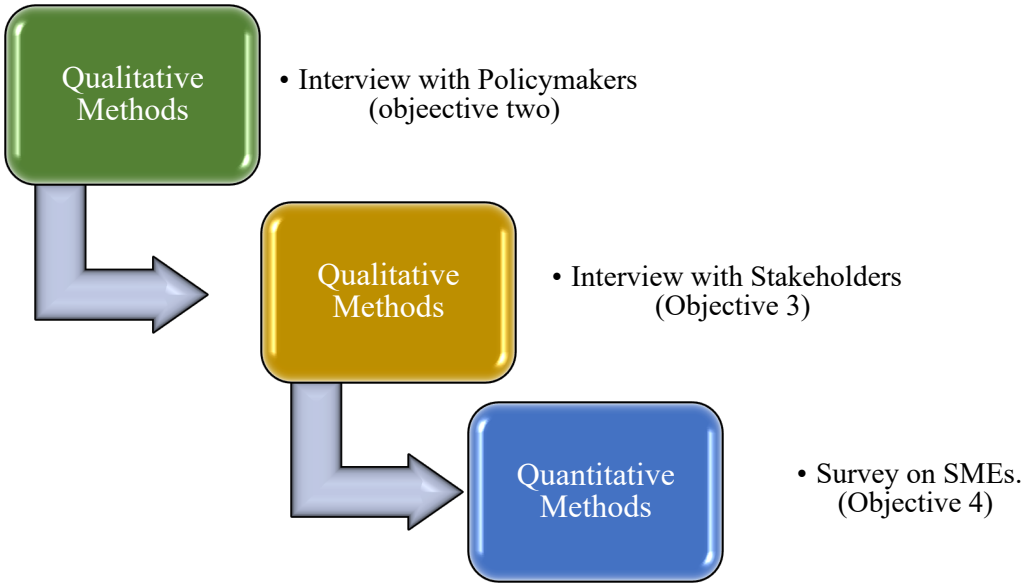
Figure 3.2: Methodological Choice



Source: Saunders et al. (2016, p. 167)

Considering the above-mentioned definitions of qualitative, quantitative and mixed methods research, this study considered using a mixed method complex. A sequential multi-phase research adopted in this study is shown in the following Figure 3.3.

Figure 3.3: Sequential Multi-Phase



Source: Compiled by Author

3.7 Stages and Phases of the Study

This study has two different stages, such as stage one: the pilot study; and stage two: the main study. Each stage will be carried out in three different phases, phase 1 is qualitative research especially semi-structured interview with policymaker/policymakers at MoF and FTA; phase 2 is qualitative research mainly interview with stakeholder/stakeholders of SMEs in the UAE; and phase 3 is quantitative research primarily survey questionnaire on SMEs in the UAE. A detailed analysis of these two research phases is discussed in the following.

3.7.1 Stage One: The Pilot Study

Saunders et al. (2016, p. 723) defined pilot test as a

> "Small-scale study to test a questionnaire, interview checklist or observation schedule, to minimise the likelihood of respondents having problems in answering the questions and of data recording problems as well as to allow some assessment of the questions' validity and the reliability of the data that will be collected."

This study used a pilot study at stage one to try out research tools such as interview topic guide and a survey questionnaire (Baker, 1994; Gall et al., 2007), to examine the feasibility of intended data collection techniques (Bryman, 2016), to determine any issues prior to the main study (Mackey and Gass, 2005), and to improve the validity and reliability of the research tools and techniques applied to gather primary data (Cohen et al., 2011). The pilot study has also minimised the risks of error in data collection (De Vaus and de Vaus, 2013) which has saved substantial time and money in the primary data collection (Polit et al. 2001).

Throughout the pilot study, this study has tried out and tested data collection tools especially (1) interview topic guide for policymakers at MoF and FTA; (2) topic guide for stakeholders; and (3) survey questionnaires for SMEs in the UAE. While topic guides were proved to be efficient for the main study, survey questionnaire had been revised to ease to answer for the SMEs in the UAE due to the complexity in answering some questions in the pilot study. Besides, the pilot study has helped this study to analyse qualitative and quantitative data in an efficient manner.

Although the pilot study had three different phases similar to the main study, *n*1 interview with a policymaker (phase 1), *n*1 interview with a stakeholder (phase 2), and *n*50 survey questionnaire with SMEs in the UAE (phase 3) were carried out during the pilot study.

Qualitative data gathered from a policymaker and a stakeholder was analysed thematically as well as manually. Quantitative data were analysed by the use of MS Excel. Due to the small sample size, *n*50 SMEs, there was no chi-square test conducted.

3.7.2 Stage Two: The Main Study

The pilot study helped this research study to overcome the challenges in data collection tools and techniques. It has provided a solid basis with the main study required for data collection tools and techniques.

The main study, is also a stage two, has three different phases similar to the pilot study. However, the core differences between the pilot study and the main study laid on the sample size as *n*10 interviews with policymakers (phase 1), *n*10 interviews with stakeholders (phase 2), and *n*265 survey questionnaires (phase 3) were conducted throughout the stage two of the study.

Three research phases applied throughout the pilot study and the main study are discussed in the following.

3.7.3 Exploratory Research (Phases 1 and 2)

According to Saunders et al. (2016, p. 716), 'exploratory research is a research that focuses on studying a situation or a problem in order to explain the relationships between variables.' This exploratory research phase considers the data collection from the policymakers and the stakeholders as the in-depth research on the fiscal policy as well as stakeholders' perceptions regarding tax implementations in the UAE are yet to be known. The aim of this research phase is to achieve Objectives Two and Three of the study, which are accomplished by the use of two quantitative research methodologies.

3.7.3.1 Phase 1: Qualitative Research (Semi-structured Interview with Policymakers)

Considering the research objectives two – to evaluate the current fiscal policies and implication of VAT and its impacts on SMEs, the study employs qualitative data as the knowledge in regards to the UAE government fiscal policy, especially Taxation policy, VAT adoption, administration and implementation process and its impacts in the UAE.

3.7.3.2 Phase 2: Qualitative Research (Semi-structured Interview with Stakeholders)

Similarly, achieving Objective Three of the research, to document the concerns of different stakeholders of SMEs associated with the introduction of VAT in the UAE, requires evaluating the knowledge and experiences of SMEs stakeholders in UAE. As SMEs work as tax collectors – collecting consumer tax on behalf of the government – the stakeholders' perceptions are significant for this study to explore VAT's impacts on SMEs in the UAE. Therefore, a qualitative research is much justified to achieve the Objective Three of the study.

It has been mentioned that the study uses qualitative research methods to carry out field study. It is a process of inquiry that refers to a 'systematic empirical inquiry into meaning' (Shank 2002, p. 5). It is a well-planned process of incorporating experiences of the community involved in the research. It tries to interpret the aspects possessed and practiced by the people from different dimensions with a view to incorporating them in an ordered platform so that the ideas can be synthesised. Denzin and Lincoln (2000, p. 3) summarised the idea by offering that this process uses the 'natural settings attempting to make sense of, or to interpret, phenomena in terms of the meanings people bring to them.'

Researchers, Bryman (2016); Gall et al. (1996); Houser (1998); Sounders et al. (2016) cited from several advantages and disadvantages of qualitative research is shown in the Table 3.2.

Table 3.2: Advantage and Disadvantages of Qualitative Research

Advantages	*Disadvantages*
1. Able to obtain a detailed understanding of a person, event, or phenomenon	**1.** Limitations in generalising the results to the larger population
2. Able to study events or phenomena in the natural environment	**2.** Potential for bias in interpreting data
3. Flexibility in responding to events or phenomena (e.g. can alter flow of interview to address uniqueness of event or phenomenon)	**3.** Lack of consistency in methods of data collection
4. Generally, it does not require extensive resources to conduct	**4.** Potential for loss of privacy for individuals studied because of intensive description of individuals cases
5. Helpful in understanding unusual or exceptional situations	
6. Helpful in the initial exploration of individuals, events, phenomena	

Source: Houser (1998, p. 39)

There are different advantages of the use of qualitative method in research works. It concentrates more on the process of doing the research. It puts less importance on the outcomes. It analyses the process of producing meaning in a particular society through the interaction of the people and the practices. It 'involves fieldwork' (Atieno, 2009, p. 14) and is descriptive in nature. Atieno (2009) also refers to the link between human behaviour and research. He says that research must be done by being 'in situation. The physical setting e. g., schedules, space, pay, and reward, and the internalised notions of norms, traditions, rules, land values are crucial contextual variables' (Atieno, 2009, p. 14). The necessity of qualitative method lies in this interaction between the researchers and the physical world. It also offers the researchers the privilege of knowing about the framework in which the subjects respond to the research questionnaire.

Qualitative research method is not free of demerits. It has some very visible negative characteristics. The first drawback is about the nature of the collected data in this method. Many researchers view that the data are very subjective in manner because of the undertakers' individualistic attitude to the data. This leads to the static nature of the data. In most of the cases, the data are very common as they are the products of human minds who share identical psychological structures. This is also taken as a very alarming issue in the field of qualitative research that data collection in this process takes more than usual time. They can also be biased and polarised as the researcher is directly involved with the process of data collection. It is further believed that the findings in this methodology can be presented but it is very tough to prove them. Rahman (2017) studies Silverman (2010, p. 104) to suggest the disadvantage of the strategy in which he claims that this process concentrates more on the 'meaning and experience' ignoring the thematic sensitivity. Moreover, the think-bank of the institutions do not rely more on the data collected in this method.

3.7.4 Phase 3: Quantitative Research (Survey Questionnaire)

This phase is designed to achieve Objective Four of the study – To study how does imposing VAT have the impact on SMEs in the UAE. Throughout the implementation process, the study uses quantitative methods, mainly survey questionnaire. According to Bryman (2016, p. 694), 'quantitative research usually emphasises quantification in the collection and analysis of data. As a research strategy it is a *deductivist* and objectivist and incorporates a natural science model of the research process.' The survey questionnaire will be administered on SMEs in the UAE.

The rationale for using the quantitative methods in this research phase is it is found from the study carried out by Nykiel (2007) that there are two unique advantages of quantitative research, and they are, firstly, the results are numeric and mostly statistically reliable; secondly, results are projectable to the population. The study also aware of the disadvantages of the quantitative method, and they are, firstly, the problems are not measured if they are known prior to the results of the aforementioned advantages and constraints, quantitative research is more appropriate when the issues to be tested are known; and secondly, it is predominantly more evaluative than generative.

3.8 Research Strategies

3.8.1 Case study

Case study, as a research strategy, is not a very well-defined method. The method refers to an in-depth study of any particular issue, such as VAT impacts on SMEs in the UAE. It deals with 'technically distinctive situation, relies on multiple sources of evidence, and benefits from prior development of theoretical propositions to guide data collection and analysis' (Wadawatta et al., 2011, p. 5). Wadawatta et al. (2011) also deal with many scholarly researches to bring out the definitions of case study from different perspectives. They analyse Yin (2014, p. 13) to refer to the fact that case study works 'when the boundaries between phenomenon and context are not clearly evident'. On the other hand, Dul and Hak (2007, p. 4) describes case study as a way of dealing with 'one case (single case study) or a small number of cases (comparative case study)'. In an overgeneralised manner, it can be understood as a 'type of field research that seeks to understand the reality of a given topic by focusing on one or several units of analysis' (Marques et al., 2015, p. 29). Case study has some deafening characteristics. It can deal handle a lot of data with proper analysis. Thus, it is a congenial process of analysis a case in which more data have to be assembled. The method can be applied for 'several purposes including providing a description, testing a theory or generating a theory' (Marques et al., 2015, p. 30). There are different types of case studies in the field of research that, as suggested by Scapens (1990), are descriptive, illustrative, experimental, exploratory, or explanatory. This study compliments the exploratory nature of case study.

3.8.2 Grounded Theory

Grounded theory refers to the introduction of a new theory by analysing the data properly. These data are usually collected from different social phenomena. It mostly works with the

discovery of the peripheral people's behavioural and the social relationship about whom there is little or no discussion in the conventional research. The researchers attempt to know the truth about these people so that they can contribute accordingly during the emergencies. Crittenden (2006, p. 3) considers that the grounded theory approach takes 'the data and the field' as the most important aspects of the research. In this process, the participants' knowledge, experience and perceptions are taken into consideration for coming to particular resolutions about an issue, in this case impacts of VAT on SMEs.

The study uses case study as a research study strategy. It is mentioned earlier that the primary focus of the study is to the implementation of VAT and its impact on SME in the UAE. Therefore, SMEs in the UAE are the prime case in this study. In definition of case study, Bryman (2016, p. 689) states that 'a research design that entails the detailed and intensive analysis of a single case.' As per Yin (2014), a detailed study into a topic or phenomenon within its real-life setting is called a case study. Saunders et al. (2016, p. 184) mention that the casein case study can be an individual, society, country, business, or an event. This study has taken a number of SMEs as cases and evaluate them for find out choice and challenge for them to grow along with the current VAT policy in the UAE.

3.8.3 Rationale for the use of Grounded Theory in this Research

Bryman (2016, p. 691) defines grounded theory as 'an interactive approach to the analyse of qualitative data that aims to generate theory out of research data by achieving a close fit between the two.' According to Saunders et al. (2016, p. 717), grounded theory is a 'research strategy in which theory is developed from data collected by a series of observations or interviews principally involving an inductive approach.'

It is mentioned earlier that the study requires two qualitative research methodologies to accomplish Objective 2 and three of the study. As the first phase of the study is exploratory comprises of two qualitative methods, hence, a grounded theory is must justified. As per Engward (2013), one of the advantages of using grounded theory is it provides a methodology to develop an understanding of social phenomena that is unknown. Therefore, it is believed that use of grounded theory helps this study to explore more about the public fiscal policy supporting VAT implementation in the UAE and understand the stakeholders' perceptions.

The results are derived from this phase of the study will provide a theory that will contribute substantially in the final stage to reveal VAT impacts on SMEs in the UAE.

3.8.4 Survey

It is mentioned earlier that the study uses quantitative method, mainly survey questionnaire, to complete the final phase. According to Sunders et al. (2016, p. 728), 'survey is a research strategy that involves the structured data from a sizeable population.' The study collects data using survey questionnaire.

3.9 Time Horizon

Time horizon helps a researcher to decide achieving aims and objectives of the research within defined timeframe. Per Saunders et al. (2016), there are two types of studies: cross-sectional and longitudinal under time horizon. There is a brief discussion of typology of two different time horizon in order to adopt a right time horizon for this study.

3.9.1 Understanding Cross-sectional study

Cross-sectional study is applied with a view to discovering the conditions of the population in a given time. It is used as the alternative to consensus, but this process is done by bringing a section of the population under the survey. Then, the data are used as overgeneralised statements for the whole population. It is a microcosmic work for representing the macrocosmic states of the population. In most of the cases, the 'elements in the sample survey are selected at random to make inference about the population as a whole' (Zheng 2015, p. 67).

3.9.2 Understanding Longitudinal Study

There are some researches done on a particular group of people or a locality for a period of time with a view to discovering the inherent characteristics of that society. This kind of researches is called Longitudinal Study. These researches are organised on a long-time basis that may extend from year to decade. The researchers do it with a view to observing the changes that people from a particular area experience for a long time. Mention should be made here that this kind of method is completely observational, and the researchers have very little to interfere. Longitudinal research, as defined by Polyhart et al. (2010), refer to a research 'emphasising the study change and containing at minimum three repeated observations (although more than three is better) on at least one of the substantive constructs of interest' (p. 97). They also emphasise on the fact that longitudinal research mostly depends on the idea of time and change related to research. Time, in this research process, is 'treated theoretically instead of methodologically' change takes place 'over time' (Polyhart et al. 2010, p. 98).

3.9.2.1 Rationale for Using Cross-sectional Study

From the discussion of cross-sectional and longitudinal study as well as the nature of this research, academic research with time-constraints, the cross-sectional process is more justified to carry out a field study than longitudinal one.

Longitudinal is a length process requires 'observation, and however, may also be experimental' (Caruana et al., 2015, p. 1). The process involves many sections of the people for collecting data, which offers diversified forms of information to the researchers. Caruana et al. (2015) also view that the method follows a coherent system of data-collection that accelerates the understanding of the researchers about the people of a particular place.

3.10 Techniques and Procedures

A success of a research relies on a proper planning and procedures. These including the identification of target population, sampling size, data collection technique, data analysis, ethical procedures and other considerations in this research. A detailed explanation of the planning process related to this study is as follows.

3.10.1 Population

Bryman (2016, p. 694) defined population as 'the universe of units from which a sample is to be selected.' Broadly, the population of the study is the people of the UAE. Specifically, there are three different types of the populations for three different research methods occurred in three different phases of the study.

3.10.1.1 Phase 1: Qualitative Research (Policymakers)

Qualitative Research Methodology: The population of the qualitative methods are the positions of policy makers and the directors currently working in the Ministry of Finance and The Federal Tax Authority. The population will be selected from the organogram of the Ministry of Finance (see Figure 1.7). This helps to achieve Objective Two of the study.

3.10.1.2 Phase 2: Qualitative Research (Stakeholders)

Qualitative Research Methodology: It is mentioned earlier that second qualitative research methodology in this second phase helps this study to achieve Objective Three of the study. However, as the Objective Three of the study aims at analysing the perceptions of the stakeholders, the population of this qualitative research methodology are the stakeholders of

SMEs. The population are, therefore, selected from the Ministry of Economy followed by organisation of the Ministry, The National Program for Small and Medium Enterprises and Projects, and anyone falls under the definitions of stakeholders provided by Freeman and Reed (1983), the interests of the different stakeholders as, managers, workers, stockholders, suppliers, and vendors associated with SMEs in the UAE.

3.10.1.3 Phase 3: Quantitative Research (SMEs in the UAE)

Quantitative Research Methodology: As aim of this final phase is to identify VAT impacts on SMEs in the UAE, the population of this quantitative research are the owners, directors and managers of SMEs in the UAE.

3.10.2 Sampling

There are two different groups of population selected in phases 1 and 2 of the study. A snowball sample has been utilised to recruit two different groups of populations. According to Bryman (2016, p. 696), snowball sample is 'a non-probability sample in which the researcher makes initial contact with a small group of people who are relevant to the research topic and then uses these to establish contacts with others.'

3.10.2.1 Phase 1: Qualitative Research (Snowball Sampling)

First, a snowball sampling is utilised to recruit first group of population voluntarily, who are ideally the policymakers and the directors currently working in the Ministry of Finance and The Federal Tax Authority. There are *n*10 key informant interviewees from policymakers and directors recruited in this study.

3.10.2.2 Phase 2: Qualitative Research (Snowball Sampling)

Second, a snowball sampling is used to employ the stakeholders of SMEs who are holding various positions in the Ministry of Economy followed by organisation of the Ministry, The National Program for Small and Medium Enterprises and Projects, managers, workers, stockholders, suppliers, and vendors associated with SMEs in the UAE. There are *n*10 interviewees taken from the stakeholders of SMEs.

The rationale for using snowball sampling in these qualitative data collections is because due to the emeriti background and experiences in working various positions the researcher already has an established network that can help to find right referral and sample for this study. Besides,

due to the positions of the targeted population, policy makers and senior management, it is not always possible to make contact with them in order to collect data. By the snowball sampling the researcher built up rapport and make appointment with them, which helps in the collection of required data for the study.

However, this researcher had to seek permission prior to conduct interviews with the respective positions at the Ministry of Finance, the Ministry of Economy, the Federal Tax Authority, The National Program for Small and Medium Enterprises and Projects.

3.10.2.3 Phase 3: Quantitative Research (Stratified Random Sampling)

A stratified random sampling has been used to collect data from SMEs. According to Bryman (2016:696), stratified random sampling is 'a sample in which units are randomly sampled from a population that has been divided into categories (strata).' The strata of this are the owners, directors and managers of SMEs in the UAE. The National Program for Small and Medium Enterprises and Projects (2018), there are 475 registered SMEs in the UAE, and among them 196 in Abu Dhabi, 193 in Dubai, 28 in Sharjah, six in Ajman, 11 in Umm Al Quwain, 28 in Ras Al Khaimah, and 13 in Fujairah (Ministry of Economy, 2018e). The study excludes any unregistered SMEs in the UAE as it has been found that there are 350,000 SMEs in the UAE (Trade Arabia, 2017).

Considering the 475 registered SMEs in the UAE, taking confidence level is 95% with 5% margin of error (Confidence Interval), the ideal sample size of this quantitative research is 213 SMEs.

Again, this research had to seek permission form some SMEs prior to carry out the surveys on the owners, directors, senior managers of SMEs in the UAE.

3.10.3 Data Collection Technique

For the first phase of the study, semi-structural interviews are applied to collect qualitative data from the policymakers and directors' positions as well as from SMEs' stakeholders. The followings are a detailed explanation of the semi-structured interviews in this study.

3.10.3.1 Semi-structured interview

Bryman (2016, p. 727) defined semi-structured interview is 'wide-ranging category of interview in which the interviewer commences with a set of interviews themes but is prepared

to vary the order in which questions are asked and to ask new questions in the context of the research situation.'

The study planned two different set of topic guides, one topic-guide for policymakers and directors' positions at the Ministry of Finance, and the Federal Tax Authority, and other topic-guide for SMEs stakeholders.

A topic-guide for the policymakers and directors at the Ministry of Finance, and the Federal Tax Authority semi-structured interviews has been developed under ten themes related to the public fiscal policy, mainly VAT from the UAE perspective. The topic-guide is a customised one based on Granger's (2013) 'Economics Topic Guide: Taxation and Revenue'. However, the themes and sub-themes of the topic-guide are as follows:

1. Theme: Demographics
2. Theme: History of Ministry of Finance and the Federal Taxation Authority
3. Theme: History of Taxation in the UAE
4. Theme: VAT Impacts on SMEs' Culture
    i. Sub-theme: Receptivity to VAT or Change in VAT
    ii. Sub-theme: Institutionalising VAT
    iii. Sub-theme: Beliefs in VAT
5. Theme: VAT Impacts on the Structure of SMEs
    i. Sub-theme: SMEs Structure
    ii. Relationships between MoF, FTA and SMEs
6. Theme: Impact on the Accountability and Management System
    i. Sub-theme: VAT Accountability and Management Systems
7. Themes: Impact on SMEs' Daily Activities
8. Theme: Impact on VAT Process, Efficiencies and Daily Business and Work
9. Theme: VAT Impacts of Profitability of SMEs
10. Themes: Suggestions

A complete topic-guide for the policymakers and directors is shown in Appendix 1 (see **Appendix 1: Interview Topic Guide for Policymakers at the Ministry of Finance**) of this thesis.

A topic-guide has been developed to conduct a qualitative research, especially semi-structured interview, with stakeholders of SMEs. The topic-guide has been designed based on some

themes and sub-themes. The themes of the topic-guide for SMEs stakeholders are in the following:

1. Theme: Demographics
2. Theme: Understanding the Taxation Policy, VAT in the UAE
3. Theme: Factors Impacting the Adoption of VAT in the UAE
4. Theme: Rationale for Imposing a VAT on SMEs in the UAE
5. Theme: VAT Impacts on SMEs
6. Theme: Support and Services Provided by the UAE Government
7. Theme: Recommendations

With the above-mentioned themes, topic-guide designed for the stakeholders are shown in the appendix two (see **Appendix 2: Topic-Guide for SMEs Stakeholders**) of this thesis.

3.10.3.1.1 Advantage and Disadvantages of Semi-structured Interview

Researchers Bryman (2016) and Saunders et al. (2016) identified several advantages of carrying out semi-structured interviews: the researchers communicate directly with key informants; interviewees seize opportunities to generate substitute question and answers them accordingly. Moreover, the semi-structured interview process helps investigators to collect genuine information about the targeted audience. Furthermore, the researcher can understand the data by comparing the gathered information with others. Finally, the semi-structured interview technique can be applied effectively to collecting data regarding the very confidential issues. By contrast, there are some disadvantages of the semi-structured interview technique. First, competency and expertise are required for the interviewers to collect desired data for the study. Second, small number of interviews can pose threats to the validity and reliability of the gathered data. Thirdly, anonymity of the participants is key to a quality data.

By taking all these advantages and drawbacks of the semi-structured interview into account, the interviewers selected a standard sample size, ideally $n10$ in this study, and ensured anonymity of the participants in the process of ensuring quality data.

3.10.3.2 Phase 3: Survey Questionnaire

It is mentioned earlier that the study implements a survey questionnaire on at least $n265$ SMEs in the UAE. There are 32 survey questions comprised of closed-ended questions, rating scale, Likert-type scales and multiple choice. Following are eight different sections in the survey questionnaire:

Section A: Business Demographics

Section B: Obstacles Facing by SMEs in the UAE

Section C: VAT and Legal Form

Section D: Factors That Influence Compliance

Section E: Business Experience with Foreign VAT

Section F: Business Support

Section G: Business Performance

Section H: Business Growth

A survey questionnaire designed for the study is shown in Appendix 3 (see **Appendix 3: Survey Questionnaire for SMEs**) of the thesis.

3.10.4 Data Analysis

3.10.4.1 Thematic Analysis (Phase 1 and 2)

The study used thematic analysis to analyse qualitative data gathered throughout the first and second phases. According to Saunders et al. (2016, p. 729), 'thematic analysis is a technique applied to analyse qualitative data that associates the search for themes, or patterns, occurring across a data set.' It is believed that application of thematic analysis can help this study to examine the qualitative data. Matthews and Ross (2010, p. 373) defined a thematic analysis as 'a process of working with raw data to identify and interpret key ideas or themes.' During the thematic analysis, qualitative data are synthesised, and three stages of analysis are followed. Stage one involved deciding on sampling and design issues, stage two involved developing themes and codes and stage three involved validating and using these codes (Wickramamasighe et al., 2012; Matthews and Ross, 2010).

A qualitative data analysis software called NVivo developed by QSR International version 11, also known as QSR NVivo[1], is used to generate themes (nodes), sub-themes (child nodes), coding map, word frequency and sunbursts.

3.10.4.2 Statistical Tests (Phase 3)

In the process of quantitative data analysis, the study adopts frequency analysis, 'to sum up data from one variable so that specific value can be read' (Saunders et al., 2016, p. 716), and chi square test, to determine the probability that two categorical data variables are independent.

[1] QSR NVivo is qualitative data analysis (QDA) software that supports every kind of qualitative research imaginable (QSR International, 2018).

It is believed that frequency test helps this study to understand VAT impacts on SMEs where chi square test navigates this study to identify the factors impacting SMEs in the UAE. A detailed explanation of the frequency analysis and chi-square test is in the following.

3.10.4.2.1 Frequency Analysis

Schmid (2007) clarified that quantitative data analysis is required when the research objective is to define the summaries across a large number of repetitive elements in a participatory process. A frequency analysis is also helpful in the case of a great number of participants being involved in a quantitative data collection process and some results being predictable.

In this study, *n*265 UAE SMEs were selected, and the use of various questions to be answered by the participants made the results fairly predictable. However, as mentioned by Greenland et al. (2016), it is important for research to premise predictability on the responses received, not on any perceptions.

To confirm the validity of the results, this study followed a process to carry out frequency analysis. The stages are in the following:

First, the quantitative data has been processed, through numerical coding. The data collection instrument mainly survey questionnaire was planned in a five-point Likert scale questionnaire.

Second, data cleaning has been done to safeguard that any issues with missing data are mitigated. The data cleaning process has been conducted through quantitative data analysis software called SPSS 22. The missing data has been identified from the variables and respondents.

The above-mentioned process is relevant if the missing data is more than 5% based on the frequency tests suggested by Gelman and Hill (2007). Data cleaning and replacement has been carried out by the use of multiple imputations. There are four stages associated with multiple imputations: coding of the incomplete or original data; imputing to seal the gaps; analysing the results; and writing the collective findings. Based on a simulation-based process, compound imputations eased the administering of missing data in a way that guarantee the validity of statistical inferences.

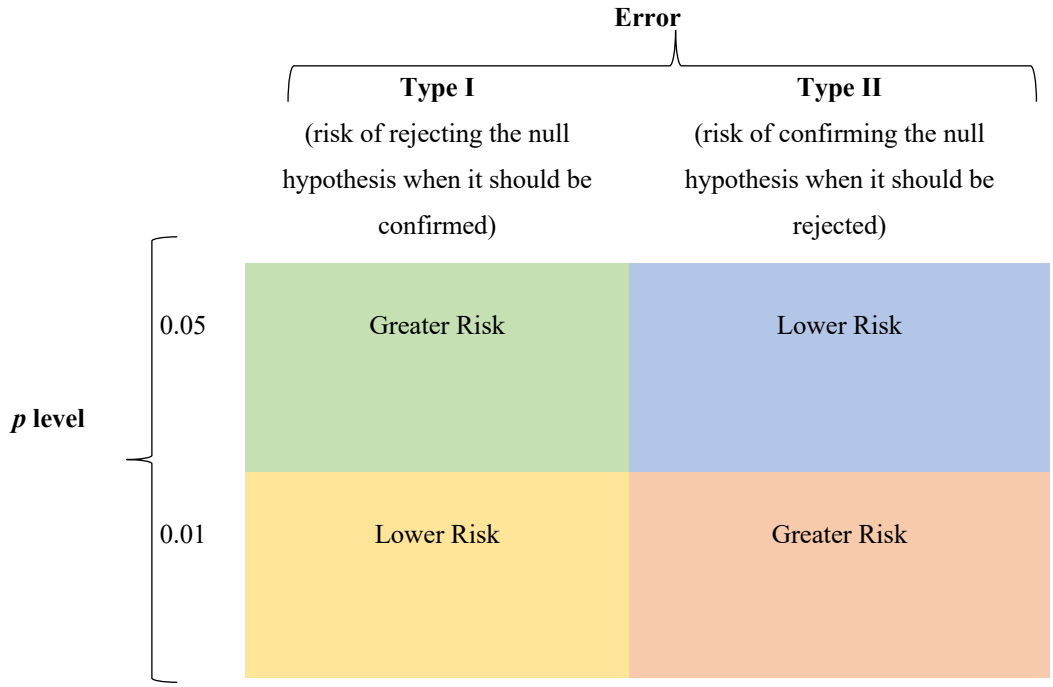
After it is confirmed that the survey questionnaire can be applied for the research study, it is disseminated among the participants SMEs, and all the answers are documented in SPSS. At the beginning, a description data analysis is applied. The rationale for the use of descriptive

analysis in this study is because it helps check the trend of the responses. The analysis helps show how the participants of one region responds to some questions. This also provides detailed demographics information about participants SMEs of the UAE.

3.10.4.2.2 Chi-Square Test

This research study has used a chi-square test to study the associations between SMEs and the variables (Sharma, 2014). There are two types of error, type I and type II, that determine statistical significance throughout a chi-square test (see Figure 3.4). A type I error emerges when an examiner or researcher rejects the null hypothesis when it should, in fact, be established; type II occurs when, despite rejection, there is a risk of confirming the null hypothesis. By the application of a $p<0.05$ level of significance acknowledges the type I error while $p<0.01$ endorses that there is a little risk of misleadingly refusing the null hypothesis. In details, p refers to probability, 0.001 means one in 100 and 0.05 means one in 20 or five in 100.

Figure 3.4: Type I and Type II Errors with Statistical Significance



Source: Bryman (2016, p. 347)

McHugh (2013) and Sharma (2014) outlined some merits and demerits of the application of chi-square test in a research study. Some advantages of chi-square application are (i) the robustness, (ii) ease of calculation, (iii) flexibility in dealing with large complex data, and (iv) dealing with multiple variables and find out any correlations among them. Some demerits of

the use of chi-square test is a research study are (i) it considers a large sample size, (ii) difficult to interpret large extent of categories variables, (iii) requires more manual computational time in the case of large sample size, and (iv) table values of the chi-square test are not recognised by parametric tests. The merits and demerits of using chi-square test are shown in Table 3.3.

Table 3.3: Merits and Demerits of the Chi-square test

Merits	Demerits
• Robustness with respect to the distribution of the data • Ease of calculation • Full information that can be produced • Adjustability in managing data • Application in a study where parametric assumptions cannot be accomplished • Easy to comprehend and establish the relationships between variables	• Needs great sample size • Hard to explain large extent of class (20 or more) variables • Needs numerical data • Data cannot be percentages

Source: Compiled by Author from McHugh (2013, p. 145) and Sharma, (2014, p. 381)

This research study limits the demerits by collecting such a large sample as *n*265 SMEs in the UAE. Additionally, the study selected six variables to establish the relationships between the impacts, factors and capabilities. Finally, data gathered from the respondents were numeric and not in percentage during quantitative data collection.

From the above discussion, merits of using chi-square test certainly outweighs demerits and hence this study considered using the chi-square test to establish the relationships between different impacts, factors and capabilities in this study.

Application of Chi-square in this Research Study

This study carried out the chi-square tests on the Likert's scale type questions in the survey questionnaire especially questions (14) the impact of VAT on the companies' profitability and cash flow; (16) factors that influence compliance; and (34) capability of the business.

Throughout the survey questionnaire 14, this has examined the link between the impact of VAT on the companies' profitability and cash flow and some categorical variables: size of the business; number of sites; status of a company; sector of business; location of the business; and

years of operation. The impact of VAT includes companies' profitability and cash flow (questionnaire 14(1)); procedural requirements (questionnaire 14(2)); the compliance costs (questionnaire 14(3)); other administrative costs (questionnaire 14(4)); the company falls within the scope of the payment of VAT incurs a direct costs on the profitability of the company (questionnaire 14(5)); VAT adversely affects companies' profitability (questionnaire 14(6)); costs related to cash flow management (questionnaire 14(7)).

Throughout the survey of questionnaire 16, this research study has evaluated the relationships between factors that influence compliance and categorical variables (size of the business; number of sites; status of a company; sector of business; location of the business; years of operation). The factors include law (questionnaire 16(1)), concerning at having to pay interest charges for late payment of tax (questionnaire 16(2)), concern at having goods seized by the Federal Tax Authority for failure to pay tax (questionnaire 16(3)), belief that other taxpayers are declaring and paying honestly (questionnaire 16(4)), concern that a third party (e.g. a bank), owing money to you, will be ordered to pay that money over to the Federal Tax Authority (questionnaire 16(5)), the fact that the Federal Tax Authority presumes that you have been honest in your dealings with them (questionnaire 16(6)), concern that the Federal Tax Authority will obtain a court judgement against you for failure to pay tax and publish details of that judgement (questionnaire 16(7)), your personal belief that you should do the 'right thing' (questionnaire 16(8)), concern that you will be audited by the Federal Tax Authority (questionnaire 16(9)), concern that your name will be published on the Federal Tax Authority's Quarterly List of Defaulters (questionnaire 16(10)), knowing that the Federal Tax Authority has the power to receive certain information about you from third parties (e.g. payments, rental income, interest, dividends) (questionnaire 16(11)), because the Federal Tax Authority makes it easy to pay taxes (questionnaire 16(12)), and because tax payments are used to fund public services (questionnaire 16(13)).

Survey questionnaire 34 is also a Likert's scale question in the survey-based study designed to understand the relationships between capabilities of SMEs in the UAE and the categorical variables such as (1) Size of the business; (2) Number of sites; (3) Status of a company; (4) Sector of business; (5) Location of the business; and (6) Years of operation. Throughout the questionnaire, the business capabilities such as people management (questionnaire 34(1)), developing and implementing a business plan and strategy (questionnaire 34(2)), entering new markets (questionnaire 34(3)), developing and introducing new products and services

(questionnaire 34(4)), accessing external finance (questionnaire 34(5)), operational Improvement, e.g. adopting industry best practices (questionnaire 34(6)), and taking decisions on regulation and tax issues (questionnaire 34(7)).

Rationale for the use of Chi-Square Test

It is believed that by using Chi-Square test, this research study ensures validity and reliability as Efron and Ravid (2019) emphasised that a well-structured research together with the application of right instruments and procedures to gather and analyse quantitative data are significant for reliability and validity of a research study. To ensure validity and reliability of the quantitative data, this study followed some of the following conditions of the data for chi-square test suggested by McHugh (2013).

Condition 1: Variables are measured based in ordinal especially in rating scale through Likert scale questions.
Condition 2: To validate a non-parametric statistic (chi-square test), the sample sizes of the study groups are uneven.
Condition 3: The key data were evaluated at an interval or ratio level.
Condition 4: Qualitative data were gathered through stratified random sampling and random sampling is a precondition to validate the non-parametric test such as the chi-square test.
Condition 5: The data obtained throughout the survey were counts of cases than percentages.
Condition 6: Gathered data from a large sample.

Researchers, such as Ravid (2019) and Sharma (2014), outlined four different stages to carry out a chi-square test in a research study and they are (1) determining hypothesis, (2) deciding significance level, (3) gathering a large sample, (4) calculate *p*-value.

Stage 1: Determining Hypothesis

In this survey-based study, hypothesises are designed from the secondary research of the study. As mentioned earlier in Chapter 1 that the study has three research hypotheses and they are in the following:

H1: VAT has an impact on SMEs in the UAE;

H2: Factors, such as compliance, penalties, belief, financial burden, honesty, prosecutions, deformation, ease of making payment through tax, and contributions to the national economy, that make UAE SMEs to be VAT compliant.

H3: The UAE SMEs have the capabilities to meet the challenge of VAT and grow their businesses.

The above-mentioned hypotheses and their factors (Section 7 of chapter 2) have been tested throughout chi-square test. A detailed analysis will be found in the Chapter 5 of this thesis.

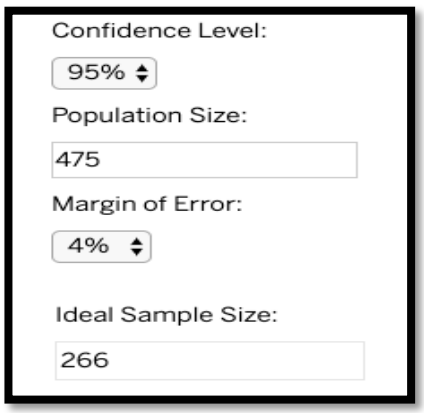
Stage 2: Decided significance level

This research study decided on a significance level of $\sigma = 0.05$. The study has rejected the hypotheses if the significance level is greater than $\sigma > 05$.

Stage 3: Gathering a large sample

This research study has a large sample size, which is required if the chi-square test is to be validated. The study collected quantitative data from *n*265 SMEs in the UAE. By taking into account the sample size of *n*265 out of *n*475 registered SMEs in the UAE (Ministry of Economy, 2018d), a measurement of sample mean is $\bar{x}56$, sample standard deviation is *s*16, confidence level is 95%, and margin of error is 4%. A sample size calculator is shown in Figure 3.5.

Figure 3.5: Sample Size Calculator



Source: Qualtrics (n.d.)

Stage 4: Calculating a *p*-value

This research study has calculated a *p*-value based on the following:

p ($\bar{x} \geq 56$ I H1 is true). A detailed chi-square test is shown in the chapter 5, quantitative data analysis.

Application of Quantitative Data Analysis Software

The study employs a quantitative data analysis software called Statistical Package for the Social Sciences (SPSS) developed by International Business Machines (IBM) widely known as IBM SPSS[2] version 22.0 to analyse the data statistically as well as carry out the defined tests to generate the results required to achieve aim and Objective 4 of this study.

3.11 Ethical Consideration

Ethics is the cornerstone of modern-day research. Bryman (2016) emphasised that ethics play a pivotal role in determining the quality of research. The University of Wales Trinity Saint David (UWTSD) sets ethical standards in the research called 'Research Ethics & Integrity Code of Practice 2017-2020.' To rationale the design of research ethics and integrity code of practice, UWTSD states that this can help maintaining high ethical standards in the research undertaken by its staff and students, whether supported directly by the University or funded by external source (UWTSD, 2017). This PhD programme is carrying out under the supervision of UWTSD, although funded by the Abu Dhabi Police General Headquarter (ADP GHQ), hence, the study follows the 'Research Ethics & Integrity Code of Practice 2017-2020' thoroughly designed by the university. There are twenty-one sections containing several sub-sections in the ethics standards set by UWTSD. The study complied with the sections and sub-sections of the 'Research Ethics & Integrity Code of Practice 2017-2020' of UWTSD relevant to this study and made an application for ethical approval to UWTSD (see **Appendix 4: Application for Ethical Approval**). Additionally, this study considered ethical principles and ethics frameworks designed by the Economic and Social Research Council (ESRC)[3] in order to maintain high ethical standard of this research. The ESRC (2018) outlined an ethical framework and designed six principles to carry out a research ethically, and they are as follows:

> *'Principle 1*: Research should aim to maximise benefit for individuals and society and minimise risk and harm
>
> *Principles 2*: The rights and dignity of individuals and groups should be respected

[2] The IBM SPSS V22.0 helps improve decision making and productivity through simulation modelling and augmented integration with other tools (IBM Support, 2016).

[3] 'ESRC is part of UK Research and Innovation (UKRI), a new organisation that brings together the UK's seven research councils, Innovate UK and Research England to maximise the contribution of each council and create the best environment for research and innovation to flourish. The vision of ESRC is to make sure the UK continues its world-leading position in research and innovation.' (ESRC, 2018).

Principle 3: Wherever possible, participation should be voluntary and appropriately informed

Principle 4: Research should be conducted with integrity and transparency

Principle 5: Lines of responsibility and accountability should be clearly defined

Principle 6: Independence of research should be maintained and where conflicts of interest cannot be avoided, they should be made explicit.' (ESRC, 2018)

It is found that UWTSD defined 'Ethical Principles', such as 'Honesty', 'Rigour', 'Transparency and Open Communication', 'Care and Respect', in Section 2 of the 'Research Ethics & Integrity Code of Practice', that complement the aforementioned six principles by the ESRC. However, application of ESRC's six principles along with the ethical code of practice by UWTSD London in this study is discussed in the following:

3.11.1 Research Contributions/Impacts

Following Principle 1 of the ESRC framework for ethical research and sub-section 19.2 of UWTSD's research ethics and integrity code of practice, the study identified some key contributions or impacts of this research at various levels of the society including academic, public policymaking, business, societal and individuals. A brief explanation of the beneficiaries of this study is as follows:

Conceptual: This study will have huge impacts on the theoretical development as there is a huge scientific knowledge gap found in the study of VAT's impacts on SMEs in the UAE. Additionally, the study carries out a critical literature review on the VAT study including the factors affecting successful VAT implementation from theoretical and contextual perspectives that can contribute to the field of VAT study.

Instrumental: The primary and secondary research used in the study can be instrumental for the stakeholders of SMEs in the UAE. As the study aims at designing an implementation framework, various stakeholders including the government agencies will be benefited from the outcome of the study.

Capacity Building: The resources, including primary and secondary, used in this study can be used for the capacity building at various levels.

***Contribution to the Public Policy Level*:** The outcome of the study can help UAE government to review the fiscal policy regarding the adopted VAT and take steps to limit and negative impacts of VAT on SMEs of the UAE, if there would be any.

Contribution to the Business Level: SMEs will be benefited directly from the outcome of the study. They will know the positive and negative impact of VAT on their business and take a strategic plan to limit any negative impacts.

Awareness: The study certainly creates awareness among the stakeholders of SMEs with regard to VAT, which may help them to limit any negative VAT impacts on their business. This awareness can increase the confidence in the government fiscal policy and benefit the national economy.

3.11.2 Minimise Risk and Harm

Principle 1 of the ESRC's ethical framework and Section 19.2 of UWTSD's ethics code of practice emphasise minimising the risk and harm by the research. According to the section 19.2 of UWTSD's code of practice, 'terms such as risk, harm and hazards include emotional and mental distress and possible damage to financial and social standing, as well as physical harm' (UWTSD, 2017, p. 14).

This is to make sure that the research does not pose any risk or harm to anyone or any organisations. Also, there is no risk or harm in participating in the qualitative (interview) and quantitative (survey) data collection process of this research. As the research is only determined by the qualitative and quantitative data collection and results, there is no physical involvement such as application or testing of any kind of medicine/drugs, taking bloods or any physical activities.

To avoid risks, however, this study carried out a through risk assessment and submitted to UWTSD (see **Appendix 5: Risk Assessment**). Additionally, permissions have been sought from the Ministry of Finance (see **Appendix 6: Application for Conducting Field Study, Ministry of Finance**) and Ministry of Economy (see **Appendix 7: Application for Conducting Field Study, Ministry of Economy**) prior to carry out a field study.

The research ensures that the participants' involvement in this study remain anonymous. The study does not seek any personal questions including personal details such as names, date of birth, contact details, and address to minimise emotional involvement throughout the

qualitative and quantitative data collection process in appendices such as **Appendix 1 (Interview Topic-Guide for Policymakers at the Ministry of Finance**), Appendix 2 (Topic-Guide for SMEs Stakeholders), Appendix 3 (Survey Questionnaire for SMEs)). Moreover, the data gathered from the participants has been treated in an utmost confidential manner. However, for the recording purpose, the research requires to record the voice of participants throughout the qualitative data collection process as well as preserve the answers provided throughout the survey questionnaire. The provided information and outcome of it will be disclosed and discussed to the people, specifically supervisors at UWTSD, and the government, the government of the UAE, Abu Dhabi Police GHQ of the Ministry of Interior (MoI), involved as research institution and sponsor of this study respectively. The collected data will be kept in the secured lockers for the five years of the data collection by the principal investigator of this research. The data will be destroyed immediately after five years of data collection.

This researcher provided with the above-mentioned information in detailed to all of the participants by answering a question – what are the risk (if any) of taking part? addressed in the information sheet (see **Appendix 8: Information Sheet**).

3.11.3 The Rights and Dignity of Individuals

The ESRC's Principle 2 and Section 2 of the ethics code of practice of UWTSD stress the concern of the rights and dignity of participants in a research. As per Section 2 of the UWTSD

code of practice, 'protect participants' interests and/or rights' and section 19.2 of the code of practice defines the 'the responsibilities to research participants' (UWTSD, 2017, p. 14). The code of practice clarified the rights of the participants as 'carry out legitimate investigation', 'privacy', 'remain anonymous', 'withdraw from the research', and 'receive information' (UWTSD, 2017, p. 2-19). To ensure the rights and dignity of individuals, the study follows the subsequent stages:

3.11.3.1 Permission from Various Authorities

Considering the rights and dignity of individuals, in the process of qualitative data collection, the study sought permission from the Ministry of Finance, and the Ministry of Economy on 1 November 2018 (see Appendix 6 and Appendix 7). The study received granted permissions from the Ministry of Economy and the Ministry of Finance (see **Appendix 10: Permission to Conduct Field Study Received from the MoF**; and **Appendix 11: Permission to Conduct Field Study Received from the MoE**.

3.11.3.2 Information Sheet

Considering Section 2 and Section 19.3 (informed consent (adults)) of UWTSD's code of practice, the study designed an information sheet to ensure informed consent.

In the process of inform duties and responsibilities of the participants, the research provides an information sheet containing the title of the study, aims of the research, choice to participate, the right to withdraw from the research, what happen if a participant takes part, benefits of taking part, risks of taking part, use of provided information, who will have access to the provided information, sponsors' details, supervisors' details and university details (see **Appendix 8: Information Sheet**). However, it is clearly mentioned throughout information that participants have rights to withdraw their participation at any time of the study.

3.11.3.3 Informed Consent

The researcher designed a consent form and takes consent from the interviewees prior to carry any interviews with the policymakers, directors and stakeholders (see **Appendix 9: Consent Form**). The study respects the rights and dignity of individuals by taking consent and permission through 'Consent Form' in the line with treating gathered data as 'strictly confidential' and keep the anonymity of participants' identity.

3.11.4 Voluntary Participations of the Individual

The ESRC's Principle 3 and Section 19.3 of UWTSD's code of practice (informed consent (adults)) emphasise of the voluntary participation of the individual in the research. Considering the principle and the code of practice, the study confirms that any participation in the data collection have been voluntary. The researcher informed all the participants of this research that 'your participation will be voluntary. Therefore, please do not expect any monetary gain or any financial reward for participating in the interview or survey' (see **Appendix 8: Information Sheet**).

3.11.5 Research Integrity and Transparency

In the line with the ESRC's principle 4, research should be conducted with integrity and transparency, the study ensures the high integrity and transparency while using primary and secondary research. For integrity and transparency of the primary research, voice recording along with notes and minutes have been taken throughout the qualitative data collection and individual data have been recorded throughout the quantitative data collection. For integrity

and transparency of secondary research, the study referred any materials taken from the secondary resources such as books, journals articles, newspapers, websites and others according to the Harvard style of referencing suggested by UWTSD.

3.11.6 Defining Participants' Responsibility and Accountability

It is mentioned earlier that the study considers Section 19.2 of UWTSD's code of practice, which requires to define the 'the responsibilities to research participants' (UWTSD, 2017, p. 14) and the ESRC's Principle 5 – lines of responsibility and accountability should be clearly defined. To define participants' responsibility and accountability, the study designed an information sheet (see **Appendix 8: Information Sheet**).

3.11.7 Independence of Research

With regards to the ESRC's principles 6, independence of research should be maintained and where conflicts of interest cannot be avoided, they should be made explicit, the study confirmed the research has been carrying out independently by this principal researcher and there is no third-party involvement or has their interests shown in this research.

3.12 Ethical Approval Process

This research followed the procedures for the ethics approval at UWTSD. Following the procedures, a PG2/E1 form has been filled up and applied for ethical approval to the Ethics Committee on 7 November 2018 and reviewed on 19 December 2018. A completed PG2/E1 is shown in Appendix 4 (see **Appendix 4 Application for Ethical Approval**) of this thesis. The study received an ethical approval from UWTSD by the Ethical Committee 365 on 13 March 2019 (see **Appendix 12: Ethics Approval Received from UWTSD).**

3.13 Summary of the Chapter

The chapter has tried to provide a detailed descriptions of the research designs of this study within the research 'onion' designed by Saunders et al. (2016). Throughout the discussion, this has provided a detailed explanation of the of the research philosophy, methodology, tools and techniques applied to conduct the field study. This works as a navigation of the field study, as it provides granular detail of the research, including definitions of the various terms, rationale for the use of the different research tools and technique, population, sample size, and ethics approval process.

Chapter 4: Data Analysis

4.0 Introduction

The aim of this chapter is to provide a detailed data analysis of the qualitative and quantitative data gathered from the field study. The field study has been carried out in two different phases: a pilot study and a main study. The data analysis for the pilot study is shown in **Appendix 15** of this thesis.

This chapter analyses the data from the main study, which is comprised of five different parts. Part A analyses qualitative interviews with policymakers at the UAE's Ministry of Finance and executives at the Federal Tax Authority. This part helps this study achieve Objective 2 – to evaluate the current fiscal policies and implications of VAT and its impacts on SMEs.

Part B explores qualitative data regarding stakeholders of SMEs in the UAE. This part assists this study in accomplishing Objective 3 – to document the concerns about the introduction of VAT of various stakeholders of SMEs in the UAE.

Part C examines quantitative data gathered from SMEs in the UAE. Objective 4 – to study how imposing VAT has an impact on SMEs in the UAE – will be achieved by this quantitative research. This part has a number of sections presenting different statistical analyses, including demographic analysis and a chi-square test.

Part D is a gap analysis of the budget from FY 2017 to FY 2020 and an analysis of VAT collection between FY 2018 and FY 2019, to see the core differences in VAT contribution and its impact on the national economy of the UAE.

Part E triangulates the results derived from Part A, B, C and D.

A detailed analysis of the qualitative and quantitative data follows.

4.1 Part A: Qualitative Data Analysis: Interview with Policymakers at Ministry of Finance and Executives at the Federal Tax Authority

A thematic analysis has been applied and the qualitative data analysis software called NVivo 12 has been employed to analyse qualitative data gathered from Policymakers at Ministry of Finance and Executives at the Federal Tax Authority.

Throughout the thematic analysis, this study followed the stages suggested by Bryman (2016). The stages in the thematic analysis used in this research study are in the following.

Step 1: Reading through at least a sample of the materials to be analysed

Step 2: Begin coding the materials

Step 3: Elaborate many of the codes into themes

Step 4: Evaluate the higher-order codes or themes

Step 4a: Give names or labels to the themes and their sub-themes

Step 5: Examine possible links and connections between concepts and/or how the concepts vary in term of features of the cases

Step 6: Write up the insights from the previous stages to provide a compelling narrative about the data

Step 6a: Making sure to justify selected themes

A detailed coding of the qualitative data analysis of policymakers retrieved from QSR NVivo 12 is shown in Appendix 13 (see **Appendix 13: NVivo 12 Coding (Policymakers at MoF and FTA**)).

4.1.1 Coding Framework for Qualitative Data Analysis

This study used qualitative data analysis to develop a coding framework for data analysis and generating nodes as well as child and sibling nodes. Hierarchy Chart Tree Map (Figure 4.1) and Explore Diagram (Figure 4.2) generated from NVivo 12 show that how a coding framework has been developed in this study.

QSR International (n.d.) defines hierarchy charts show a hierarchy, which help a researcher to depict patterns in coding or view the attribute values of cases and sources. 'Tree Map' and 'Sunburst' are two types of hierarchy chart, and a tree map of the hierarchy chart generated from NVivo 12 is shown in Figure 4.1 (QSR International (n.d.) About Hierarchy Chart). According to QSR International (n.d.), explore diagram is a dynamic process concentrates on a single project component, depicting the components associated with that particular

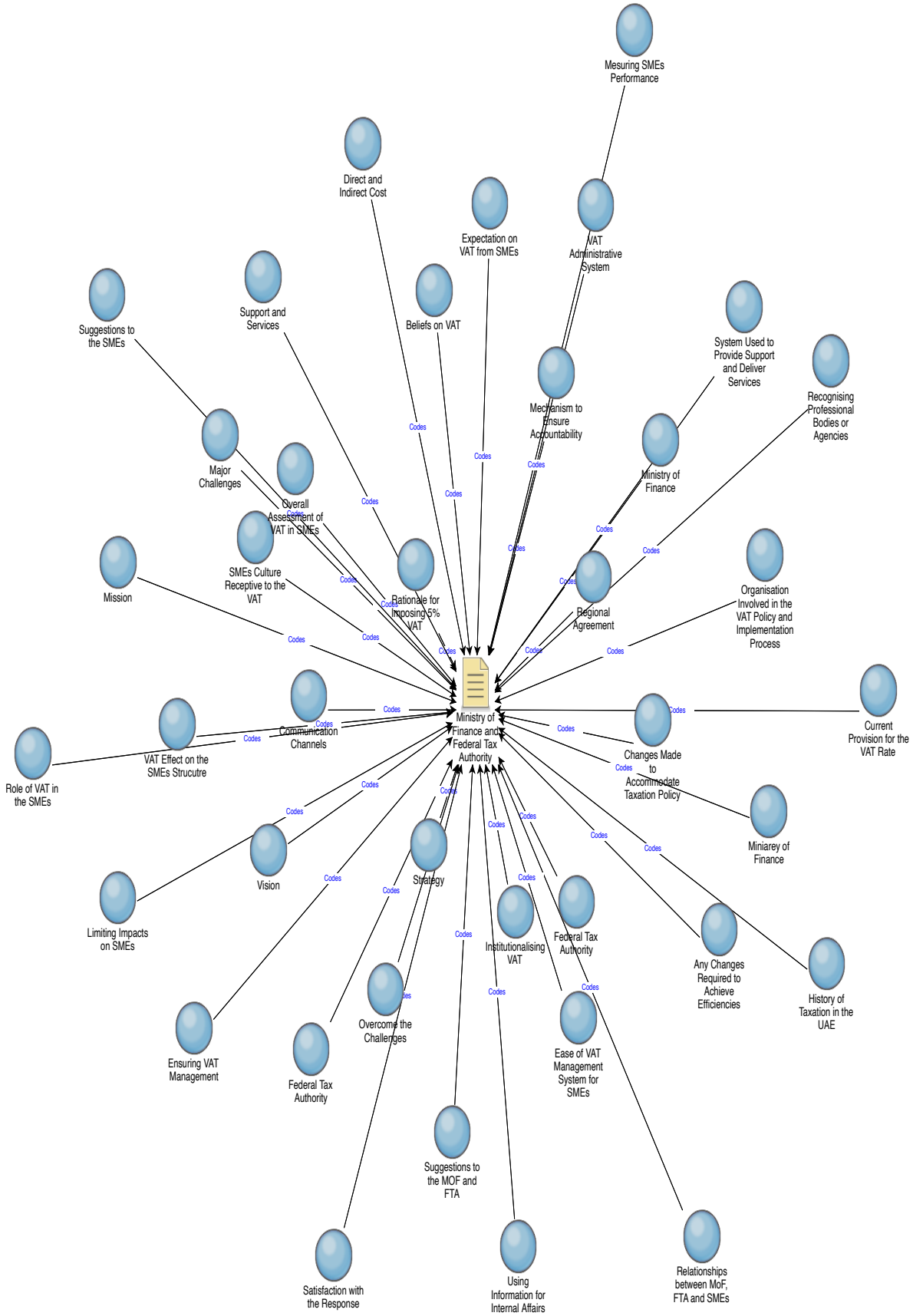
component. In this part of the study, qualitative data gathered from policymakers has been analysed (QSR International (n.d.) About Explore Diagram). Hence, a core component or item is the Ministry of Finance and the Federal Tax Authority. The core component is surrounded by other component as they generated from interviews policymakers of the Ministry and the Authority.

Hierarchy chart, especially tree map, and explore diagram show that major themes such as history of Ministry of Finance and the Federal Tax Authority, History of Taxation in the UAE, VAT impact on SMEs' culture, VAT impacts on the structure of the SMEs, VAT impact on the accountability and management system, VAT impact on SMEs' daily activities, impact on VAT process, efficiencies and daily business and work, VAT impacts on profitability of the SMEs, and suggestions for the MoF/FTA and SMEs.

Figure 4.1 Hierarchy Chart – Tree Map



Figure 4.2: A Dynamic Explore Diagram of the Items Related to the VAT Adoption and Implementation in the UAE and Its Impacts on SMEs



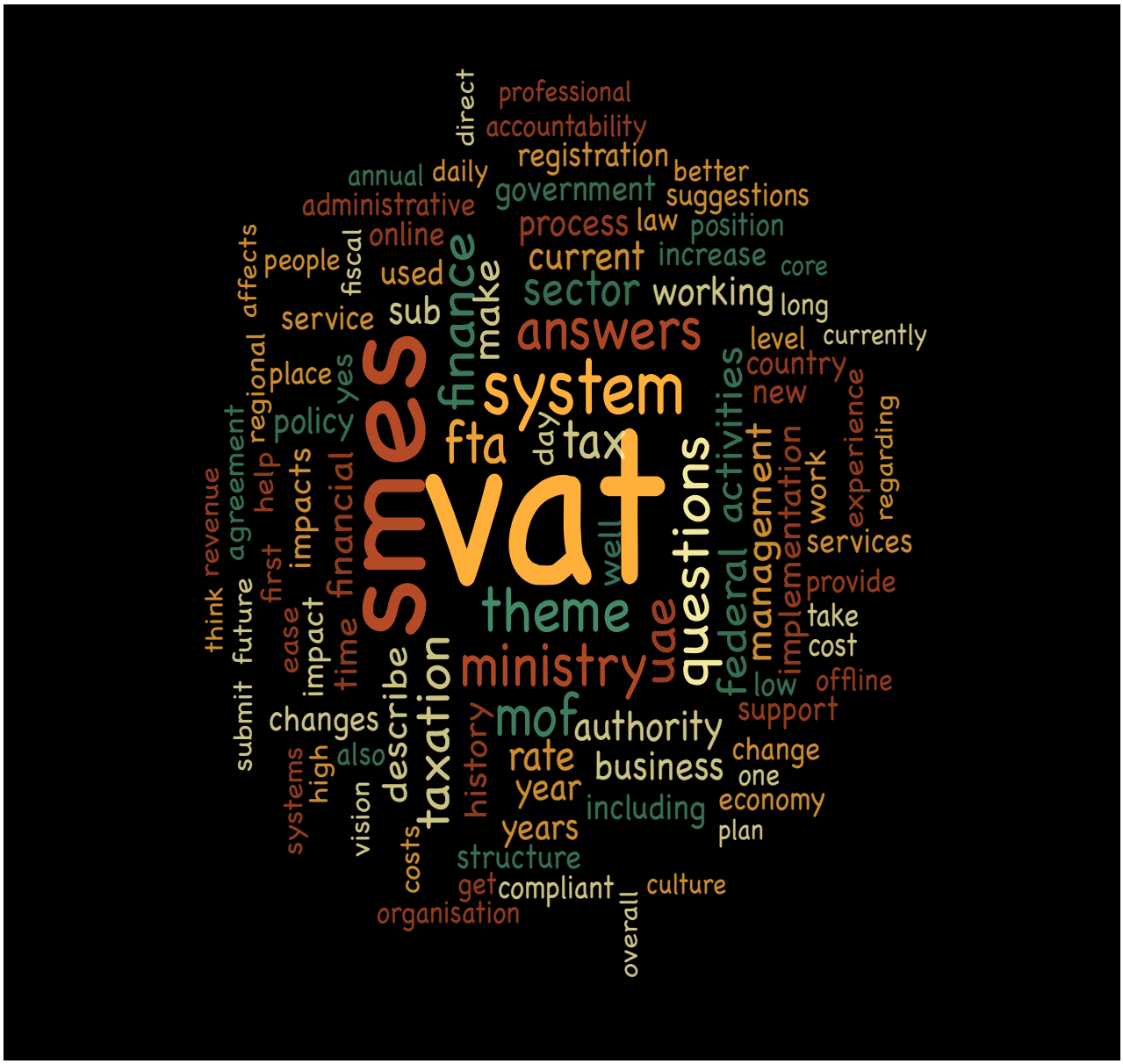
4.1.2 Word Cloud

It has found out from NVivo 12 that among 100 frequently used words the word 'VAT' is frequently used word, 677 times, and the 'Direct' is least used words, 6 times, by the interviewees. Table 4.1 and Figure 4.3 shows the word cloud of the 100 frequently used words.

Table 4.1: 100 Words Frequently Used by Interviewees

Word	Length	Count	Weighted Percentage	Word	Length	Count	Weighted Percentage
vat	3	677	5.44%	low	3	37	0.30%
smes	4	410	3.30%	online	6	37	0.30%
system	6	195	1.57%	services	8	37	0.30%
theme	5	140	1.13%	work	4	37	0.30%
ministry	8	131	1.05%	administrative	14	36	0.29%
answers	7	130	1.05%	help	4	36	0.29%
questions	9	130	1.05%	level	5	35	0.28%
fta	3	126	1.01%	place	5	35	0.28%
mof	3	123	0.99%	position	8	33	0.27%
finance	7	119	0.96%	provide	7	33	0.27%
uae	3	115	0.92%	agreement	9	32	0.26%
tax	3	105	0.84%	also	4	32	0.26%
taxation	8	105	0.84%	compliant	9	32	0.26%
sector	6	89	0.72%	ease	4	32	0.26%
federal	7	84	0.68%	experience	10	32	0.26%
activities	10	75	0.60%	take	4	32	0.26%
make	4	73	0.59%	cost	4	31	0.25%
rate	4	71	0.57%	economy	7	31	0.25%
management	10	70	0.56%	suggestions	11	31	0.25%
authority	9	69	0.55%	daily	5	30	0.24%
business	8	63	0.51%	accountability	14	29	0.23%
current	7	63	0.51%	future	6	29	0.23%
financial	9	62	0.50%	long	4	29	0.23%
working	7	61	0.49%	fiscal	6	28	0.23%
describe	8	60	0.48%	high	4	28	0.23%
sub	3	60	0.48%	one	3	28	0.23%
process	7	58	0.47%	regional	8	28	0.23%
year	4	57	0.46%	vision	6	27	0.22%
well	4	51	0.41%	annual	6	26	0.21%
implementation	14	50	0.40%	better	6	26	0.21%
history	7	49	0.39%	costs	5	26	0.21%
policy	6	49	0.39%	offline	7	26	0.21%
time	4	49	0.39%	revenue	7	26	0.21%
years	5	48	0.39%	systems	7	26	0.21%
impacts	7	46	0.37%	get	3	25	0.20%
used	4	46	0.37%	organisation	12	25	0.20%
new	3	45	0.36%	people	6	25	0.20%
including	9	44	0.35%	submit	6	25	0.20%
changes	7	43	0.35%	overall	7	24	0.19%
government	10	43	0.35%	plan	4	24	0.19%
increase	8	40	0.32%	professional	12	24	0.19%
service	7	40	0.32%	culture	7	23	0.18%
structure	9	40	0.32%	currently	9	23	0.18%
support	7	40	0.32%	regarding	9	23	0.18%
yes	3	40	0.32%	think	5	23	0.18%
country	7	39	0.31%	affects	7	22	0.18%
registration	12	39	0.31%	core	4	22	0.18%
impact	6	38	0.31%	direct	6	22	0.18%
day	3	37	0.30%				

Figure 4.3: 100 Words Frequently Used by Interviewees



4.1.3 Demographic Analysis

This research study attempted to investigate the demographic of the interviewees. To gather the demographic of the interviewees, the study accounted the themes such as gender, age, name of the organisation, office or sector, position, highest academic qualification, length of services, and experiences. Following Figure 4.4 provides a coding framework and Table 4.2 provides the demographic information of the participants took part in the interviews.

Figure 4.4: Demographics

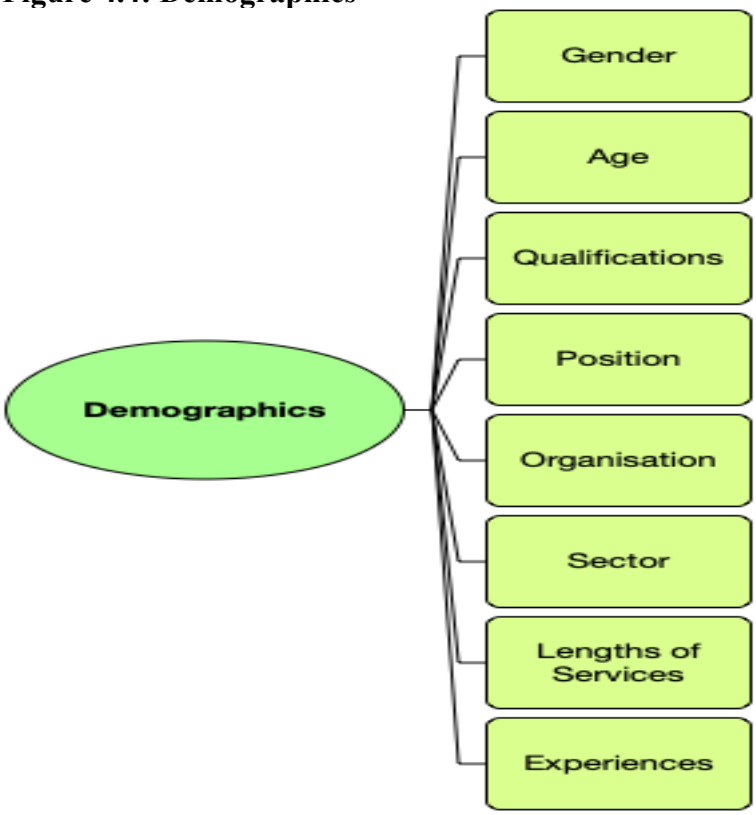


Table 4.2: Demographic Information of the Participants

SL	Gender	Age	Qualification	Position	Organisation	Sector	Length of Services	Experience
PM1	Male	50-55	PhD	Director	FTA	Tax Collection	04	30
PM2	Male	48	BBA	Director	MoF	Finance and Administrative Affairs	03	20
PM3	Male	55-60	PhD	Under Secretary	MoF	Support Service	10	30
PM4	Male	60	PhD	Under Secretary	MoF	International Financial Relationship	20	30
PM5	Male	60-65	MBA	Under Secretary	MoF	Resources and Budget	20	20
PM6	Female	51	PhD	Deputy Director	MoF	Strategy and Future	05	25
PM7	Male	45-50	MBA	Director	MoF	General Budget Department	10	15
PM8	Male	30	MBA	Senior Assistant Manager	FTA	Communication Management	01	02
PM9	Female	32	MBA	General Manager	FTA	Risk Management	01	03
PM10	Male	30	MBA	Senior Executive Officer	MoF	Corporate Finance	01	03

Please note PM = Policy Maker, FTA = Federal Tax Authority, BBA = Bachelor of Business Administration, MBA = Master of Business Administration

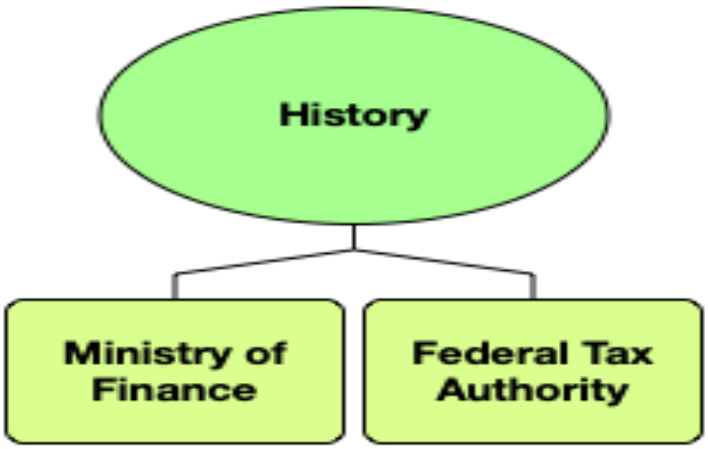
Table 4.2 shows that there were 8 males and 2 females participants attended in this research study. Among the participants, it has found out that the highest age was 60-65 years old and the lowest age was 30 years old. There were five MBA, four PhD, and one bachelor's degree holder. Seven policymakers from Ministry of Finance and three executives from the Federal Tax Authority participated in the study. The sector of the participants were related to the revenue including tax collection at FTA, finance and administrative affairs in the MoF, support services in MoF, international financial relationship in MoF, resources and budget in MoF, strategy and future in MoF, communication management in FTA, risk management in FTA, and corporate finance in MoF.

It has also found out that longest length of the services is 30 years and lowest length of services is 1 year. In terms of experiences, participants has ample of experiences in the field of accounting, business and finance as three participants reported that they have experiences around 30 years, one participants confirmed that she has 25 years experiences, two participants declared that they have 20 years of experiences, two participants stated they have 3 years experiences, and one interviewees mentioned that he has 2 years experiences.

4.1.4 History of Ministry of Finance and the Federal Tax Authority

To find out the history of Ministry of Finance and the Federal Tax Authority, this study has planned a coding framework (see Figure 4.5). The 'History' was taken as a theme where the 'Ministry of Finance' and the 'Federal Tax Authority' were considered as sub-themes. Following is a detailed analysis of the History of the Ministry of Finance and the Federal Tax Authority.

Figure 4.5: Coding Framework for the History of Ministry of Finance and the Federal Tax Authority



4.1.4.1 History of Ministry of Finance

9 references[4] coded from 10 participants, which covered 1.56 per cent[5] text of the total interview transcript. From the qualitative data analysis, it has revealed that all 9 participants, such as PM2, PM3, PM4, PM5, PM6, PM7, PM8, PM9 and PM10, stated that the Ministry of Finance was first established in 1971. PM1 did not provide any information with the history of the Ministry of Finance.

In details, from the interview transcript, PM2 mentioned "The Cabinet of the UAE is the main executive body of the UAE" (PM2, PM5, PM6) and "established in 1971" (PM2, PM3, PM4, PM5, PM7, PM8 and PM9). The Ministry of Finance was "The first cabinet" established 48 years ago is added by PM6 and PM10.

7 out of 9 participants policymakers, such as PM2, PM3, PM6, PM7, PM8, PM9 and PM10, confirmed that His Highness Hamdan bin Rashid Al Maktoum is the Minister of the Finance in the UAE.

PM5 summarised key responsibilities of the Ministry of Finance as "The Ministry of Finance implements all monetary, fiscal and industrial policies which are connected to the UAE's economic expansion. Among many of its fundamental errands, there are the allocation and distribution of the Federal Budget and the management of the UAE government's financial situation".

According to policymakers, such as PM2, PM3, PM6 and PM7, the Ministry of Finance went through massive reform in between 2013 and 2017 as they stated, "it got reshuffled twice - the first reform took place in 2013 where second was on October 20, 2017."

4.1.4.2 History of the Federal Tax Authority

10 references coded from 10 policymakers meaning all policymakers provided the information with the history of the FTA. The interview text covered 1.64 per cent of the total interview transcript.

[4] The number of references is calculated based on coding done by all users. For example, 9 references in this node, History of the Federal Tax Authority, mean 9 out of the total 10 interviewees have coded the same content at the same node. (QSR International (n.d.), Understand how references are counted)
[5] The percent is the percentage of characters coded at the node from total interview transcript. (QSR International (n.d.), Understand how coding coverage is calculated)

All participant policymakers stated, the Federal Tax Authority was established under "the Federal Law by Decree" and PM1 specified, "The Federal Tax Authority in the UAE is a new which was established under the Federal Law by Decree No. 13 of 2016 in 2016."

Policymakers, such as PM2, PM3, PM7, PM8, PM9 and PM10 mentioned, the FTA is run by "a board of directors" who work in the MoF. The headquarter of the FTA is in "Abu Dhabi" is stated by the policymakers such as PM4, PM6, PM7, PM8, PM9 and PM10.

Regarding the responsibilities of FTA, policymakers, such as PM8, PM9 and PM10, affirmed, the prime task of the FTA is the management and collection of tax.

4.1.5 Strategy of the Orgnisation

This section tried to investigate the strategy of the organisation. In the process of qualitative data analysis, Strategy of the Organisation has taken as Theme where Strategy, Mission and Vision have been taken as sub-themes. A coding framework is shown in Figure 4.6.

Figure 4.6: Strategy of the Organisation



4.1.5.1 Strategy

10 references coded from 10 interviewees which consists of 1.24 per cent of the total interview transcript. 6 out of 10 participants policymakers, such as PM2, PM3, PM4, PM5, PM6, and PM7, mentioned that strategy of the organisation is followed by a 5 years plan for the period between 2017 and 2022.

According to PM3, "the strategy of the MoF is to form a 5 years exhaustive plan concerning the national level policies about all types of transactions." Additionally, PM5 confirmed that "Endorsing the fiscal preparation of the federal government, consolidating the UAE's keenness in the fiscal and economic sector, refining the efficiency along with the effectiveness of the budget and enhancing the philosophy of invention in the structural work atmosphere are the

most notable strategic planning." Finally, PM1 clarified, "The best strategic plan is to provide the best services to business sectors in Tax administration and, collection and implementation".

4.1.5.2 Vision

9 references coded from 10 policymakers which covered 0.58 per cent of the total interview transcript. It is found out from policymakers, such as PM1, PM3, PM4, PM5, PM6, PM7, PM8, and PM9, that the vision of the MoF is to be able to lead the financial sector globally in the line with the vision of the UAE. PM2 added that, "Achieving the long-term vision of UAE and leading the financial sector globally is the vision of MoF".

4.1.5.3 Mission

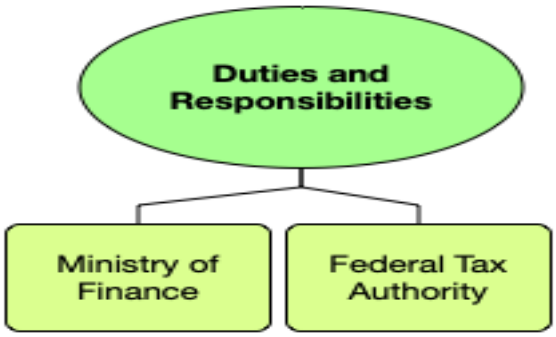
9 references coded from 10 policymakers comprised of 0.72 per cent of the total interview transcript.

4 policymakers, such as PM1, PM4, PM6 and PM7, emphasised on the utilisation of the financial capital in an efficient and proactive manner through operative fiscal policies is the mission of the MoF. Additionally, PM2 and PM3 stated, "Issuing reliable financial policies for efficient management of the financial resources is the mission of MoF."

4.1.6 Duties and Responsibilities

A coding framework has been planned to understand the duties and responsibilities of the participants at the Ministry of Finance and the Federal Tax Authority. Throughout the analysis, Duties and Responsibilities were taken as theme where Ministry of Finance and Federal Tax Authority were considered as sub-themes. Following Figure 4.7 illustrates the coding framework.

Figure 4.7: Duties and Responsibilities



4.1.6.1 Duties and Responsibilities – Ministry of Finance

9 references coded policymakers which covered 1.23 per cent of the interview transcript. Only policymakers PM1 skipped answering the question.

Policymakers interviewees, such as PM3, PM4, PM5, PM6, PM7, PM8, PM9 and PM10, clarified that the duties and responsibilities of the Ministry of Finance as to "promote the fiscal planning, improve sustainability, promoting investment opportunities, and improving the efficiencies of the budget" are core duties and responsibilities of the ministry." Policymakers such as PM2, PM7and PM8 clarified more in details as "endorsing the fiscal planning of the federal government worldwide. Improving budget aptitude to apply more strategies. Encouraging the chances of investment to make people interested in venture."

4.1.6.2 Duties and Responsibilities – the Federal Tax Authority

10 references coded from 10 participants policymakers which consists of 1.40 per cent coverage of the total interview transcript.

Policymakers, such as PM2, PM3, PM4, PM5, PM7, PM8 and PM9, stated, (1) Provide high quality service, (2) Increase the volume of tax revenue, (3) Improve services to maintain the transformation of global standards.

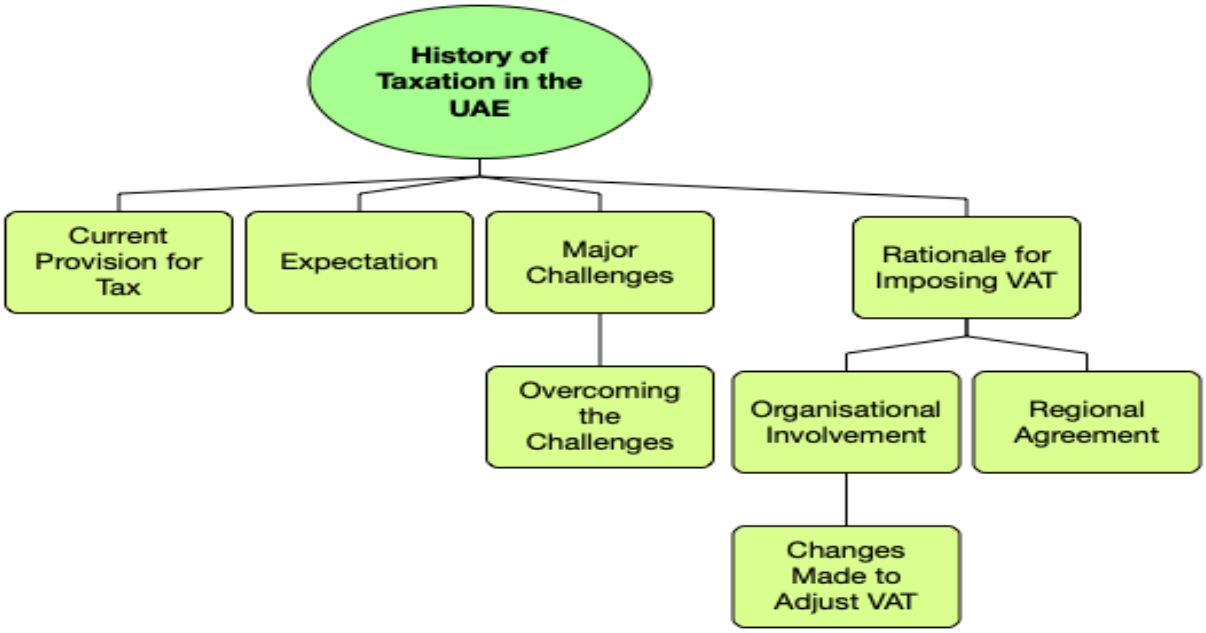
PM1 clarified that, "core duties and responsibilities are to Tax Administration Tax Collection; and Tax Implementation For Tax Administration, we carry out following duties and responsibilities Excise Goods Price Listing Good Classification Reviewing Price Setting a Policy for Periodically Reviewing Price as a Market Conditions Ensuring the Validity of the Price List and Updating it Where Necessary Examining the retail sector developments regarding selective goods For Tax Collection, we collect through Tax Agents who are FTA registered."

4.1.7 History of Taxation in the UAE

This research study attempted to understand the history of Taxation in the UAE. It has designed a coding framework to understand the history of taxation in the UAE in details. To analyse qualitative data, history of taxation in the UAE has been taken as a theme whereas current provision for tax, expectation, major challenges, and rationale for imposing VAT are taken as sub-themes. The sub-themes such as overcoming the challenges considered as the sub-theme of major challenges where organisational involvement and regional agreement are the sub-

themes of rationale for imposing VAT. Changes made to adjust VAT is also a sub-theme of organisational involvement. A detailed coding framework is shown in Figure 4.8.

Figure 4.8: History of Taxation in the UAE



4.1.7.1 Current Provision for Tax

10 references coded from 10 policymakers which covered 1.80 per cent of the interview transcript. All participant policymakers confirmed that current provision for VAT is "5%".

In detailed explanation, PM1 confirmed that "Current provision of VAT is 5%. At the beginning, we introduced 5% VAT rate to encourage businesses to register and pay Tax."

Regarding plan to rise VAT in future, PM1 mentioned, "we are working towards selecting products to put a higher tax." PM4 stated that "the government plans to increase the rate in the near future but it depends on several factors such as: inflation rate, international business and infrastructural development as well", and PM5 and PM6 mentioned that "Increasing the rate in the future depends on the economy, inflation rate, international business, infrastructure of the country".

To justify as lower VAT rate as 5% in the UAE, PM10 explained that "it is low because there were a huge chance the country's people would go against the system if the rate was higher."

4.1.7.2 Expectations

All of the interviewees answered the question regarding expectation. Therefore, there were 10 references coded which covered 1.78 per cent of the interview transcript. It found out from the qualitative data analysis that the expectation on the 5% VAT is very satisfactory.

According to PM1, "the expectation was great as we have nearly 312,000 VAT registered business at the end of 2019 since we introduced VAT on 1st January 2018. Participant policymakers confirmed that expectation on VAT registration and return was "quite satisfying" (PM2 and PM4), "good" (PM3), "expected" (PM5 and PM7), "quite in favour of the Government", "great" (PM8), and "very smooth" (PM9). PM10 added that "The understandings from the perspective of SMEs became better day by day for which the beginning year went fine for the UAE".

4.1.7.3 Major Challenges in 5% VAT Implementation

10 references coded from 10 interviewees which covered 1.62 per cent of interview transcript.

Regarding the major challenges in 5 per cent VAT implementation, PM1 outlined that "setting up a strong revenue administrative system; Identifying the products and services to be levied", PM2, PM3 and PM4 mentioned that getting used to with the VAT system for businessmen was the most tough part as the economy depends a lot on businesses. Citizens also passed rough time as VAT increased the living cost.

Participant policymakers identified some challenges and they are "transactional challenge" (PM5 and PM6), "adapt with the VAT system for entrepreneurs and capitalists" (PM7 and PM9), "increasing living costs" (PM7, PM8, PM9 and PM10), "impacting individuals and structure of business" (PM8 and PM9).

According to PM10, VAT "increases the cost of almost everything. Besides, it brings changes in the overall infrastructure of the country and its economy. Although the rate was only 5% because of these reasons, people were still unhappy".

4.1.7.3.1 Overcoming the Challenges

10 references coded from 10 policymakers which covered 1.28 per cent of the total interview transcript. PM1 confirmed that "to mitigate the challenges in the VAT implementation, firstly, we have set up a best possible administrative system to make VAT more effective. This include setting up an easy electronic portal where people can register their business. Secondly, we set

out some of the regulations for the VAT agents who can help SMEs to file their quarterly and annual returns. Thirdly, to build up awareness, we propagate 5% VAT implementation in the UAE by the use of different media".

Participants policymakers, such as PM2, PM3, PM7 and PM8, stated, "the related authorities" always worked to make this system adjustable where others, such as PM4, PM5 and PM6, confirmed that as low as 5% VAT helped to adapt with the new system. PM10 said, "the executive bodies took proper steps, the challenges were overcome"

4.1.7.4 Rationale for Imposing VAT in the UAE

10 interviewees provided information related to imposing the VAT in the UAE which covered 2.49 per cent of the total interview transcript.

All participant policymakers stated that one of the core reasons for imposing of 5% VAT is to reduce dependency on the natural resources of the UAE and to promote economic diversification. For instance, PM1 mentioned, "one of the core reasons for imposing VAT in the UAE is diversifying the economy by reducing the dependency on the crude oil."

In addition to the above, participants policymakers added that discouraging buyers to buy less imported foreign products (PM2, PM4, PM5, PM6, PM7, PM8, PM9 and PM10), encouraging buyers to buy local products (PM2, PM4, PM5, PM7), making businesses more accountable (PM3, PM4, PM5, PM6, PM7, PM8, PM9 and PM10), to keep the records of entrepreneurs as well as SMEs (PM5, PM6, PM7), and ensuring transparency in the business (PM3, PM4, PM7, PM8, PM9 and PM10).

According to PM10, "VAT was imposed so that people in the country become less interested to purchase goods which are made in other foreign countries. The main reason for imposing the VAT on the SMEs is to create their accountability and make it mandatory for them to abide by the rules strictly and do their business as transparently as possible".

4.1.7.4.1 Organisational Involvement

All 10 participant policymakers provided information concerning organisational involvement in the process of the VAT implementation in the UAE. 10 references coded from 10 participant policymakers which covered 0.44 per cent of the total interview transcript.

From the analysis, all interviewees confirmed, "the Ministry of Finance" was directly involved in VAT policy formulation as well as implementation. For instance, PM1mentioned, "Ministry

of Finance involved in policy making and FTA implements the policy taken by the Ministry of Finance".

4.1.7.4.1.1 Changes Made to Adjust VAT in the UAE

From the qualitative interview with policymakers, 10 interviewees provided information regarding the changes made to adapt with VAT in the UAE. Hence, 10 references coded from 10 participant interviewees which covered 1.43 per cent of the total interview transcript.

All participant policymakers confirmed that one of the most changes made to adjust with VAT in the UAE is to establish the Federal Tax Authority.

For example, PM1 confirmed that "followed by a Unified VAT Agreement at a rate of 5%, Ministry of Finance of the Governemnt of the UAE established The Federal Tax Authority in the UAE under the Federal Law by Decree No. 13 of 2016". The rest of the policymakers mentioned that Federal Decree-Law No. (8) was proclaimed in 2017 by the MoF to regulate the local agreement of UAE. It has 85 verses mentioning miscellaneous rules and regulations.

PM4 added that "Applicable from 1st January of 2018, the law consists of 85 articles which include the various terms and conditions".

4.1.7.4.2 Regional Agreement

10 references coded from 10 participant policymakers which covered 2.03 per cent of the interview transcript. 7 out of 10 participants, PM1, PM2, PM3, PM4, PM5, PM6, and PM7, confirmed that GCC have directly involved to impose a unified VAT in the GCC countries.

For example, PM1 mentioned that "there was a regional agreement called the GCC Economic Agreement of 2001 worked to impose a unique VAT policy in the GCC countries such as the United Arab Emirates, the Kingdom of Bahrain, the Kingdom of Saudi Arabia, the Sultanate of Oman, the State of Qatar, and the State of Kuwait. You might have known that a unified VAT agreement at a rate of 5% imposed by the above mentioned GCC countries had been approved by the Supreme Council at its 36th meeting in Riyadh between 9 and 11 December 2015".

Policymakers, such as PM1, PM2, PM3, PM4, PM5, PM6, and PM7, stated that GCC reached an agreement for the unified VAT agreement for the Cooperation Council for the Arab States of the Gulf at its 36th meeting in Riyadh in 9-10 December 2015. Other policymakers such as

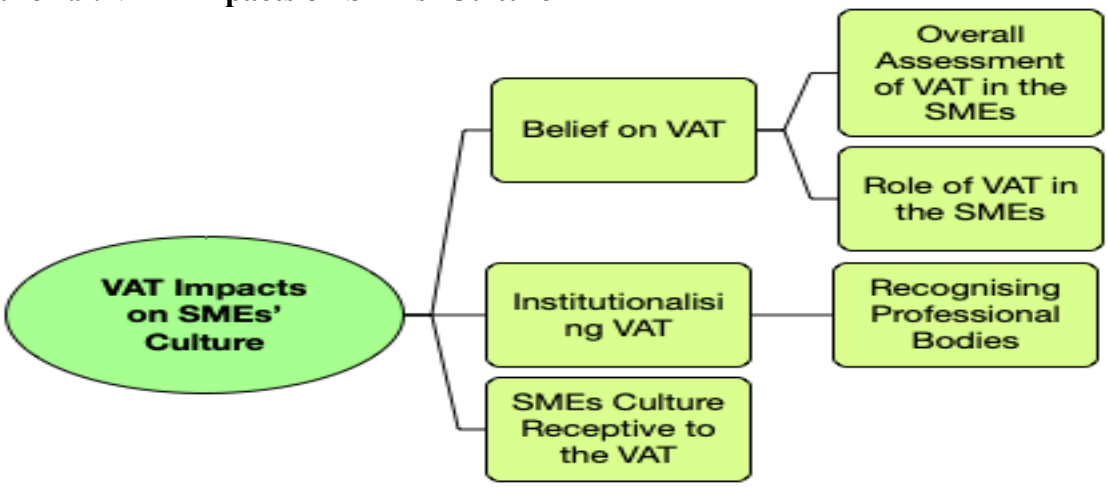
PM8, PM9 and PM10 mentioned that Saudi Arabia is directly involved in the implementation of VAT.

4.1.8 VAT Impacts on SMEs' Culture

This study tried to explore whether there is any VAT impact on SMEs' culture or not. A coding framework has been developed to find out the VAT impact on SMEs' culture. To analyse qualitative data effectively, VAT impact on SMEs' culture was considered as theme where belief on VAT, Institutionalising VAT, and SMEs culture receptive to the VAT were taken as sub-themes. Sub-themes such as overall assessment of VAT in the SME and role of VAT in the SMEs are the sub-themes of the theme belief on VAT. Recognising professional bodies is the sub-theme of institutionalising VAT.

Following Figure 4.9 depicts the coding framework for VAT impacts on SMEs' culture.

Figure 4.9: VAT Impacts on SMEs' Culture



4.1.8.1 SMEs Culture Receptivity to the VAT

10 references coded which covered 2.35 per cent of the total interview transcript. From the qualitative analysis, all interviewees confirmed that by taking into the culture of the UAE, SMEs in the UAE are not receptive to the modern VAT system.

For example, SMEs in the Emirates are not used to with the VAT practices is mentioned by PM1. It was very tough for the SMEs in the UAE to cope with the modern VAT culture at the beginning (PM2, PM4, PM5, PM6, PM7, PM8, PM9 and PM 10). With the VAT regulation SMEs in the UAE perceived VAT very well (PM1, PM2, PM4, PM5, PM6, PM7, PM8, PM9 and PM10)

PM10 clarified in detailed as " the cultures of the SMEs are not very receptive to the new VAT system as they never had to pay any kind of tax and it was beyond their thinking that this day would come. So obviously, the introduction of the VAT system did not make them happy. They started feeling insecure about themselves and their business. And we [policymakers] were not surprised as we anticipated that this would happen. And so, we thought of doing something beforehand to help them deal with this issue. As they did not perceive it well, first we tried to make them understand the positive outcomes VAT can bring to them and the country. Then we started helping them get used to this system. Within several months, everything started paying off. Of course, there were problems but with their cooperation, things became much better. Now they perceive it well enough".

4.1.8.2 Institutionaliing VAT

10 references coded from 10 participant policymakers which covered 1.77 per cent of the total interview transcript. From the qualitative data analysis, there is an evidence of institutionalising VAT in the UAE.

For instance, participant policymakers stated that "recognising the need of information required by SMEss as well as individuals to adapt with 5% VAT" (PM1), and "MoF and FTA provided miscellaneous kinds of technological supports and trainings to make information available for growing transparency on a wide level" (PM2).

Policymakers such as PM4, PM5, PM6, PM7, PM8, PM9, and PM10 mentioned that in the process of institutionalisation the MoF and the FTA collectively worked together to help the SMEs adapted to the VAT percentage. FTA facilitates various services to SMEs in the UAE.

4.1.8.2.1 Recognising Professional Bodies

9 references coded from 10 participant policymakers which covered 0.73 per cent of the total interview transcript. From the analysis, the FTA regulates agents so that agents can help SMEs in registration as well as tax return.

In detailed explanation, PM1 stated that "yes, we as the FTA set some regulations to become authorised agents who can file on behalf of SMEs", PM2 stated that "tax agencies and other professionals are always up for helping SMEs in any critical situation", PM3 confirmed that "Tax agencies and professionals are always up for helping SMEs in any problem", PM4 mentioned "SMEs can take help from existing tax agencies and professionals if any problem

is faced", and PM5 affirmed, "Tax agency and some recognised professional bodies can help and advice SMEs regarding VAT".

According to PM6, "Tax agencies and also other professionals are always up for serving SMEs in any critical circumstances", and PM7, "there are so many reputed agencies for tax and professional consultants to provide their expertise regarding this system". PM8 and PM9 confirmed that "There are renowned tax agencies and consultants who can provide professional advice and help regarding VAT" and "There are many agencies and consultancies who have specialised expertise to contribute with their professional advice", respectively.

4.1.8.3 Beliefs on VAT

2 references coded from 10 participant policymakers which covered 0.24 per cent of the interview transcript. From the analysis it has found out that the VAT has a great impact on the SMEs as it changes the business pattern and increase the cost burden on SMEs.

In detailed explanations, PM1 stated that "it has great impact in the SMEs overall. However, the role of VAT makes SMEs more responsible to the UAE", and PM3 mentioned, "VAT changes the business pattern and increasing cost in SME sector. At the same time, increase in VAT means a change in government revenue, increases business efficiency and uplifts the economy."

4.1.8.3.1 Role of VAT in the SMEs

8 references coded covering 1.36 per cent of the total interview transcript. PM1 and PM3 skipped answering the questions. From the analysis, it has found out that the role of VAT in the SMEs is to make businesses able to contribute to the national economy, ensure more accountability, and strengths national economy of the UAE.

In detailed clarification, according to the policymakers, the VAT is responsible for altering the business pattern (PM2, PM5), boosting government revenue (PM2, PM4, PM5 and PM6), supporting the UAE economy (PM2, PM4, PM5 and PM6), and uplifting business competencies (PM2, PM4, PM5 and PM6).

According to PM7, PM8, PM9 and PM10, the VAT has both negative and positive effects on SMEs. While VAT is increasing costs, changing the structure of business, requiring transparent records very strictly, it is also creating investment opportunities, increasing the revenue of the government and enhancing the growth of business.

4.1.8.3.2 Overall Assessment of VAT on the SMEs

10 references coded from 10 participant policymakers covering 1.71 per cent of the interview transcript. From the analysis, it has revealed that VAT has a positive impact on the SMEs in the UAE.

To describe more in details, PM1 said, "since the revenue generates from the VAT helps the national economy as well as the development of the country, the VAT has a positive impact on the UAE's SMEs"; PM2 confirmed, "Increasing the VAT makes the SMEs more efficient. It helps the economy being embellished. It assists to rise the lifestyle of the citizens"; PM3 stated, "Increase in VAT makes the SMEs more efficient. It helps the economy being flourish. It helps to rise the lifestyle of the mass people in the long run"; PM4 stated, "I see the change in Vat system in a positive perspective. As increase in VAT makes the SMEs more and more efficient and helps the economy of the country flourish and lastly, it helps the lifestyle of the citizen rise above previous level gradually in the long run", PM5 and PM6 specified that VAT prepares SMEs more eligible, supports the economy and all these make the lifestyle of the mass people of the UAE better than before.

According to PM7, "I observe the change in VAT system positively. As amplification in VAT makes the SMEs more effectual and assistances the economy of the state curlicue. Lastly, it would benefit the lifestyle of the citizen gradually in the long run". PM8 opined that "it will bring a very good change in the economy within several years. It has already made the business sector more efficient and increased the revenue of the government. After some years, it will be able to change the living system of the nation in a great way"; PM9 clarified that "(VAT) turn out to be very helpful in the long run. By making business more efficient and helping government earn more, it will make the living style of the country people better than before. And ultimately, it will be the people and the country that will be benefited by this system". As per PM10, "VAT in SMEs is very positive. I see this as an opportunity to improve their business condition and the economy of the country. The way VAT impacts the SMEs makes sure that nothing out of the book will happen. If it continues, the SMEs will keep making developments and contributing more to the economy".

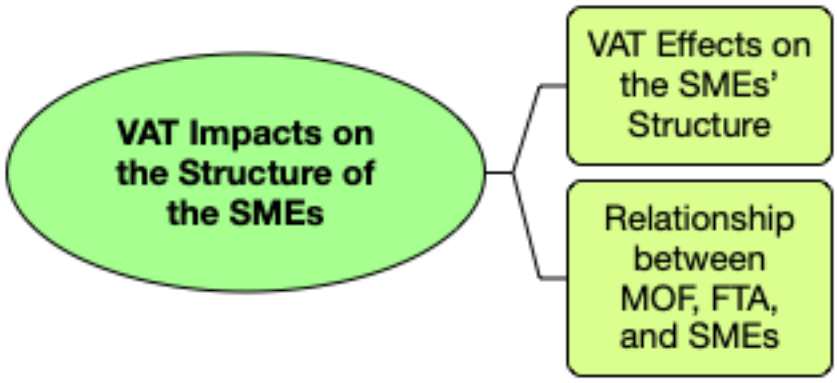
4.1.9 VAT Impacts on the Structure of the SMEs

A coding framework has been planned in the NVivo 12 to explore the VAT impacts on the structure of the SMEs. Throughout the coding framework, VAT impact on the structure of the

SMEs has been considered as theme where VAT effects on the SMEs' structure and relationship between MoF, FTA and SMEs were accounted as sub-themes.

Following Figure 4.10 shows the coding framework for VAT impacts on the structure of the SMEs.

Figure 4.10: VAT Impacts on the Structure of the SMEs



4.1.9.1 VAT Effects on the SMEs' Structure

All 10 interviewees participated in providing the information in regard to the VAT effects on the SMEs' structure. From the analysis, it has revealed that VAT has a little impact on the structure of SMEs in the UAE.

In detailed clarification, PM1 said that "I do not see any impact on the SMEs structure due to 5% VAT was being imposed. However, it could impact the SMEs if the VAT rate is higher than what we imposed"; PM2 stated that "Employee size and ownership will not be affected but vat must be paid if the supplies and import exceed 375000 AED per year. Not all SMEs will be affected by this provision as the annual turnover of SMEs are well below this line normally"; PM3 described that "If the SMEs' taxable imports and supplies cross AED 375,00 per tax year, it should get registered for VAT. But as far I observed, the mentioned issues are not affected at all"; PM4 and PM5 mentioned that employee size and ownership will not be affected but VAT must be paid if the supplies and import exceed 375000 AED per year. Not all SMEs will be affected by this provision as the annual turnover of SMEs are well below this line normally.

According to PM6, "all SMEs will not be affected by the VAT implementation. All of the SMEs should register for VAT if its taxable supplies and imports exceed AED 375,00 per tax year. However, any businesses whose supplies and imports exceed AED 187, 500 per tax year. As per as I am aware there is no impact of VAT on employee size or ownership". For PM7, "If

the SMEs' taxable imports and supplies exceed AED 375,00 per tax year, it should get listed for VAT. But as my observation, these cited issues are not affected at all". PM8 said that "VAT has many impacts on SMEs. To do the tasks, SMEs need extra employees which makes the employee size bigger. This again enlarges the size of business and ownership both. Apparently, annual turnover becomes bigger for that. That is why, although there are some unwelcome impacts, it can easily be concluded that VAT is being helpful for the betterment of the economy and the lifestyle of the people of the country".

PM9 confirmed that "VAT has significant effects on SMEs in a lot of ways. Due to the recording and accounting process and other tasks, employee size becomes bigger. This results in bigger business size and larger ownership. And this ultimately makes a positive chance on the annual turnover. So, despite some unwanted changes, it can be said that VAT is making many positive changes in the sector of business which amplifies the economy and betters the lifestyle of the whole nation". As per PM10, "VAT affected the SMEs structure such as employee size, ownership, and annual turnover. Although VAT causes the increase of costs and new business structure, it also makes more employment for the country. It creates opportunities to make investment which makes more ownership. As a result, the turnover at the end of the year increases as well. So, it is very clear that VAT has a number of good impacts on the mentioned factors".

4.1.9.2 Relationships Between MoF, FTA, and SMEs

All of the participants, 10 policymakers, provided information regarding the relationships between MoF, FTA, and SMEs. Therefore 10 references coded covering 1.69 per cent of the interview transcript. From the qualitative data analysis, it has revealed that there is a most visible relationships between MoF, FTA and SMEs.

In detailed analysis, PM1 said that "some of the most visible changes in the relationships between MoF, FTA and SMEs are responsibilities to national development. Transparency in doing business in the UAE Trustworthiness. Building trust among MoF, FTA and SMEs. Pursuing a common goal which is contributing to the national economy in order to the development of the UAE"; PM2 confirmed that "change seen due to the new VAT system is the alliance among the MoF, FTA and SMEs as they need to work with this"; PM3 affirmed that "the collaboration is the most visible change and their work pattern reflects a sound relationship"; PM4 stated that "The most visible change seen due to the new VAT system is the collaboration among the MoF, FTA and SMEs as they need to join hands to make this

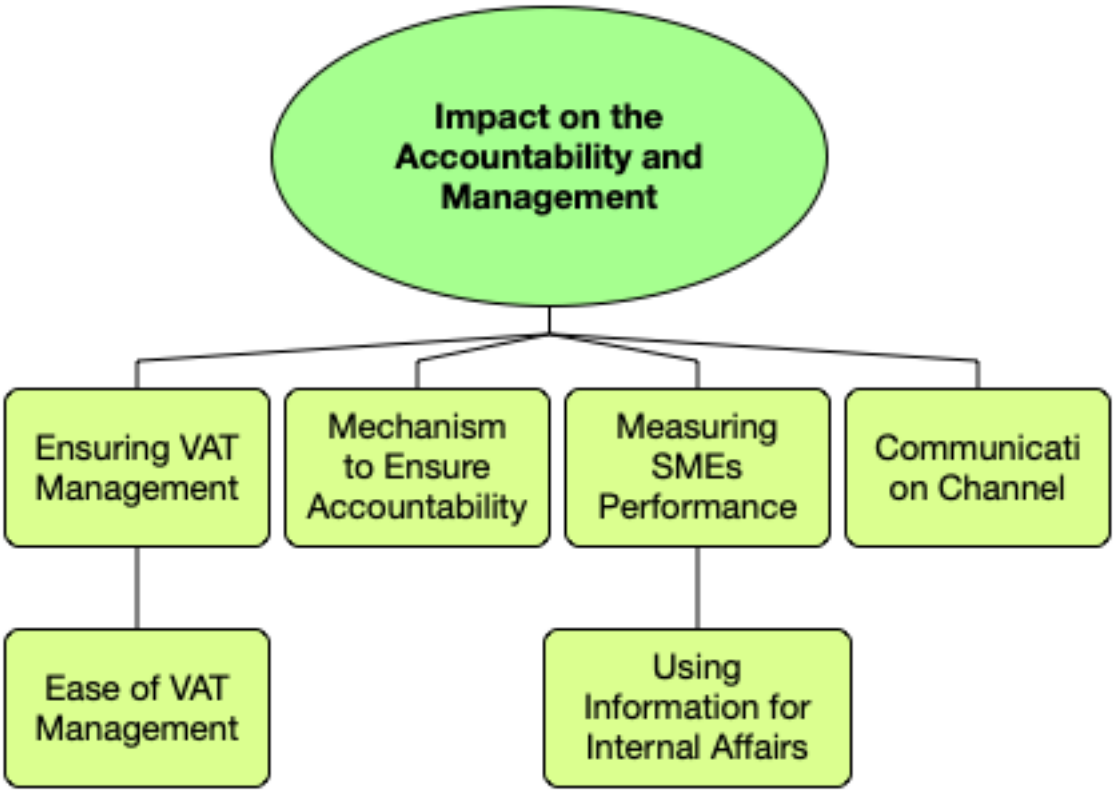
work"; and PM5 declared that "These three are now more connected than before. This will bring out a positive outcome in near future hopefully".

As per PM6, "the most visible change among MoF, FTA and SMEs is that they are now more connected as they have to work together for the VAT system. There is a huge chance that this will make a positive effect on the economy in the long run". PM7 opined that "These institutions are now more associated than before. This will bring out a optimistic outcome in future confidently"; PM8 stated that "three authorities - SMEs, FTA, MoF, are working with each other which is the most remarkable thing about them. This way, they can be more connected which gives us hopes that they will be able to turn the system to something better following the international practices. If they can do that, the country's economy will be positively affected"; PM9 affirmed that "the most noteworthy change in SMEs, MoF and FTA is the fact that these three are working together joining hands and that makes them more connected. And so, it raises high hopes that they can change the system to something even better and make a great outcome which will be very effective on the economy of the country"; and PM10 mentioned that "the most visible change that I observe in the relationships among SMEs, MoF and FTA is that now they are sharing the same goal and are working hard to accomplish that. It is a very good sign for the economy. If they can keep it up, the country can soon catch up with the international practices of other countries. This will take the situation to another new level of development".

4.1.10 Impact on the Accountability and Management System

This research study has designed a coding framework to explore the impact on the accountability and management. Impact on the accountability and management has been taken as a theme where ensuring VAT management, mechanism to ensure accountability, measuring SMEs performance, and communication channels have been accounted as sub-themes. Ease of VAT management and using information for internal affairs are the sub-themes of the themes ensuring VAT management and measuring SMEs performance, respectively. Following Figure 4.11 illustrates the coding framework including themes and sub-themes to analyse impact on the accountability and management.

Figure 4.11: Impact on the Accountability and Management System



4.1.10.1 Ensuring VAT Management

10 references coded from 10 interviewees which covered 1.95 per cent of the interview transcript. From the quantitative analysis it has revealed that there is strong VAT management in place in the UAE.

In details, PM1 confirmed, “VAT accountabilities are ensured throughout a number of stages and these include: For the registration, a legal person in business must register for VAT if the taxable suppliers made by that person exceed AED 375,000 or over the previous 12 months. Visit FTA website, www.tax.gov.ae, and select e-service to create an account by clicking sign up Once the email has been verified, log in and register your business. For the Product Registration Visit the FTA website Select e-Services Request to add a product Upload the necessary documents to register the product For VAT Return There are four stages to submit a VAT Return Login to the FTA eServices portal Complete the Form Submit the Form Settle the Payable VAT”; PM2 said, “FTA and MoF ensure those. With all the required initiatives taken, they can accomplish everything so that the process runs well”; PM3 stated, “Both of the MoF and FTA are working hard to provide SMEs with better help and to make it easier”: PM4 affirmed, “to smoothen the process MoF and FTA are working hard together”; and PM5

mentioned that "FTA and MoF have taken initiatives ensure the VAT management and registration by which they can operate the whole system to run it efficiently".

According to PM6, "Federal Taxation Authority and Ministry of Finance work together to ensure those. With all the necessary initiatives taken, they can manage everything so that the process goes well". PM7 declared that "FTA and MoF ensure these issues. With all the obligatory initiatives taken, they can achieve the whole lot so that the process can be operated in a well manner"; PM8 stated that "the overall system is longer than expected due to the steps that need to be followed. FTA and MoF both are working together to ensure that the SMEs go through each of the steps properly. The system has to be modified to a great extent to provide better service and complications have to be lessened. Both authorities are currently working on that. At present, VAT management is dealing with the system for the SMEs to help them with the VAT collection and submission process". For PM9, "The whole process consists of a number of steps. To make sure that each of them is thoroughly followed and maintained, both MoF and FTA work together. As it is still new, there are rooms for development, and both are trying to improve it as much as possible so that the complexities can be minimised". PM10 mentioned that "the authorities do most of the tasks to make sure of that. Because this is a new process which is very tiring. Ensuring everything properly is not an easy thing to do. The process and the tasks are new for the authorities too. They are getting better every day, but they need more time to stabilise the situation".

4.1.10.1.1 Ease of VAT Management

10 references coded from 10 participant policymakers consists of 0.98 per cent coverage of the interview transcript. From the qualitative data analysis, all participants confirmed that VAT management, from VAT registration to VAT return, is made easy for the SMEs in the UAE. However, there is always a room for the development.

In explanation, PM1 said, "By looking at the responses, I can say that the VAT registration to VAT return is the easiest VAT management system for SMEs. I can also confirm you that total VAT registration can take up to 20 minutes"; PM2 confirmed, "The VAT management system is providing SMEs with enough help currently. In future, it will develop even more hopefully"; PM3 stated, "the managerial team also works too hard to ensure the registration and refund part"; PM4 mentioned, "I think the current VAT management system is very helpful for the SMEs and it will improve further in future"; and PM5 revealed, "The SMEs are being privileged by the management bodies and in future it would be better hopefully".

According to PM6, "currently the VAT management system is providing SMEs with enough help and in future, hopefully it will develop even more". For PM7, "the VAT management system is providing SMEs with sufficient help now. In future, it will progress more expectantly". PM8 confirmed that "it depends on the situation. If there is any mismatch between the output and input, we look into the matter internally to understand the problem"; PM9 pronounced that "At this moment, the system of VAT management is handling the whole process with for the SMEs and with time, it will surely be more sophisticated".

PM10, however, affirmed that "well, from the perspective of the SMEs, the current VAT management system is not as easy as they expect. They need more time to cope with it".

4.1.10.2 Mechanism to Ensure Accountability

10 references coded from 10 participant policymakers which consists of 1.31 per cent coverage. From the qualitative data analysis, it has found out that there are some mechanisms, such as regulation, penalties, audit and continuous monitoring, in place to ensure accountability in VAT in the UAE.

In details, PM1 confirmed that "since we regulate VAT, one of the mechanisms we follow to penalise SMEs if they do not register their business on time. The penalty is AED 20,000"; PM2 and PM3 mentioned that keeping the records as well as examining those by specialists are the chief mechanisms.; PM4 said that "the ministry provides tools for the SMEs to work according to the rules and this gives the ministry an opportunity to monitor their activities closely as well"; and PM5 stated that "The ministry keeps records of their activities and they are also checked after a time period regularly. It certifies the accountability of the SMEs".

For PM6, "checking on them once in a while is what works well in this case. Plus, as the ministry is providing facilities, it helps the ministry get the track of their activities which ensures the accountability of the SMEs". According to PM7, "The ministry affords tools for the SMEs to work conferring to the rules and this provides the ministry with a chance to monitor their doings carefully as well". PM8 mentioned that "Monitoring the SMEs strictly is mostly what does the trick. Regular supervision helps to have a track of their performance. This makes them follow the rules and keep the accounts transparent and enables us to make corrections when necessary"; PM9 confirmed that "The first thing is to monitor them properly and supervising everything throughout the whole process. This makes it easier to maintain the transparency of their accounts. It helps us have the track of how they are doing and rectify what

they are doing if needed"; and PM10 affirmed that "Usually we don't do anything. We just make sure that the SMEs are monitored strictly. That way, we always know what they are up to, if they are maintaining the rules; so, we can correct anything if it is necessary".

4.1.10.3 Measuring VAT Performance

8 references coded from 10 policymakers which covers 0.81 per cent of the total interview transcript. Interviewees such as PM5 and PM7 skipped answering the question.

From the analysis, it has revealed from the qualitative data analysis that SMEs have measured VAT performance by monitoring, throughout the VAT management system, focusing transparency of the businesses, auditing, and accountability. A detailed explanation is in the following.

PM1 responded that "we monitor performance of SMEs time to time by accessing the information they provide during tax return"; PM2 mentioned that "the VAT system concentrates on the transparency of business of SMEs"; PM3 stated that "it usually emphasises on the clarity of business of SMEs. If any mismatch is found, the documents are checked in detail"; PM4 declared that "VAT system focuses on the transparency of business of SMEs"; PM6 said that "VAT system is used to ensure the transparency of a business which helps to assess the performance of SMEs".

According to PM8, "the new VAT system is applied to make the SMEs more accountable. This makes them prepare records of every transaction properly. It makes their performance better and increases the growth of business". PM9 clarified that "VAT system is implemented to make them accountable so that they keep a record of everything and maintain transparency in their performance. This also enhances their business growth"; and PM10 mentioned that "The VAT system is used to assess the performance of the SMEs by making them keep transparent accounts. In that way, there remains no chance for the SMEs to do anything illegally which helps them perform well".

4.1.10.3.1 Using Information for Internal Affairs

8 references coded from 10 interviewees which consists of 0.87 per cent of the total interview transcript. Two interviewees such as PM3 and PM8 skipped providing information regarding the use of information for internal affairs.

From the qualitative data analysis, it is found out that information provided by the SMEs are utilised for reviewing policy and procedures, for finding out inconsistency, find out any discrepancy, and audit purpose. A detailed explanation is in the following.

According to PM1, "for taking and reviewing policy and procedures, we use the information provided by the SMEs". Regarding using information PM2 and PM4 mentioned that for evaluating internal affairs and looks for any types of inconsistency and alerts the system whenever identifies one. PM5 stated, "for assessing internal affairs and looks for any kind of discrepancy and alerts the system whenever identifies one"; and PM6 mentioned, "Yes, it is used for internal affairs. If any discrepancy is noticed in the internal activities, then the records shown in the VAT report are matched with other records to rectify that".

PM7 confirmed that "The business transparency is checked by the tax consultant and if any incongruity is originated there, the tax papers are co-ordinated with internal documents and checked over to fix that"; PM9 stated that "Yes, it is often used in internal affairs when needed. If the outcome seems dubious or rectification is needed, the records and the outcomes are matched to see what is wrong", and PM10 declared that "Sometimes, if the situation requires that measure".

4.1.10.4 Communication Channel

10 references coded from 10 interviewees which covered 0.98 per cent of the total interview transcript. From the qualitative data analysis, it has revealed that there are three communication channels such as (1) by physical administration such as in person; (2) by online services such as via e-mail; (3) by postal service such as mail; (4) by telecommunication such as telephone, mobile and text.

In detailed clarification, PM1 mentioned that "we have three different communication channels in place to communicate with SMEs and they, In person SMEs has the opportunities to meet our nominated agents in person. By Mail We communicate with SMEs by sending mail. By email we send notifications to their email. By telephone SMEs can contact us by making phone call"; PM2 clarified that "online channels are mainly used in that case though offline ones are not out of consideration"; PM3 said that "though online channels are mostly preferable but both online and offline take place in communication"; PM4 stated that "Online and offline both channel of communications are used with higher emphasis on online platform"; and PM5, PM7

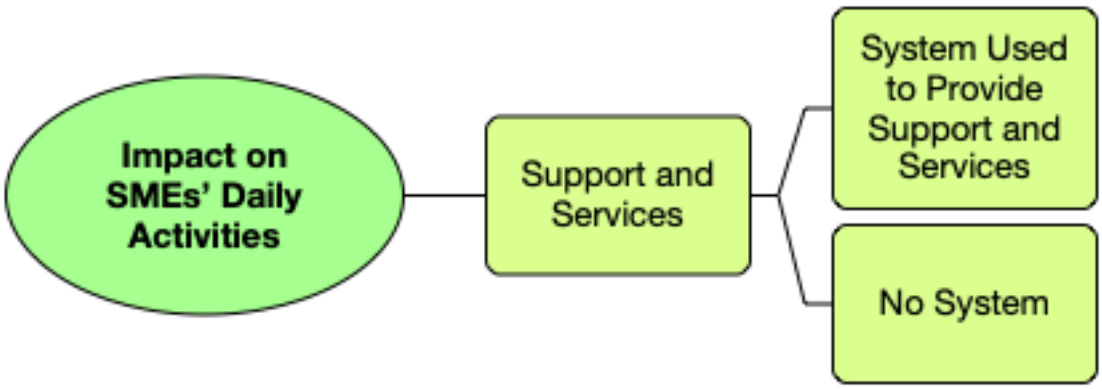
and PM8 claimed that both the offline and online communications are available but online channels are preferred in such issues.

According to PM6, "online communication channels are mostly used in that case although offline ones are not out of consideration". PM9 proclaimed "Online communication channels through email is the most effective one in this regard whereas the offline communication channel such as postal method can be vital as well"; and PM10 stated that "Both online and offline channels are available in case of any default".

4.1.11 Impact on SMEs' Daily Accountability

To analyse impact on SMEs' daily accountability, a coding framework has been organised. Throughout the coding framework, impact on SMEs' daily activities has been considered as base theme and support and services was accounted as sub-themes. Sub-themes such as system used to provide support and services and no system were the sub-themes (child node) of the theme support and services. Following Figure 4.12 illustrates the coding framework to explore VAT impact on SMEs' daily accountability.

Figure 4.12: Impact on SMEs' Daily Accountability



4.1.11.1 Support and Services

10 references coded from 10 interviewees which covered 1.14 per cent of the total interview transcript.

From the qualitative data analysis, it has found out that the Ministry of Finance and the Federal Tax Authority facilitate online services but do not provide any software to individual organisation. Also, adequate supports and services provided by the MoF and the FTA to help SMEs in VAT registration, generate tax invoice, and return annual tax. A detailed description is shown in the following.

According to PM1, "Yes, we provide support and services to SMEs including e-services. However, we don't provide them any software in person. We provide proforma to submit tax invoice. SMEs must follow the proforma to be compliant. Otherwise, there is an administrative penalty for violating Tax Invoice". PM2 mentioned, "Yes, sure. To accelerate day-to-day financial service, we've promoted the online platform. Additionally, there are invoicing and credit control to take care of VAT system which are done as supporting doings"; PM3 said, "Sure thing. To accelerate day-to-day financial service, we've opened online platform. Furthermore, invoicing and credit control to look out of VAT are done as supporting activities"; PM4 stated, "Yes, we offer online supports to manage day to day activities to take care of VAT system in SMEs. It uses invoice, control of credit and many others to take care of VAT"; PM5 said, "sure, online platform are provided as support and service to accomplish day-to-day financial operations. The support activities comprise invoicing and credit control to look out of VAT".

PM6 mentioned that "yes, we provide support and services including online platform to manage day-to-day financial activities. The activities include invoicing, credit control to take care of VAT"; PM7 stated that "definitely. To quicken day-to-day financial service, we've launched an online platform. Additionally, invoicing and credit control to look out of VAT are done as secondary activities"; PM8 declared that "of course, we do"; PM9 said that "yes, we do"; and PM10 claimed that "Yes, we provide that support and service".

4.1.11.2 System Used to Provide Supports and Deliver Services

10 references coded from 10 participant policymakers which consisted of 1.43 per cent of the total interview transcript. From the qualitative data analysis, it has found out that the Ministry of Finance and the Federal Tax Authority supports SMEs by nominating agents and online to provide supports and services. A detailed description is shown in the following.

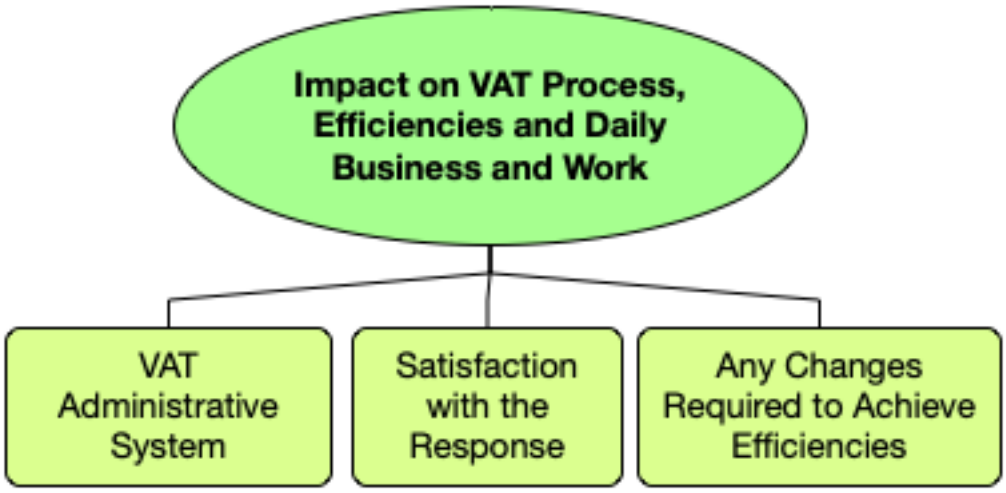
PM1 mentioned that "we support SMEs by agents and e-services to register and submit their VAT"; PM2 stated that "well, it is making the practice of submitting VAT easy for all the SMEs in UAE "; PM3 mentioned that "SMEs are running the process of VAT submission in ease with the help of these services"; PM4 clarified that "it is being very helpful for the SMEs to submit their amount of VAT payment"; and PM5 claimed that "well, it is making the procedure of submitting VAT easy for SMEs".

According to PM6, “well, it's doing good. It helps the SMEs to go along with the process of VAT submission easily”. PM7 claimed, “Well, it is making the practice of succumbing VAT relaxed for all the SMEs in UAE”; PM8 stated, “the performance of our support and service system has been tremendous. It has helped the SMEs to a great extent. SMEs have been able to go along with the VAT system in a step by step process in an easy way. Moreover, with our service system, they can decrease their cost of compliance and non-compliance and become more VAT compliant. This in exchange helps us to collect the VAT with less complexity. That is why we are trying to render them quality service”; PM9 said, “Well, it can be said that our support system’s performance is quite satisfactory. It is of a great help to the SMEs. It assists them throughout the whole process and makes a positive experience for them. With the help of the support and service, SMEs can go through the process with less havoc and submit their VAT in a much easier manner. Our support and service helps them lessen their compliance and non-compliance cost both and makes them more compliant. In this way, we approach the SMEs and encourage them to follow the rules and submit their VAT which in return makes our task of VAT collection easier”; and PM10 described, “As it is the beginning, we provide them with day to day support and services to take care of the recording system and other activities so that they can adopt the new system fast and get used to it. This way, the support and service system affect the SMEs very positively”.

4.1.12 Impact on VAT Process and Efficiencies

This study developed a coding framework to analyse the impact on VAT process, efficiencies. Impact on VAT process, efficiencies and daily business work has considered core theme where VAT administrative system, satisfaction with the response, and any changes required to achieve efficiencies are the sub-themes. Following Figure 4.13 depicts the coding framework as well as themes and sub-themes.

Figure 4.13: Impact on VAT Process, Efficiencies and Daily



4.1.12.1 VAT Administrative System

10 references coded from 10 participant interviewees covering 1.60 per cent of the total interview transcript. From the qualitative data analysis, it has revealed that policymakers believe the VAT administrative system is very easy, fast, time-efficient, and acceptable. A detailed explanation is in the following.

As per PM1, "VAT system is very easy". PM2, PM5 and PM7 mentioned that the VAT administrative system is working on making the VAT practice easier and more acceptable. It requires to be more digitalised in online and the offline method is an extensive one. PM3 confirmed, "the VAT administrative system is working to make the VAT procedure easier. The digital system helps to fasten the VAT payment service as it takes less time and workforce to submit due to the increase in internet penetration in UAE"; and PM4 declared, "The digital system helps to fasten the VAT payment service as it takes less time and workforce to submit due to the increase in internet penetration in UAE".

PM6 stated that "the VAT administrative system is affecting positively to make the VAT activities easier. In offline activities it is a lengthy process and in online, it needs to be more digitalised. The administration will work on both to make things better"; PM8 said that "VAT administration is trying to make the activities in this process easier. So apparently, it affects the system positively. Both offline and online platforms need more modifications and the administration is tirelessly working to make that happen"; PM9 mentioned that "the system of VAT administration making the VAT activities easier which shows how positively effective it is. Offline activities are lengthy and online platform needs more digitalisation. The

administration will soon take initiatives to make both platforms better"; and PM10 clarified, "when it comes to offline activities, things take more time. The pace of the activities gets slower. But in case of online activities, things get done in a minute. But people are not used to online activities. The administration is trying to improve both of the ways to fasten the pace of the activities".

4.1.12.2 Satisfaction with the Response

10 references coded from 10 interviewees covering 0.72 per cent of the interview transcript. It has found out that the satisfaction with the response received from the SMEs is positive.

In details, PM1, PM2, PM3, PM4, and PM5 mentioned, by looking at the response throughout the VAT registration and VAT return received, the response is "satisfactory". According to PM1, "yes, I am satisfied with the level of responses including VAT registration and VAT return received in the last year" whereas PM2 said, "I am satisfied according to my recent experience. In the meantime, it brought out quite pleasing result". PM3 clarified, "till now, the received responses are quite satisfactory as this is only one year" and PM4 believed, "the response has been satisfactory as it has only been one year". As per PM5, "according to the experience of one year, I am satisfied. In the short span of time, it brought out quite satisfactory result".

According to PM6, "yes. It has been just one year. Comparing to this short period, the response we received is quite satisfactory". PM7 mentioned, "the response has been quite pleasing as it has only been one year"; PM8 said, "yes. the response we got is remarkable. Although the first year has passed, we are very hopeful for the future"; PM9 said, "yes. It is just one year. Within such a short time, we received a satisfactory response"; and PM10 affirmed, "of course we are. The response we got in the first year is tremendous".

4.1.12.3 Any Changes Required to Achieve Efficiencies

10 references coded from 10 participant policymakers which covered 1.01 per cent of the interview transcript. It has found out from the qualitative data analysis that updating the system time to time and develop system to meet the need of the SMEs. A detailed clarification is in the following.

According to PM1, "there is always room for the changes. I would say updating the system is mandatory". PM2 stated, "likewise, other systems ask for changes to be adaptable with time,

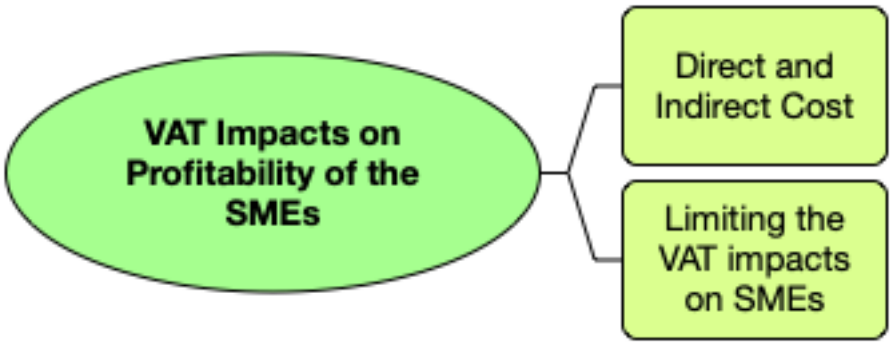
this also does. It will be changed in near future as needed"; PM3 mentioned, "every system improves as further demand and so will this as required in future"; PM4 said, "the system is still in the introductory level and it needs more improvement and we are planning to do so using customer level feedback"; PM5 clarified, "it has just been one year. So, yes, changes are required according to the situations and hopefully it will be better with the passage of time".

PM6 mentioned that "Everything about the system is still new here. So yes, improvement is needed and hopefully it will be perfected eventually with the passage of time"; PM7 said that "as every system improves with time according to further demand, so will this as essential in future"; PM8 explained that "the system is still new and needs development. Authorities are working in this regard. So, it can be said that by the time it will get a lot better"; PM9 and PM10 believed that everything in this system is still developing. And betterment is surely needed. It can be hoped that the system will get better with time.

4.1.13 VAT Impacts on Profitability of the SMEs

To analyse the VAT impacts on profitability of the SMEs, a coding framework has been planned. A core theme for the coding framework is VAT impacts on profitability of the SMEs. Direct and indirect cost and limiting the VAT impacts on SMEs are sub-themes in this coding framework. Following Figure 4.14 illustrates the coding framework, themes as well as sub-themes.

Figure 4.14: VAT Impacts on Profitability on the SMEs



4.1.13.1 Direct and Indirect Cost

10 references coded from 10 interviewees covering 0.71 per cent text of the total interview transcript. From the qualitative data analysis, all the interviews confirmed that they are aware of the VAT impacts on profitability of the SMEs in the UAE.

In detailed clarification, PM1 replied that "Indeed, I am totally aware of the direct and indirect costs associated with SMEs being VAT compliant"; PM2 mentioned that "Sure. There are some administrative costs allied with the SMEs to be VAT compliant which may influence the productivity of the SMEs"; PM3 and PM6 stated that "Surely, I am. There are operational costs associated with the SMEs to be VAT acquiescent. It can grab the production power of the SMEs"; PM4 and PM6 mentioned that they are aware of administrative cost as well as the profit line of SMEs may be affected with the changes in the VAT system. PM5 replied, "yes, I am. There are managerial costs allied with the SMEs to be VAT acquiescent. It can influence the productivity of the SMEs".

According to PM7, "surely. There are so many direct and indirect costs allied with the SMEs to be VAT compliant. It can grab the production power of the SMEs". PM8, PM9 and PM10 agreed with the fact that VAT incurred a direct and indirect cost which impact profitability of the SMEs.

4.1.13.2 Limiting the VAT Impacts on SMEs

There have been 10 references coded from 10 interviewees which covered 1.10 per cent of the interview transcript. From the qualitative interviews, it has revealed that the MoF has been consistently working towards limiting the VAT impact on SMEs.

In detailed explanation, PM1 mentioned that "We are consistently working to limit the cost incurred by imposing 5% VAT on SMEs. We encourage SMEs to be compliant in terms of registration and VAT return to get away from penalties", PM2 clarified that "though MoF is working to resolve this issue but we have no such system right now"; PM3 believed that "As my department is working on this currently, we are about to plan something to make the system simplified which will assist the SMEs to lessen their compliance expenses"; PM4 explained that "Currently we have no such system but my department is working to resolve this issue"; and PM5 stated that "the MoF is occupied on it. It is trying to ease the VAT system which will aid the SMEs to".

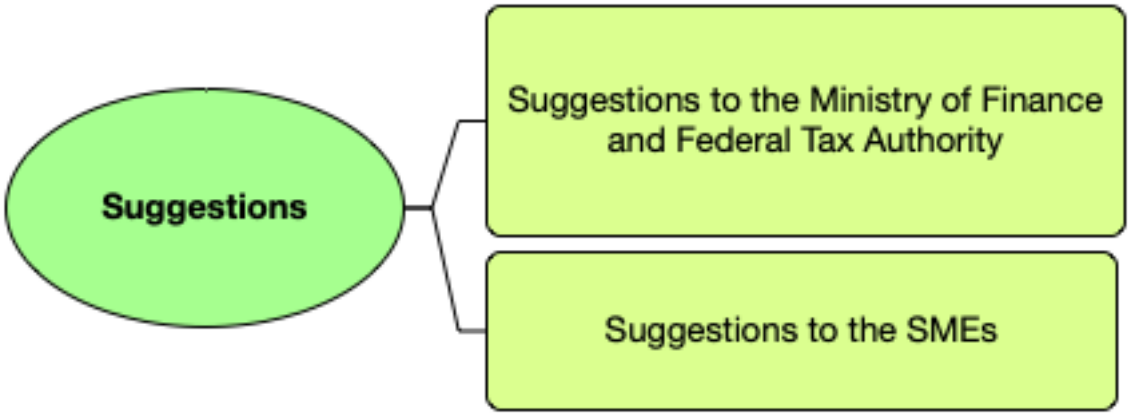
According to PM6, "my department is currently working on it. Our plan is to make the VAT system into a simplified system which will help the SMEs to decrease their compliance costs". PM7 clarified, "The MoF is engaged on it. It is trying to comfort the VAT system which will assist the SMEs to decrease their compliance charges"; PM8 stated, "My department is now seeing to this matter with a view to materialising the plan of turning the system into an easier one so that the compliance cost can be lessened", PM9 explained, "My sector is now working

on this matter in order to materialise the plan of making the VAT collection system more simplified so that it can increase the compliance cost of the SMEs"; and PM10 confirmed, "yes. Some measures have been and will be taken to limit the costs. We are doing some of the tasks for them to decrease the costs. We are developing their accounting systems too".

4.1.14 Suggestions

A coding framework has been drawn to outline the suggestions made by the interviewees. Throughout the coding framework, the word 'suggestions' has been considered as a core theme where suggestions to the Ministry of Finance and Federal Tax Authority, and suggestions to the SMEs are considered as sub-themes. Following Figure 4.15 depicts detailed coding framework including theme and sub-themes.

Figure 4.15: Suggestions to MoF/FTA and SMEs



4.1.14.1 Suggestions to the Ministry of Finance and the Federal Tax Authority

All 10 policymakers offered their suggestions to the Ministry of Finance and the Federal Tax Authority. From the interview analysis, it has revealed that there have been 10 references coded which covered 1.26 per cent text of the total interview transcript. From the analysis, some of the suggestions are (1) Providing More Financial Support; (2) Lowering VAT Rate; and (3) Helping Start-up. Following is a detailed analysis.

PM1 suggested, "providing more financial supports to the SMEs so that they can grow their businesses"; PM2 and PM8 recommended, though the rate is very low, it can be lowered more in some SME cases to inspire them to be more enthusiastic. Even Mof and FTA can take the issue of monetary help in consideration; PM3 proposed, "to provide them with necessary monetary help. The VAT can also be lowered a bit if it gets a big trouble"; PM4 advised, "Since, personal level income holders try to build SMEs, increase in VAT may discourage

them to go for SMEs as there is a probability of increase in tax rate. Hence, my suggestion is to decrease tax further to attract new investors"; and PM5 opined that "The rate can be lowered particularly for SMEs which will encourage small start-ups. Providing them with monetary funding can work as well".

According to PM6, "the MoF and FTA can lower the rate particularly for SMEs. It is already low enough, but it can make people discouraged to make a small start-up business. Also, providing them with financial support can work well too." PM7 advised that "Since, personal income holders try to build SMEs, the increasing VAT may daunt them to go for SMEs as there is a chance of growth in the tax rate. Henceforth, my recommendation is to reduction in tax rate to attract new investors"; and PM9 suggested that "the rate can be lowered for SMEs. Financial support can be provided to help them in this regard"; and PM10 recommended that "The rate can be lowered specifically for the SMEs. It may be changed later depending on the future situation. Also, we can support them financially to help with this".

4.1.14.2 Suggestions to the SMEs

All 10 participant policymakers offered their suggestion to the SMEs to cope with the 5% VAT implementation and reduce the impact of the VAT on the profitability of the business. There have been 10 references coded covering 1.04 per cent of the text of the interview transcript. Form the qualitative data analysis, it has revealed that some of the suggestions were made by the policymakers to the SMEs are (1) Allocating right skilled people for right jobs; (2) Trustworthiness; (3) Train and develop employees; (4) Being compliant to the VAT regulations; (5) Developing a unique recording system; and (6) Updating recording system. A detailed explanation is in the following.

PM1 suggested, "to allocate right skilled people for right jobs. Trustworthiness is a key issue which need to be established throughout VAT return"; PM2 advised, "to hire more competent employees and train them to be more adaptable to the VAT system"; PM3 recommended, "SMEs should hire more skilled employees. Existing employees should also be trained and introduced well to the VAT system"; PM4 endorsed, "SMEs should employ better accountants and use improved Vat management system to collect VAT and submit it more efficiently"; and PM5 mentioned, "Suggestions: Improving their accounting procedure, Training the stuffs, Emerging the VAT collecting scheme to be more VAT compliant".

As per PM6, “they can train their stuff, improve their accounting process, and develop their VAT collecting system to become more VAT compliant”. For PM7, “SMEs to hire more capable employees and train them to be further compliant to the VAT system”. PM8 recommended that “SMEs can train their staff well; improve their recording system and academic process in order to become more VAT compliant”: and PM9 advised that “The stuff can be trained properly, accounting process can be improved; the system of VAT collection can be improved in order to increase VAT compliance”; and PM10 proposed that “to increase the VAT compliance, SMEs have to train their employees properly. Moreover, they have to develop their system of making and maintaining accounting records”.

4.2 Part B: Qualitative Data Analysis (Stakeholders)

The main purpose of the interview with stakeholders of the SMEs is to understand the inception of 5 per cent VAT from the stakeholders' perspectives. There have been 10 qualitative interviews conducted with the stakeholders. Throughout the qualitative data collection, this study tried to obtain information regarding demographic, understanding taxation policy in the UAE, factors impacting the adoption of VAT in the UAE, rationale for imposing on VAT on the SMEs in the UAE, VAT impact on SMEs, support and services provided by the UAE government, and recommendations.

A detailed coding for qualitative data analysis for stakeholders retrieved from QSR NVivo 12 is shown in the Appendix 14 (see **Appendix 14: NVivo 12 Coding (Qualitative Data Analysis (Stakeholders**)).

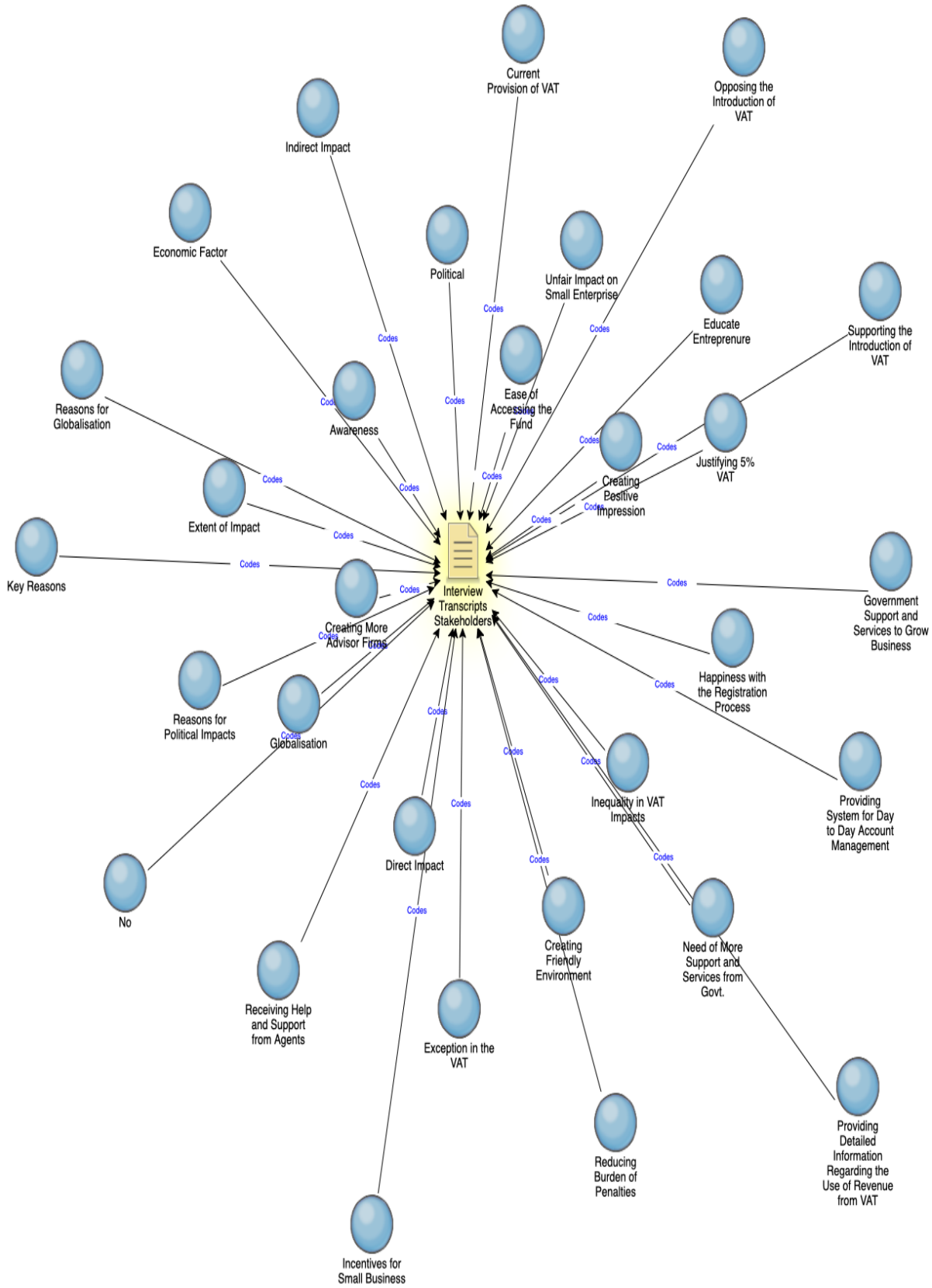
The themes (nodes), sub-themes (child and sibling nodes) have been planned throughout the qualitative data analysis and is shown in the following Figure 4.16.

Figure 4.16: Nodes Compared by Number of Coding References



An explore diagram of the coding shown in Figure 4.17

Figure 4.17: Explore Diagram



From the qualitative data analysis through NVvivo 12, this study searched 100 words which were frequently used by the stakeholders and found out that the word VAT was used most frequently approximately 487 times 8.03 per cent and time was least used word used only 11 times 0.18 per cent of the total interview transcript. Following Figure 4.18 shows a word cloud of the 100 most frequently used words by the stakeholders.

Figure 4.18: 100 Frequently Used Words by the Stakeholders



4.2.1 Demographic Information Analysis

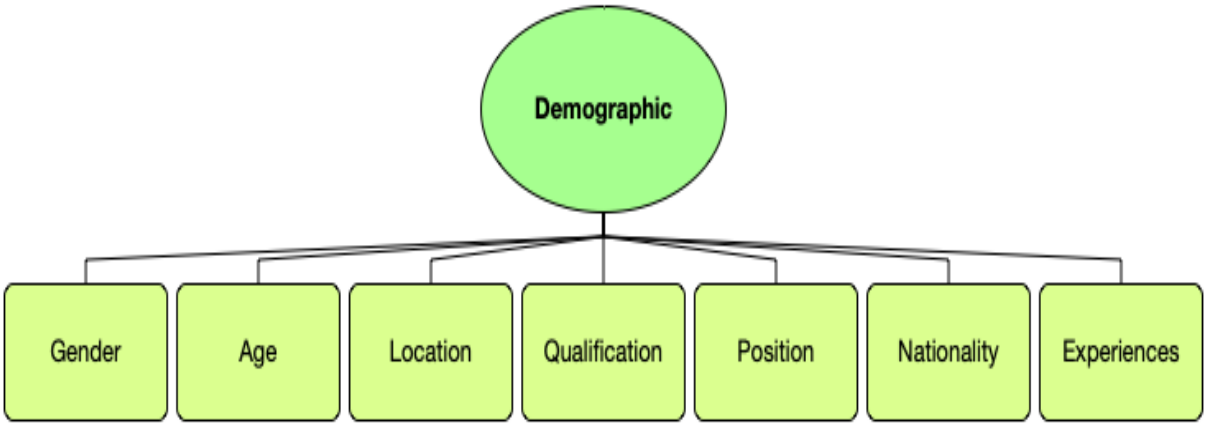
Demographic information, such as gender, age, location, highest qualification, position, nationality and experiences of the participants, has been analysed to understand that background of the stakeholders of the SMEs in the UAE.

Coding framework has been planned throughout the NVivo 12 analysis. Demographic has been taken as a theme. Demographic information such as gender, age, location, highest qualification, position, nationality and experiences have been considered as sub-themes (see Figure 4.19). A summary of demographic information is shown in Table 4.3.

Table 4.3: Demographic Information of the Stakeholders[6]

SL	Gender	Age	Location	Qualification	Position	Nationality	Experience
SH1	Male	46-55	Abu Dhabi	Master	Businessman	Emirati	15-20 years
SH2	Male	55-65	Umm Al Quwain	Bachelor	Businessmen	Emirati	20 years above
SH3	Male	46-55	Sharjah	Master	Business Professional (Accountant)	Emirati	15-20 years
SH4	Male	36-45	Abu Dhabi	Master	Media Person (Business Reporter)	Emirati	10-15 years
SH5	Male	46-55	Dubai	PhD	Academic (Business Administration)	Emirati	15-20 years
SH6	Female	26-35	Ras Al Khaimah	Master	Buyer	Emirati	10-15 years
SH7	Male	18-25	Fujairah	Bachelor	Working for SMEs	Emirati	4-5 years
SH8	Female	36-45	Dubai	PhD	Business Professional (Business Banker)	Emirati	10-15 years
SH9	Male	46-55	Sharjah	PhD	Researcher (Business and Investment)	Emirati	10-15 years
SH10	Male	46-55	Ajman	Diploma	Businessmen	Emirati	20 years above

Figure 4.19: Demographic Information



A detailed analysis of demographic information of the stakeholders is in the following:

[6] Whittington e*t al.* (2019, p.130) define "stakeholders are those individuals or groups that depend on an organisation to fulfil their own goals and on whom, in turn, the organisation depends." Stakeholders in this research study are those individuals or groups that has interests in the UAE SMEs and on whom, in return, the UAE SMEs depend. Hence, stakeholders in this study are business owners, businesses professionals (accountants), media person (business reporters), academic (business administration), buyers, business bankers, and researchers in both business and investments.

Gender: From Table 4.3 It has found out from the qualitative data analysis that there were 10 stakeholders participated in this study of which 8 stakeholders are males and 2 females.

Age: From the analysis, majority of the stakeholders, 5 stakeholders were in the 46-55-year age group. It has revealed that 2 stakeholders were in the 36-45-year and rest of the 3 stakeholders were in the 55-65, 26-35, and 18-25-year age groups.

Location: In terms of location of stakeholders of the SMEs, among 10 participants each 2 participants were from Abu Dhabi and Dubai, each one stakeholder was from Ajman, Fujairah, Ras Al Khaimah, Sharjah, Umm Al Quwain.

Highest Qualifications: Regarding highest qualifications of the stakeholders, highest number of participants, 4 participants, had Master's degree, 3 participants had PhD degree, 2 participants had Bachelor's degree, and 1 participant had a Diploma qualification.

Position in the SMEs: Concerning the stakeholders' positions in the SMEs, it has found out that there were 3 businessmen, 2 business professionals (one accountant and one business banker), 1 academic (business administration), 1 researcher (business and investment), 1 media person (business reporter), 1 buyer, and 1 working for SMEs in the UAE.

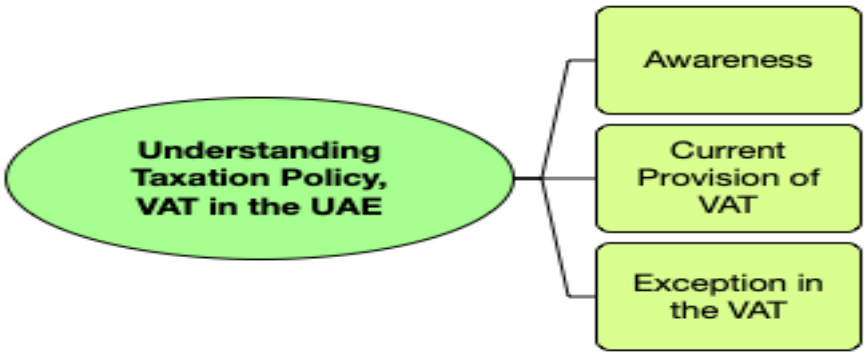
Nationality: It has found out that all of the stakeholders were from Emirati national background.

Experience: Regarding the experiences of the stakeholders in the SMEs in the UAE, majority of the participants, 4 stakeholders, have experiences between 10 and 15 years. 3 participants have experiences from 15 to 20 years where 2 stakeholders have above 20 years of experiences. 1 stakeholder confirmed that he has between 4 and 5 years of experiences.

4.2.2 Understanding Taxation Policy, VAT in the UAE

This research study has planned coding framework shown in Figure 4.20 to understand taxation policy as well as VAT in the UAE from stakeholders' perspectives. Throughout the analysis, understanding taxation policy, vat in the UAE has been considered as theme and awareness, current provision of VAT, and exception in the VAT have been taken as sub-themes.

Figure 4.20: Understanding Taxation Policy, VAT in the UAE



A detailed explanation of the qualitative data is in the following.

4.2.2.1 Awareness

10 references coded from 10 participants which covered 0.85 per cent of the total interview transcript. From the qualitative data analysis, it has been found out that all stakeholders were aware of the introduction of the VAT in the UAE. A detailed explanation is in the following:

In response to the question such as are you aware of the introduction of the VAT in the UAE?, SH1 replied that "Sure" where SH2, SH3, SH4, SH5, SH7, SH8, and SH10 confirmed with "Yes" they are aware of the introduction of the VAT in the UAE. SH6 affirmed that "I am very much aware of the fact of introduction of the VAT in the UAE", and SH9 mentioned that "I am completely aware of the VAT inception in the UAE. VAT has imposed by the government of UAE effected from 1st January 2018".

4.2.2.2 Current Provision of VAT

10 references coded which covered 1.90 per cent of the interview transcript. Form the qualitative analysis, it has revealed that all participants were aware of current VAT provision of 5% VAT in the UAE.

In detailed explanation, SH1 confirmed, "it is 5% which would be well utilised by government for public welfare", SH2 mentioned, "the VAT rate is 5% right now which is mainly imposed to improve the quality of government sectors and influence the lifestyle of mass people", SH3 and SH4 affirmed, the current rate of VAT is 5% in the UAE, and SH5 asserted, "it is 5% at present".

According to SH6, "the VAT rate is currently 5 per cent which would be utilised in the public services of UAE ensuring high quality". SH7 said that "the VAT rate is 5 per cent which is

imposed on certain goods and services", SH8 stated that "current VAT provision is 5 per cent on goods and services. However, VAT may differ by product by product. For example, cigarette, soft drink and energy drink has more VAT rate than usual", SH9 clarified that "the current provision for VAT is 5 per cent. Although it is not fixed for all goods and services. For example, VAT rate is more for the goods such as cigarette, soft drink, and energy drink than usual", and SH10 confirmed that "yes indeed, current provision of the VAT is 5 per cent which apply on goods and services. The 5 per cent VAT may differ from one product to the other. For example, for tobacco and energy drink the VAT rate ranges from 50 per cent to 100 per cent."

4.2.2.3 Exception in the VAT

10 references coded from 10 stakeholders' interviewees which covered 2.57 per cent interview transcript. From the qualitative data analysis, it has revealed that there are some exceptions in some of the sectors such as real estate. However, following is a detailed analysis.

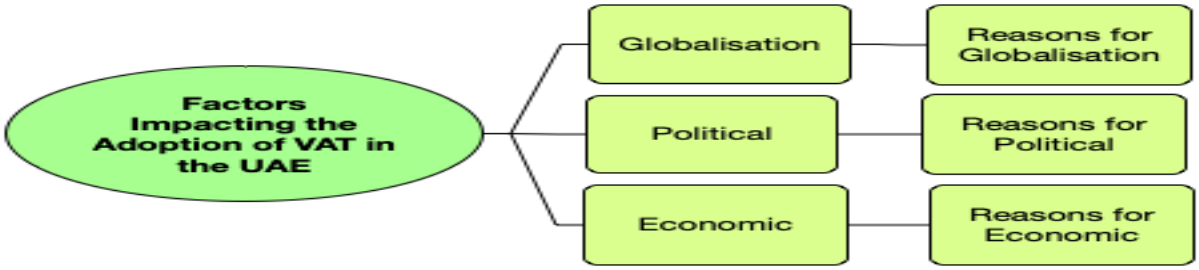
According to SH1, SH2, SH3, SH4, SH5, and SH6, real estate industry is an exception[7] in the VAT registration and payment. SH7 stated, "a business must comply with the VAT regulation if their supplies and imports exceed AED 375,000 per annum. It is voluntary for a business to register for a VAT if its supply and imports is over AED187,500 per annum. Some of the industries such as real estate business is exempt from VAT", SH8 asserted, "business does not have to register for VAT if their supply or export exceeds AED375000 per annum. However, business can voluntarily register for if their income exceeds AED 185000 per annum"; SH9 clarified, "businesses are taken as exception if the annual business turnover is lower than AED 375000. However, it is compulsory for the business to register their business if their annual turnover is more than AED 375000. Business can voluntarily register for VAT if their annual turnover is more than AED 185000", and SH10 described, "Government set out a minimum annual turnover threshold which is AED 375000. Hence, it is not mandatory for any small businesses whose annual business turnover is less than AED 375000. However, business can still register for VAT voluntarily if their annual turnover exceeds AED 185000".

[7] According to the Ministry of Finance, VAT in Real Estate, (n.d.), "The VAT treatment of real estate depends on whether it is a commercial or residential property. Supplies (including sales or leases) of commercial properties are taxable at the standard VAT rate (i.e. 5%). On the other hand, supplies of residential properties are generally exempt from VAT. This ensures that VAT does not constitute an irrecoverable cost to those who buy their own properties. In order to ensure that real estate developers can recover VAT on construction of residential properties, the first supply of residential properties within three years of completion at the time of VAT introduction is zero-rated."

4.2.3 Factors Impacting the Adoption of VAT in the UAE

This research study tried to understand the factor impacting the adoption of VAT in the UAE from stakeholders' perspective. Therefore, a coding framework has been planned where 'Factors Impacting the Adoption of VAT in the UAE' has been considered as theme, factors such as "globalisation", "political", and "economic" have been taken as sub-themes (see Figure 4.21). A detailed explanation of the factors is in the following:

Figure 4.21: Factors Impacting the Adoption of VAT in the UAE



4.2.3.1 Globalisation

There have been 10 references coded from 10 participant stakeholders which consisted of 1.67 per cent text of the interviews with stakeholders. It has revealed from the analysis that globalisation is one of the key factors contribute to the VAT adoption in the UAE.

For example, SH1 mentioned, "looking at the global economy shows us that almost every country asks for VAT from citizens", SH2 confirmed, "that worldwide system motivated UAE to impose the system in UAE', SH3 clarified, "the newly imposed VAT rate is 5% and apparently, it is a result of globalisation", SH4 described, "the adoption of VAT in UAE is stimulated by globalisation and there is no doubt in it", and SH5 said, "the VAT rate which has been imposed newly is 5% and seemingly, it is a result of globalisation".

According to SH6, "in order for globalisation, other countries are getting significant amount of VAT". For SH7, SH8 and SH10, globalisation attribute to impose VAT in the UAE. SH9 confirmed that "globalisation is because IMF has been suggesting the UAE government to impose VAT for years in the process of economic diversification".

Reasons for Globalisation

9 references coded from 10 participant stakeholders which covered 2.54 per cent of the total interview transcript. From the qualitative analysis, it has revealed that stakeholders believed globalisation plays an important role in imposing VAT in the UAE in order to raise revenue income to fund welfare and public services in the UAE.

For instance, SH1 confirmed, "the UAE got inspired from [globalisation] and imposed VAT to collect money and to spend it on welfare of public services", SH2 stated, "almost every government of other countries have VAT regulations which amount they use in welfare of the countries and other related issues", SH3 said, "each country collects VAT to amplify the GDP, so their economy. UAE imposed the VAT for the same reason, I think", SH4 clarified, "every country should follow the global regulation. As the way of it, UAE is following the VAT rule. In the long run, accepting this global VAT regulation will help UAE", and SH5 described, "that international VAT system inspired UAE government to impose the system in UAE. It will impact the GDP to rise and so will the economy".

According to SH6, "[globalisation] motivated UAE as well to introduce the VAT system as a peer country fact. No countries want to lag behind the race". SH7 described that "due to the globalisation economy is diversified than ever. Hence, the government of the UAE cannot sit back and look at the economy to grow. Therefore, the government has taken initiative to go for economic diversification and putting less stress on natural resources", SH8 confirmed that "in description, on the one hand, I would say in the age of globalisation country cannot rely on a single source of income especially natural resources. They must look for a diversifying economy. Hence, IMF has been prescribing VAT impose to the government of the UAE for years", and SH9 defined that "there was a global pressure to implement VAT in the UAE. IMF has been prescribing VAT for the UAE since 2010. As you might know VAT is a form of indirect tax and is levied in more than 180 countries around the world. This has encouraged UAE to impose 5 per cent VAT in the Emirates".

4.2.3.2 Political

4 references coded from 10 participant stakeholders comprised of 0.95 per cent of the total interview transcript. From the qualitative data analysis, it has revealed that political factors contributed substantially to adopt VAT policy in the UAE.

For example, SH7, SH8 and SH9 stated that "political factors attribute to impose VAT in the UAE". Additionally, SH10 described, "regional politics and globalisation both contribute significantly in the inception of VAT in the UAE".

Reasons for Political Factor

4 references out of 10 participant stakeholders coded which covered 0.30 per cent of text of the total interview transcript. According to SH7, "In terms of politics, I would say because of the agreement with the GCC, a unified VAT is applied in the UAE". SH8 justified that "Political factor such as regional agreement will GCC countries contribute significantly to impose a unified VAT in the UAE", SH9 rationalised that "on the other hand, regional politics especially agreement with GCC countries play a big part in the introduction of a unified VAT in the UAE", and SH10 stated that "as per as I know, imposing a unified 5 per cent VAT is the result of an agreement among GCC countries. Within the agreement both the KSA and Saudi Arabia introduced VAT on 1st of January 2018".

4.2.3.3 Economic

There were 6 references out of 10 participant stakeholders' interviews coded which covered 2.20 per cent of the total interview transcript. From the qualitative data analysis, it has revealed that economic factor is one of the prime contributions in the VAT introduction in the UAE.

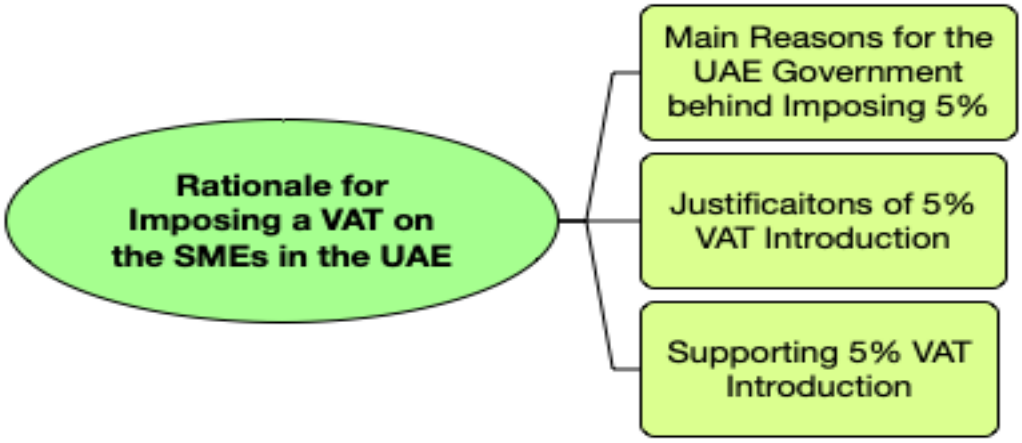
In detailed explanation, SH1 clarified, "the collected money from VAT will be contributing in the economy and to grow the GDP rate. So, these financial factors have been attributed to the adoption of VAT in the UAE", SH2 mentioned, "financial factors are involved in it, as I think. Depending on an oil revenue can be vulnerable for a UAE's economy. So, to get a new revenue source can be the VAT system, which is effective", SH3 described, "the collected money from VAT will help to grow the GDP and so the economy will go to a better position. Thus, the UAE is being financially driven", SH4 confirmed, "I find financial elements active here. UAE economy depends on an oil revenue to run the whole state which can be susceptible for the economy of UAE. Hence, to get a new revenue source can be the VAT system, which is effective. Both the government and citizens will get the advantage in the long run", SH5 affirmed, "depending only on the oil revenue cannot be the only income source of a country. So, government of UAE has taken the decision of imposing VAT to earn a new amount of revenue which will be invested in so many public services", and SH6 asserted that "financial factors attribute much towards embracing the VAT system in the UAE.UAE used to be

dependent on its oil-generated revenue for which it could be vulnerable for a country in the long run. That's why they have decided to invest more on the economy by introducing VAT. To add to that, fiscal deficits was one the reasons when UAE thought of levying VAT on the goods and services".

4.2.4 Rationale for Imposing a VAT on the SMEs in the UAE

This study tried to understand the rationale for imposing a VAT on the SMEs in the UAE form stakeholders' viewpoint. Throughout the qualitative data analysis, a coding framework has been designed where 'rationale for imposing a VAT on the SMEs in the UAE' has been considered as theme and "main reasons for the UAE government behind imposing 5% VAT", "justifications of 5% VAT introduction", and "supporting 5% VAT introduction" have been accounted as sub-themes. Following is a detailed analysis of the sub-themes.

Figure 4.22: Rationale for Imposing a VAT on the SMEs in the UAE



4.2.4.1 Main Reasons for the UAE Government behind Imposing 5% VAT in the Emirates

10 references coded form 10 stakeholders which covered 4.04 per cent text of the interview transcript. From the qualitative data analysis, it has identified some of the core reasons for the UAE government to impose 5 per cent VAT in the UAE and they are (1) Contribute to the national economy; (2) revenue collection; (3) economic diversifications; (4) reducing dependency on natural resources; and (5) achieving vision 2030.

In detailed clarification, SH1 mentioned that "to contribute to the economy and to contribute to the public service. In UAE, the VAT is 5% and the main reason of collecting VAT is to contribute to the economy through developing public transports, creating recreation spots, better infrastructure, educational institutions and so on", SH2 stated that "to increase the

revenue undoubtedly. Though citizens are contributing 5% of their income but they are getting other facilities like medical supports, public transport or recreation facilities provided by UAE government", SH3 clarified that "reaching to the peak of the economy. This would help the government to collect money which are about to spend for public welfare. By this step, contribution like medical facilities, better transportation, better infrastructure, public schools, parks, waste control and many other things can be reached to a sustainable position", SH4 confirmed that "getting a flourished economy and the making the GDP higher is the main target of imposing the VAT. By getting 5% VAT, the mass people will be given a lot of facilities like medical supports, public transport or recreation facilities which will offer citizens a better lifestyle", and SH5 described that "increasing the GDP and marking a stamp on world economy is the key reason of imposing 5% VAT. By this step, contributing to medical facilities, better transportation, better infrastructure, public schools, parks, waste control and many other things will also be possible".

According to SH6, "to increase the revenue which they were losing for last few years. Through this revenue, government plans to offer various types of public services like medical facilities, better transportation, better infrastructure, public schools, parks, waste control and many more to get economically more sustainable". SH7 mentioned that "indeed, some of the main reasons to introduce VAT in the UAE are: To diversify economy; To reduce dependency on oil; To find a new source of income to utilise them to provide high-quality public services", SH8 said that "I think it is due to diversify economy in the UAE and collecting revenue to fund public sector organisations", SH9 clarified that "I certainly believe that 5 per cent VAT to help government move towards its vision of reducing dependence on oil and other hydrocarbons as a source of revenue", and SH10 described that "there is no doubt about by imposing 5 per cent VAT in the country, government wants to achieve its Vision 2030 which is economic diversification, and reduce dependency on crude oil".

4.2.4.2 Supporting 5% VAT Introduction

9 references coded out of 10 participant stakeholders which covered 0.58 per cent of the total interview transcript. Only stakeholders, SH6, skipped answering the question regarding the support of 5 per cent VAT introduction in the UAE.

From the qualitative data analysis, it has revealed that all 9 participant stakeholders supported 5 per cent VAT introduction in the UAE. In detailed clarification, SH1 mentioned, "at the very first sight, it seemed opposing but in the long run, it will contribute a lot to the economy and

lifestyle of people. The GDP will rise, the national savings will increase, people will be benefitted by the government in public services and more advisory firms will be established to help general people regarding this issue. So, I support this to the fullest", SH2 said, "even if it seems opposing on first time, but the VAT collection will help the whole system in long run. Though the government imposed 5% VAT, it will provide SME sector with additional benefits. The sector will be able to contribute in economy more. The whole economy will be flourished than before", SH3 replied, "it does not sound convincing, that SMEs have to pay a significant amount of money as VAT but in the long run it will result in satisfying way. The amount would be used in the development SME sector. Right now, government is offering some non-monetary help to the SMEs. I hope, in future, if government continues to receive the money like now, government can extend the help to monetary form as well", SH4 confirmed, "considering the long-term effects of VAT, it cannot be denied that it would benefit the UAE in so many ways even if it seemed contradictory as first. The economy will get a new vibe and the lifestyle of people depends a lot on this. So, there is no room for opposing VAT", and SH5 declared that "definitely I support the introduction of VAT. The SME sector will be able to contribute in economy more. This will not only help the SME sector to grow up, but also the whole economy will be benefitted, and the lifestyle will upsurge".

SH7 asserted that "although VAT incurred some extra cost on the business as well as lifestyle, I support 5% VAT introduction. One of the core reasons it that I feel proud to contribute to the national economy and development of the UAE", SH8 declared that "although imposing 5% VAT largely impact our lifestyle in the UAE, I support that. The reason behind my support is by paying 5% VAT I can contribute substantially to the national economy of the country", SH9 stated that "I support the initiative although 5 per cent VAT impose impact SMEs significantly. The reason for my support is I feel valued when I see my contribution is used for the development of the nation", SH10 declared that "as a responsible citizen, I support government initiative to impose 5 per cent VAT. The reason for my support is I feed proud when I see my contribution throughout VAT is helping the national economy as well as developing out public services".

4.2.4.3 Opposing the Introducing VAT

1 reference out of 10 participant stakeholders coded which covered 0.88 per cent of the interview transcript. From the qualitative data analysis, it has found out that imposing VAT can hamper the growth of the SMEs in the UAE.

According to SH6, "seemingly it seems to be opposing to the VAT introduction on SMEs in the UAE. But in a way this is more effective on the long run. If VAT is proposed on the SMEs, chances are these small and medium enterprises will face more patronisation from the government. The businesses will have more flourished infrastructure. The VAT implementation will create more advisory firms on VAT which in turn would make revenue and contribute to the total economy of UAE. Cherry on the top, businesses will try to exercise streamlining by running the business more efficiently".

4.2.4.4 Justification of 5% VAT Introduction

There were 10 references coded from 10 interviewees covering 3.98 per cent text from interview transcript. From the qualitative data analysis, it is found out that all stakeholders believed 5% VAT introduction in the UAE is more justified as it is neither high nor low. However, with the payment of Islamic way of paying Zakat every year, which is 2.5% of our total wealth, paying 5% VAT plus 2.5% Zakat accumulates 7.5%. A detailed discussion is in the following.

In detailed explanation, SH1 justified that "as it is introduced for the first time, I think the 5% rate is alright for present situation. It is neither less nor more. But if all the related parties get used to this easily, it can be increased later", SH2 clarified that "according to present condition, this is the justified VAT rate, I think. This would not create burden upon the citizens and related parties and at the same time, it would help to collect a huge amount which can be used in many development tasks. This will help to increase the GDP as well, which fell in past years", SH3 rationalised that "I think it is completely justified; neither so high now so low. It is easily payable by all remaining classes and paying regular VAT will amplify the UAE economy in a better position", SH4 confirmed that "I find it completely justified. Nothing more, nothing less", and SH5 said that "I find it proper. It is not unbearable for even lower classes. All social class will get the opportunity to contribute through VAT. It is neither too much nor so less".

SH6 described that "the total GDP of UAE in 2018 was $414,179m which was a growth rate of 1.4% compared to the last year. Not only that, GDP per capita is $43,005 which is an increase of 6.6% from the last year. Considering all the numbers, I think 5% VAT for now is totally justified. Probably government could have increased the VAT upfront, but for now, 5% VAT is neither too less nor too much. This is in an equilibrium point to my point of view".

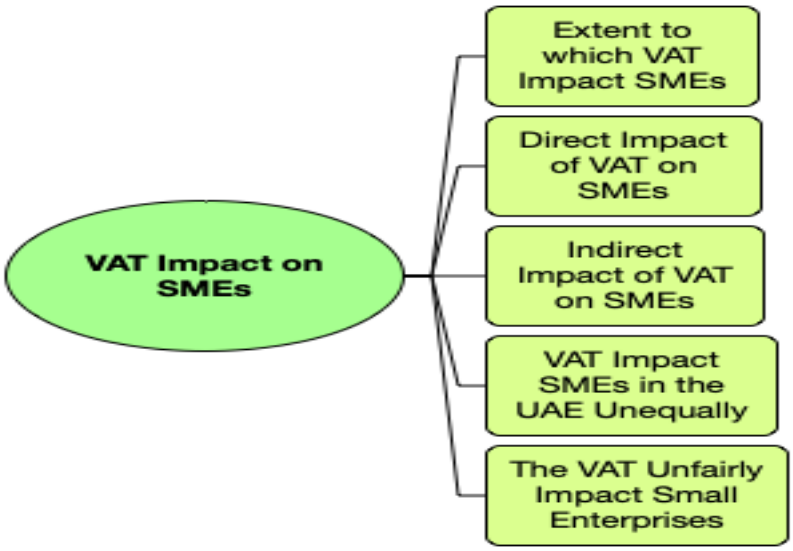
As per SH7, "I think 5% VAT is justified in the UAE for an introductory purpose. Comparing to western countries 5% VAT is low. However, we also pay Islamic way of paying Zakat every year which is 2.5% of our total wealth. Paying 5% VAT plus 2.5% Zakat accumulates 7.5%. By taking that into account, I believe government will not increase VAT rate any further". SH8 stated, "despite 5 per cent VAT is lower than western counties, I found it justified for the UAE from economic and cultural perspectives. 5 per cent VAT is not too much or too less at this moment", SH9 clarified, "to be used to with the VAT, I think 5 per cent VAT is justified. Comparing to other 180 countries, who practices VAT, 5 per cent VAT seems a bit low. However, we pay 2.5 per cent zakat every year. Therefore, I believe actually we are paying 7.5 per cent VAT on our business and wealth every year. On that basis, I think 5 per cent VAT is okay", and SH10 explained that "from the cultural perspective, I can confirm you 5 per cent VAT is justified in the country and do not think it is too high or too low. You may have known that in addition to this 5 per cent tax we as a Muslim has to pay our *Zakat*[8] of 2.5 per cent on our wealth. Therefore, including 2.5 per cent we are ultimately paying 7.5 per cent on our business".

4.2.5 VAT Impacts on SMEs

To comprehend the VAT impacts on SMEs, this study planned a coding framework. 'VAT impact on SMEs' has been taken as theme. The words such as 'extent to which VAT impact SMEs', 'direct impact of VAT on SMEs', 'indirect impact of VAT on SMEs', 'VAT impact SMEs in the UAE unequally', and 'the VAT unfairly impact small enterprises' are considered as sub-themes throughout the coding framework (see Figure 4.23). A detailed explanation is in the following.

[8] As mentioned earlier that Islamic way of taxation has two tax structures: one for Muslims and the other for non-Muslim, such as *Zakat* (the principal tax for Muslims only); *Ushr* and *Kharaj* (land taxes for both Muslims and Non-Muslims); and *Jizyah* (poll tax for non-Muslims) (Askari et al., 1982).
Zaun (2002, p.18) mentioned that Zakat is third pillar, one of five main pillars in Islamic religion and belief, and a religious obligation. The obligation requires Muslims to 'purify' their wealth once in a year by sharing 2.5 percent of their wealth with the needy. The purpose of the Zakat is to alleviate inequality in society.

Figure: 4.23: VAT Impact on SMEs



4.2.5.1 Extent to which VAT impact SMEs

There have been 10 references coded from 10 participant stakeholders which consisted 3.16 per cent text of the interview transcript. From the qualitative data analysis, it has revealed that the VAT impact SMEs by a large extent. The qualitative data analysis is as follows:

In detailed explanation, SH1 said that "the impact depends on the proportion of the consumption in the economy of UAE. Businesses of which values cross the amount AED 375,000 must pay VAT. So, the business firms will face the main impact of this. Though they face some non-monetary impacts, those are very delicate to count", SH2 mentioned that "the financial impact on the firms would be great, I think. If the business value exceeds AED 375,000, then it needs to get registered and pay VAT. Though there are few non-monetary effects, those are very elusive", SH3 clarified that "the impact depends on the proportion of the consumption in the economy of UAE. The main impact would be financial impact to the businesses. Businesses of which values exceed AED 375,000 or is same to this amount need to pay VAT against them. Although there are some non-monetary impacts, those are very subtle", SH4 described that "Consumption regulates the economy of the UAE. Businesses of which values more AED 375,000 have to pay VAT. Organisations will be financially affected. Although there are some non-monetary impacts, those are very subtle", and SH5 confirmed that "the financial impact on the firms would be great. If any business values AED 375,000 or more than that, then it needs to get registered to pay VAT. Though there are few non-monetary effects, those are very elusive".

As per SH6, "the impact depends on the proportion of the consumption in the economy of UAE. The main impact would be financial impact to the businesses. Businesses of which values exceed AED 375,000 need to pay VAT against them. Although there is some non-monetary impact, those are very subtle". SH7 explained that "I believe VAT impact SMEs in a large extent especially growth of the business", SH8 confirmed that "I could say 5 per cent VAT impact SMEs at a large extent", SH9 defined that "from my experience I can confirm you that VAT impact my business a great extent. This include annual turnover as well as profitability of the business", and SH10 clarified that "imposing 5 per cent VAT impact daily life in the Emirates as well as businesses. I can say the impact is huge especially on the SMEs as their profit are shared by the 5 per cent VAT".

4.2.5.2 Direct Impact of VAT on SMEs

10 references were coded from 10 participant stakeholders which covered 2.94 per cent of the interview transcript. From the qualitative data analysis, it has revealed that there is a direct impact of VAT on the SMEs in the UAE. The qualitative data analysis is in the following:

In detailed analysis, SH1 stated, "directly, it can be noticed that the SMEs will be losing some money as the 5% VAT. On the other side, the government will be able to contribute to public service to make citizens' life better", SH2 said, "the first impact will be the losing of money from the SMEs as 5% VAT. But opposite of that, SMEs will also be benefitted in many ways by governments", SH3 asserted, "the key impact will fall on the SMEs. They will be paying a particular amount of money after a particular period of time. But in return, government will also contribute to public services like academic institutions, parks, hospitals and many other infrastructures", SH4 mentioned, "it is observed that the SMEs will be losing some money as the 5% VAT. But the money will be invested by the UAE government in national welfare. These are the markable direct impacts, I see", and SH5 described, "there exist two-sided direct effects. Firstly, the SMEs will have to pay a fixed amount of money and on the other side, government will collect loads of money and will get the opportunity to invest those for public service betterment".

SH6 described that "the SMEs will be losing some money. Apparently, this seems to the direct impact of the 5% imposing VAT. On the other flip of the coin, this is also seen that the UAE government will also be able to make a lot a contribution to the public services. These two impacts are apparently visible to the eyes of general people of UAE", SH7 explained that "direct impact is the cost incurred by the administration such as day to day account

management, filling tax, tax return, invoicing, and VAT itself", SH8 claimed that "yes, there is a direct impact on the SME. One of the direct impacts is cost incurred by VAT management and Tax return", SH9 proclaimed that "direct impacts of the VAT on SMEs are cost incurred by managing Tax as well as tax return", and SH10 clarified that "from my experience, direct cost is largely administrative cost incurred by VAT administration and submission. Besides, direct cost is huge besides 5 per cent of the VAT".

4.2.5.3 Indirect Impacts of VAT on SMEs

There have been 10 references found from 10 interviews with stakeholders which covered 2.96 per cent of the interview transcript. From the qualitative data analysis, it revealed that there are some indirect impacts of VAT on SMEs. A detailed explanation is in the following.

According to SH1, "an even transparency will be created between these two parties- the SMEs and the government. SMEs will know where their monetary contribution is being invested. If they get great benefits, perhaps they will be interested in investing more in future". SH2 mentioned that "the most vital indirect impact can be mentioned as the super-transparency between the SMEs and the government. Though the SMEs the compelled to pay 5% of their revenue, they know where the money is being invested", SH3 clarified that "As a result of giving VAT, there will grow a transparency between the SMEs and the government. The SMEs will get the opportunities to know where they are actually investing and that's how the relationship between these two parties will reach in better position", SH4 explained that "The growing transparency is a noticeable impact of VAT to me. This was not happening ever before. But for paying VAT, the SMEs and the UAE government is interacting and as a result, there is a clear relationship between them", and SH5 described that "A clear and friendly relation between SMEs and the government will grow up and get a position which will help the SME sector to go further and government to put more concentration to this as well".

SH6 confirmed that "with introducing the VAT in UAE, despite an influx in cash flow, there would be some strong transparency between the government and the SMEs. The SMEs would get to know where the VAT is being contributed to. Thus, VAT exercise is creating transparency between the business and the government", SH7 said that "Indirect impact of the VAT is on the lifestyle. The daily expenditure of the residents has increased due to the VAT", SH8 stated that "some of the indirect impact is VAT impacts on the daily life. Hence, business is slower than before", and SH9 defined that "one of the indirect impacts are growth of the business due to VAT impacts on the lifestyle", and SH10 described that "indirect cost is also

huge as 5 per cent VAT impact resident's buying capabilities which impact on the annual turnover of the business".

4.2.5.4 VAT Impact SMEs in the UAE Unequally

There have been 10 referenced quoted from 10 stakeholders covering 3.53 per cent of the interview transcript. From the qualitative data analysis, it has revealed that the VAT impact SMEs in the UAE unequally because businesses in all emirates are not the same. For instance, small businesses in Abu Dhabi, Dubai and Sharjah perform better than those of Fujairah, Ajman, Ras Al Khaimah and Umm Al Quwain. Following is a detailed explanation of the qualitative research.

From codes, SH1 mentioned that "As per my understanding, VAT will impact the SMEs unequally. Emirates alike Abu Dhabi and Dubai have more dealings that those in Ajman, Sharjah. So, rechecking the VAT according to the Emirates is needed. Emirates with relatively lower income rate can have access to the lower VAT rate", SH2 confirmed that "it is kind of unfair for the SMEs to meet the VAT, to some extent. Abu Dhabi and Dubai have more dealings that those in Ajman, Sharjah. So, rechecking the VAT according to the Emirates is needed", SH3 said that "I do think that VAT would affect SMEs in the Emirates unequally. Abu Dhabi and Dubai have higher commercial transactions. So, the VAT demands to be rechecked according to the Emirates. Emirates with reasonably lower income rate may have access to the lower VAT rate", SH4 affirmed that "in my observation, yes. Abu Dhabi and Dubai have higher commercial transactions that UAE. So, the VAT demands to be checked again according to the Emirates. Emirates with practically lower income rate might have access to the lower VAT rate. So, the impact is unequal, as I see", SH5 mentioned that "yes, I do think that there's an inequality. Abu Dhabi and Dubai are two emirates who operate more dealings that those in Ajman, Sharjah. So, rechecking the VAT according to the Emirates is needed to get rid of this problem".

According to SH6 "to my point of view, VAT will impact SMEs in the Emirates unequally. Emirates like Abu Dhabi and Dubai have higher business transactions that those in Ajman, Sharjah. Hence, the VAT needs to be rechecked according to the Emirates. Emirates with comparatively lower income rate can have access to the lower VAT rate", SH7 said that "yes, I think so. The impact on the SMEs will be greater than that of cooperate. Therefore, inequality will take place", SH8 clarified that "Yes, definitely, since equal 5% VAT impose for all regardless of the size of the business. Large orgnisation will take cost advantage from it where

SMEs will suffer", SH9 defined that "since 5 per cent VAT is applicable to any business whose annual turnover is higher than AED 375000, SMEs at the lower end will suffer from the cost incurred by direct and indirect cost. SMEs will suffer from the VAT at a large extent", and SH10 described that "definitely, VAT will impact SMEs in Emirates unequally. It is because the direct and indirect cost for the large corporations and small businesses are same".

4.2.5.5 The VAT Unfairly Impact Small Enterprises

10 references coded from 10 stakeholders' interviewees which covered 2.50 per cent of the interview transcript. From the qualitative analysis, it has found out that the VAT is unfairly impact small enterprises in the UAE. A detailed qualitative data analysis is in the following.

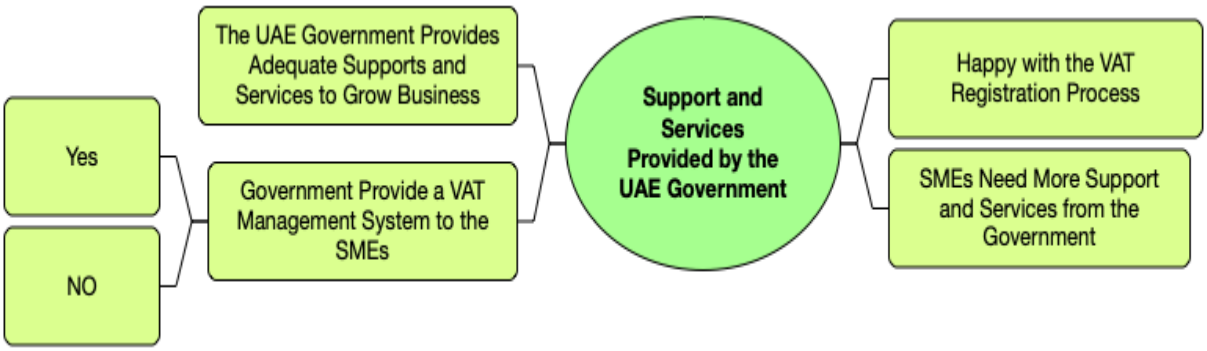
For example, interviewee such as SH1 confirmed that "I do think it is a bit unfair to small enterprises. Government could consider the VAT for two years for small enterprises. Also, these enterprises could be provided with monetary help which would encourage more people in ventures". SH2 described that "as small enterprises struggle a lot, it is bit unfair to them. Government could exempt two years VAT for them to give the opportunity for growing more", SH3 mentioned that "unfair for the small enterprises to confront to the VAT. If government could a step like exempting the VAT for this sector for one or two years, that would be better for small enterprises", SH4 described that "Yes, I think so. Small enterprises are not capable of paying a lot of money at this time. So, the government should give them the time to get ready and steady to pay VAT", and SH5 clarified that "small enterprises could be given some time by the government as they are not completely prepared to pay VAT. In this context, I don't think it was a fair judgement".

According to SH6, "to some extent, this is a bit unfair for the small enterprises to confront to the VAT. What government could have done, government could have exempted VAT on the small businesses for at least two years so that they can cope up with the primary financial uncertainty and get ready for paying the VAT". SH7 mentioned that "yes, I think so. It is because the administrative cost is almost same for the small enterprise compare to the large corporate", SH8 defined that "yes, I think VAT will unfairly impact SMEs", SH9 informed that "from my experience, I can say there is no doubt about that VAT impact small enterprises unfairly", SH10 affirm that "small business will experience from the hurdle of 5 per cent VAT more than medium sized businesses and corporation".

4.2.6 Support and Services Provided by the UAE Government

A coding framework has been designed to reveal the support and services provided by the UAE government to grow business. Taking the word "support and services provided by the UAE government" as core theme and the words such as "the UAE government provides adequate supports and services to grow business", "happy with the VAT registration process", "SMEs need more support and services form the government", "government provide a VAT management system to the SME" are sub-themes (see Figure 4.24).

Figure 4.24: Support and Services Provided by the UAE Government



4.2.6.1 The UAE government provides adequate supports and services to grow SMEs along with VAT

There have been 10 references coded from 10 stakeholders which covered 2.57 per cent of the interview transcript. From the qualitative analysis, it has revealed that support and services provided by the government to grow business in the UAE was not enough. A detailed qualitative data analysis is below.

In detailed explanation, SH1 mentioned, "though government in UAE supports the SMEs, I think this is not enough. Government can provide the SMEs with financial help sometimes. SMEs need more consultancy to turn out in better form. Government should take care of these things", SH2 confirmed, "the UAE government provide some non-monetary helps to SMEs but regarding the VAT issue, UAE government is not providing sufficient supports to SMEs", SH3 affirmed, "perhaps the government is planning to do so in near future but till now government is not providing enough supports and services to grow SMEs along with VAT at this moment", SH4 described, "the services provided by the UAE government is surely appreciable but SMEs should be supported more than this. Besides these, they should be supported financially when it is an emergency", SH5 proclaimed, "No, I don't. I expect more

monetary help besides non-monetary services like consultancy, developing suggestions, better infrastructure and so on.".

SH6 found out that "UAE government should be much more convenient towards the SMEs. As for the support, UAE government should open adequate consultancy for the well- off of the SMEs in order to cope up with the growing VAT costs and in order to keep pace with the existing counterparts", SH7 mentioned, "although supports and services to grow SMEs along with 5% VAT provision in place, to access into the support and services is difficult and a complex process", SH8 revealed that "for me, they provide only online support and services which is not adequate at this moment", SH9 confirmed, "expect providing online services, I don't see any support and services to grow SMEs", and SH10 informed, "I think so as government provides enough information support and services through its online and offline services such as agents".

4.2.6.2 Happy with the VAT Registration Process

10 references were taken from 10 interviews which consisted of 2.98 per cent of the total interview text. From the qualitative analysis, it has revealed that stakeholders are happy with the VAT registration process because it is flexible, easy, time and cost-efficient. A detailed description is in the following.

According to SH1, "it is a quite easy process to be registered for VAT. Firstly, I need to apply for the registration opening an e-service account. After getting the register I need to fill up the registration form which will allow me to pay the VAT". SH2 confirmed, "surely. It is an interesting as well as easy method to get registered. By opening an e-service account, I can apply to be registered. After being registered, all I need to do is filling up a form with my information. After that, I am ready to pay VAT', SH3 affirmed, "an easy procedure, and I am quite comfortable with the process. All I need to do is open an e-service account first. Then I have to apply for VAT registration. If everything is fair and sound, I will see register for vat in my account. The rest is very clear. I have to put down necessary information on the vat registration from and I am good to go with the VAT", SH4 clarified, "I am happy with the system as it is not complicated. Opening an account in e-service and filling a form is enough for being eligible to pay VAT", and SH5 mentioned, "completely. I find it very simple for all. Anyone with basic knowledge can get into the e-service account and all they have to do is to fill up a form. After that they can start paying VAT".

Interviewees such as SH6 mentioned, "I am quite comfortable with the process. All I need to do is open an e-service account first. Then I have to apply for VAT registration. If everything is fair and sound, I will see register for vat in my account. The rest is very clear. I have to put down necessary information on the vat registration from and I am good to go with the VAT", SH7 confirmed, "Yes, I am happy with the VAT registration process as it is easy and time efficient", SH8 described, "yes, VAT online registration is easy, flexible, and time and cost efficient", SH9 affirmed, "I am content about the electronic services provided by the Federal Tax Authority. This includes VAT registration to VAT return", and SH10 declared, "yes, I certainly am happy with the VAT registration process as it is easy, flexible and time efficient".

4.2.6.3 Government provide a VAT management system to the SMEs

There have been 10 references coded from 10 participant stakeholders containing 2.11 per cent of the total interview transcript. From the qualitative data analysis, it has revealed that there is no such system for VAT management provides by the relevant government entity. However, stakeholders are optimistic about receiving a VAT management system to the SMEs in the UAE.

In detailed analysis, SH1 described that "no, the government is not providing any management system for VAT to the SMEs. But a management team should be formed soon to help the SMEs", SH2 replied that "not yet. But I think government is planning something like forming a management system to operate the system more smoothly", SH3 answered that "government will come up with such plan and will establish managerial teams for VAT management system hopefully but till now government has not taken any kind of managerial help", SH4 responded that "not yet but I think government it is planning something like that. I also believe establishing such a system would help the VAT system to make more feasible", and SH5 stated that "government is not providing with managerial help yet. It is yet to come, I think".

According to SH6, "as far my concern, government is not so ready yet to provide a VAT management system to the SMEs. I hope they would soon be ready to provide the SMEs with such services". SH7 confirmed that "as per as I am aware the government does not provide any VAT management system to the SMEs except online system where we can register our business as well as return VAT", SH8 mentioned that "as per as I know, government does not provide any VAT management system to the SMEs", SH9 described that "I would say government there is no specific system to management account provide by the Ministry of

Finance or the Federal Tax Authority", and SH10 clarified that "although they do not provide any software system, there is an enough guidance and information on the website".

4.2.6.3 Government Agencies help SMEs to be Compliant

There have been 10 references coded from 10 stakeholders' interviews which covered 1.73 per cent of the total interview transcript. From the qualitative analysis, it has revealed a mixed reaction from stakeholders as some think government agencies help SMEs to be VAT compliant where others argue that government agencies are not ready yet to help SMEs to be VAT complaint. However, some stakeholders are hopeful to receive support in this regard in the near future. Following is a detailed analysis.

As per SH1 and SH2, government agencies are not ready yet to help SMEs to be compliant. But I hope, they will be very soon. SH3 confirmed that "agency-based help is not being rendered to the SMEs, but I think such agencies will be helping SMEs to be VAT compliant", SH4 thought that "though it is not happening, I think it should be. Agencies should come up to help SMEs to be VAT compliant", SH5 confirmed that "no, but agencies should show more friendliness to SMEs in my opinion. That would create a great bonding between them also both parties will get benefitted".

It has also revealed from SH6 that "I think government agencies are not yet ready to make the SMEs compliant enough. Soon, they will be taking necessary steps to make them compliant", SH7 said, "yes, I think so",

However, SH8 and SH10 are more concern about imposing penalties to be VAT bound where SH9 believed that "government is imposing penalties on the businesses to be a VAT compliant. For example, AED 20,000 penalties incurred if an eligible business does not register for VAT".

4.2.6.4 SMEs Need More Supports and Services from the Government

10 references were taken from 10 stakeholders' interviews which consists of 2.96 per cent of the interview transcript. From the analysis it has revealed that although SMEs received some support and services from the government, SMEs need more support and services. A detailed qualitative analysis is in the following.

In detailed analysis, SH1 mentioned that "though SMEs are already getting so many non-monetary helps form government, like improved infrastructure, advisory; they hope to get more from the government. Monetary help in some case can help them from collapsing", SH2

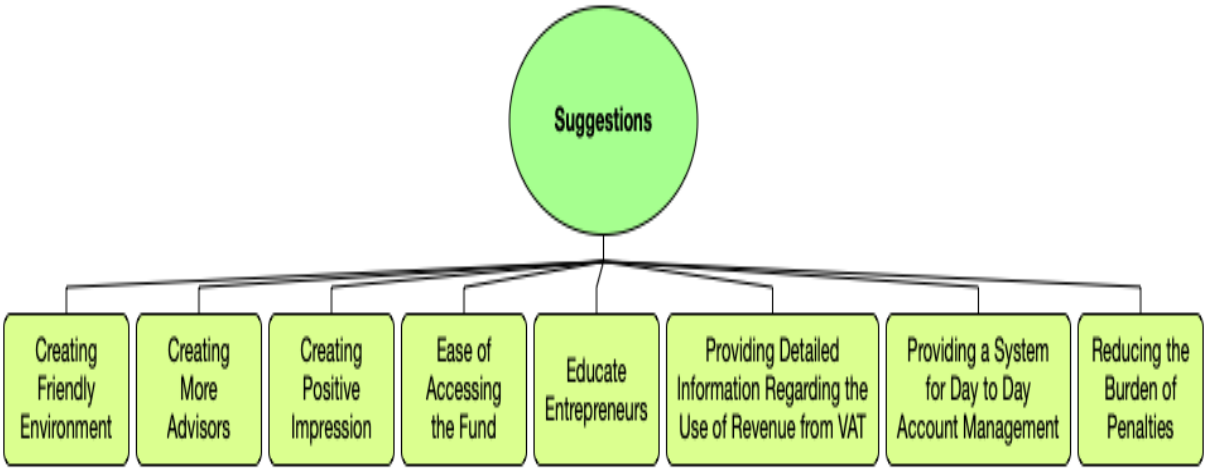
confirmed that "though SMEs are getting non- monetary supports like, counselling, better infrastructure, better environment; sometimes they can be financial in trouble. At that moment, some financial help can turn out great from government", SH3 affirmed that "services like furnished infrastructure, increased business sufficiency, consultancy and counselling opportunities are already being provided but sometimes SMEs might be in need of monetary help. So, I think it will be great if the government can provide some monetary help to the SMEs who are really in need of", SH4 defined that "I think, yes. Though government is providing so many non-monetary helps as I mentioned earlier, it cannot be helpful when they are in need of money. So, the government should plan some practical monetary help I guess", SH5 clarified that "government is already providing so many helps like advising in critical situations, making a better workplace, improving the infrastructure and many more. So, I think, SMEs need more supports and services from the government".

According to SH6, "SMEs are already taking a bunch of non-monetary support from the government like improved infrastructure, increased business sufficiency, advisory opportunities and many more which in turn are already a big support for the SMEs themselves". SH7 mentioned that "definitely, I think government should provide more supports and services to the SMEs so that they can grow their business", SH8 said that "of course, SMEs require more supports and services from government", SH9 affirmed that "I certainly think SMEs need more supports and services in order to grow their business", and SH10 mentioned that "I think support and services provide by the government agencies are not adequate. More support and services needed to be compliant".

4.2.7 Recommendations

To complete the analysis, this research study has planned a coding diagram. The word 'suggestion' has been considered as theme. The words such as 'creating friendly environment', 'creating more advisors', 'creating positive impression', 'ease of accessing the fund', 'educate entrepreneurs', 'providing detailed information regarding the use of revenue from VAT', 'providing a system for day to day account management', and 'reducing the burden of penalties' were generated as sub-themes. A coding framework includes theme and sub-themes is shown in Figure 4.25.

Figure 4.25: Suggestions



4.2.7.1 Creating Friendly Environment

There have been 4 references out of 10 stakeholders coded covering 0.81 per cent of the total interview transcript. From the qualitative analysis, it has found out that all 4 stakeholders recommended creating a friendly atmosphere can help SMEs to grow their business in the UAE.

For example, interviewee SH2 advised that "they need to introduce a friendly environment where the SMEs are keen to pay VAT". SH3 suggested that "the UAE government to create such an eco-friendly environment for paying VAT so that the SMEs can get used to pay VAT. Government must show the direct effects of paying VAT to SMEs". SH4 recommended that "I think the most important thing here is to create an understanding relationship between both of them", and SH5 proposed, "to create a good relationship between SMEs and the UAE government so that SMEs feel interested in the VAT issue rather than considering it as a burden".

4.2.7.2 Creating More Advisor Firms

2 references out of 10 stakeholders coded which covered 0.29 per cent of the total interview transcript. From the qualitative data analysis, it has revealed that stakeholders suggest creating more advisors to support SMEs in the UAE.

According to SH1, "more advisory firms should be formed to provide any help regarding this VAT-related issue". SH3 suggested that "consultancy regarded to VAT must be provided to the SMEs to take best decisions about this"

4.2.7.3 Creating Positive Impression

There were 3 references out of 10 stakeholders coded which covered 0.42 per cent of the total interview transcript. From the qualitative data analysis, it has found out that stakeholders think creating positive impressions is significant for the successfulness of SMEs along with the VAT in the UAE.

Among the stakeholders, SH1 suggested that "a positive impression of paying VAT should be introduced so that the SMEs get more interested in paying VAT", and SH2 and SH3 advised that government should make sure the SMEs are accepting the VAT system positively.

4.2.7.4 Ease of Accessing the Fund

There have been 3 references out of 10 stakeholders coded which covered 0.18 per cent of the total interview transcript. From the qualitative data analysis, stakeholders suggest easing of accessing to the fund can reduce the impact of the VAT on SMEs in the UAE.

For example, stakeholders such as SH7 suggested, "ease of accessing the fund", SH8 advised that "government should provide more funding to grow SMEs", and SH10 recommended to "ease of funding to grow business".

4.2.7.5 Educate Entrepreneur

6 references out of 10 stakeholders coded which covered 0.97 per cent of the total interview transcript. From the qualitative data analysis, it has found out that all 6 interviewees suggested, educating entrepreneurs can help to reduce the impact of VAT on SMEs in the UAE.

In detailed explanation, SH2 advised that "government needs to educate the SMEs realise the contribution of the SMEs in the economy and in rise of GDP", SH3 suggested that "the related market must be given the right education about this", and SH4 advised that "the VAT education must be spread among all of the related parties, the advantages of paying VAT should be highlighted so that they get the enthusiasm of paying VAT".

According to SH5, "the VAT education is also very important". SH6 confirmed that "government can take steps on educating the market as well through which the SMEs can earn more than before so that they will not bother paying 5 per cent of VAT against the total sold goods and services" and SH8 advised that "provide training and development".

4.2.7.6 Rewarding Small Enterprise

Only reference coded from SH10 who suggested "providing incentives for the VAT administration"

4.2.7.7 Providing with Detailed Information Regarding the Use of Revenue from VAT

There have been 5 references coded out of 10 stakeholders covering 1.03 per cent of the total interview transcript. From the qualitative data analysis, stakeholders believed providing with detailed information regarding the use of revenue from VAT can help to alleviate the impact of VAT on SMEs in the UAE.

According to interviewees such as SH1, "each related party who contributes to the VAT deserves to know where their money is being invested to. So, the government should create such opportunity for SMEs". SH2 advised that "Besides, government needs to make the SMEs realise the contribution of the SMEs in the economy and in rise of GDP". SH4 recommended that "their contribution in the economy should be reported to them", SH5 suggested that "SMEs must be shown how their money is helping the economy to stand out globally. This will also inspire other classes of the society to pay VAT", and SH6 proposed that "government needs to make the SMEs realise that they are creating huge contribution to the economy of UAE government which in turn will strengthen the GDP of UAE in a whole".

4.2.7.8 Providing System for Day to Day Account Management

2 references out of 10 stakeholders coded covering 0.16 per cent of the total interview transcript. From the qualitative data analysis, stakeholders suggested that providing system for day to day account management can reduce cost burden of VAT on SMEs in the UAE.

For example, both stakeholders, SH7 and SH10, suggested to providing a system for day to day account management.

4.2.7.9 Reducing Burden of Penalties

3 references coded from stakeholders such as SH7, SH8, and SH9 who suggested to reduce burden of penalties to make VAT more efficient in the UAE. According to SH7, "reducing penalties", SH8 advised, "give opportunities and reminders instead of imposing penalties", and SH9 recommended that "government should take out the penalty option and provide with more opportunities to pay TAX".

4.3 Part C: Quantitative Data Analysis

The purpose of this quantitative data analysis is to achieve objective four of the study which is to study how does imposing the VAT have the impact on SMEs in the UAE. The quantitative attempted to examine the size of the business in terms of employee numbers, number of business sites, company status, business sectors of the participants, prime location of the business, years of business operations, the biggest obstacles that SMEs facing to be successful business. Moreover, the study tried to examine the awareness of 5% VAT implementation, ease of VAT registration process and tax return, and whether VAT impacts on their profitability of not. Furthermore, this study also examined that the factors that influence VAT compliance. Additionally, business experiences with foreign VAT, refund and recovery have also been studied. Finally, business support and services available to grow business along with the VAT has also been surveyed.

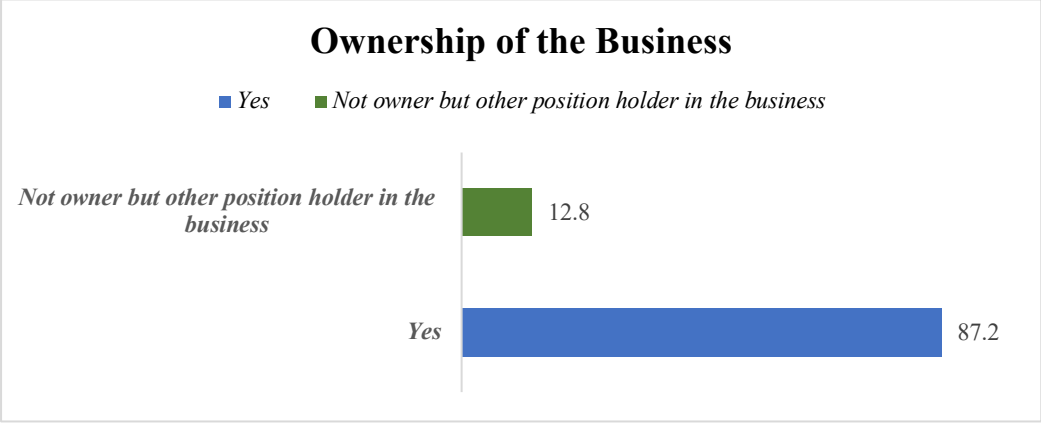
A detailed quantitative analysis has been presented with tables, graphs and charts.

4.3.1 Business Demographic

4.3.1.1 Ownership of Business

Figure 4.26 summaries the ownership status of the business of respondents. From the quantitative data analysis, total 265 (100%) respondents answered the question and among them the majority of the respondents, 231 (87.2%), are the owner of the business, and small number of respondents, 34 (12.8%), were not owner of the business but they hold different positions in the business.

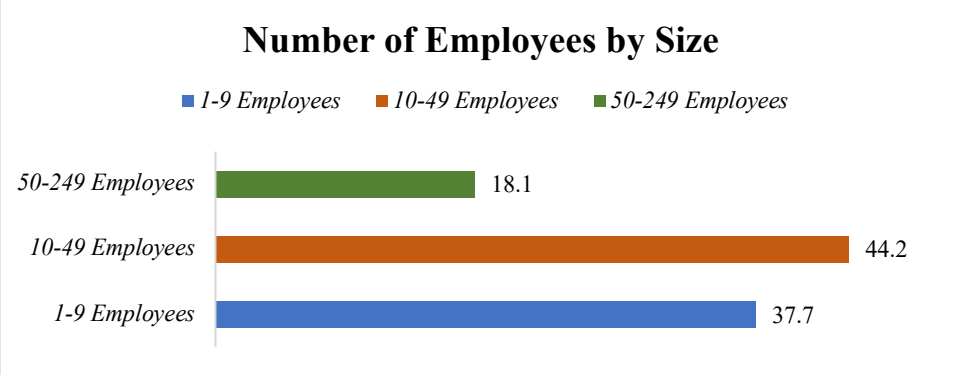
Figure 4.26: Ownership Status of the Business of Respondents



4.3.1.2 Number of employees in the Business

Question 2 of the survey questionnaire were designed to find out the size of the business orgnisation in term of the number of employees. It has revealed from the quantitative results that in most of the businesses around 114 (44.2%) employed 10-49 employees whereas 100 (37.7%) had 1-9 employees. Additionally, 48 (18.1%) companies employed 50-249 employees in their businesses. A summary of result is shown in Figure 4.27.

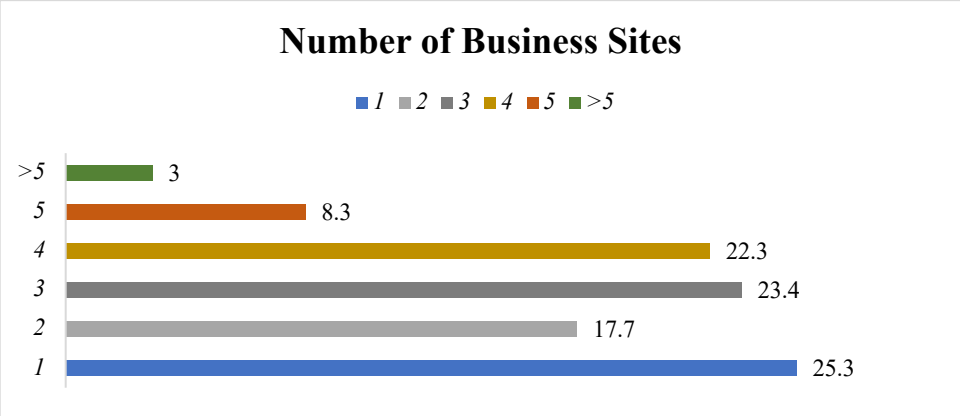
Figure 4.27: Business Size in Term of Employee



4.3.1.3 Number of Business Sites

Question 3 was designed to find out the number of sites that businesses have in the UAE. It has revealed from the survey result that majority of the respondents around 67 (25.3%) had only 1 business site, nearly 62 (23.4%) respondents had 3 business sites, and almost 59 (22.3 %) respondent organisations had 4 business sites. Only 8 (3%) businesses had more than 5 sites including their head office in the UAE while around 47 (17.7%) businesses had 2 sites and 22 (8.3%) businesses had 5 sites. Following Figure 4.28 summaries the quantitative results.

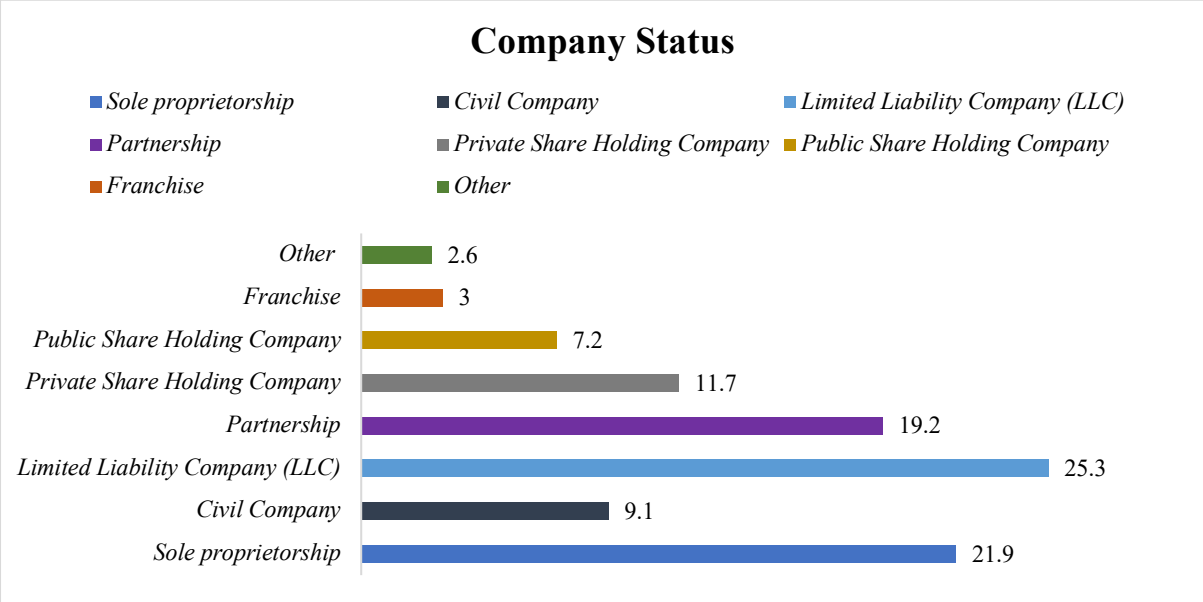
Figure 4.28: Summary of the Number of Business sites in the UAE including Head Office of the respondents.



4.3.1.4 Company Status

Question 4 of the survey questionnaire was designed to find out the status of the company. From the quantitative data analysis, it has found out that among the status of the companies around 67 (25.3%) companies were Limited Liability Company (LLC); 58 (21.9%) Sole Proprietorship; 51 (19.2%) Partnership; 31 (11.7%) Private Share Holding Company; 24 (9.1%) Civil Company; 19 (7.2%) Public Share Holding Company; 8 (3%) Franchise; and 7 (2.6%) Others. Following Figure 4.29 depicts the summary of the results.

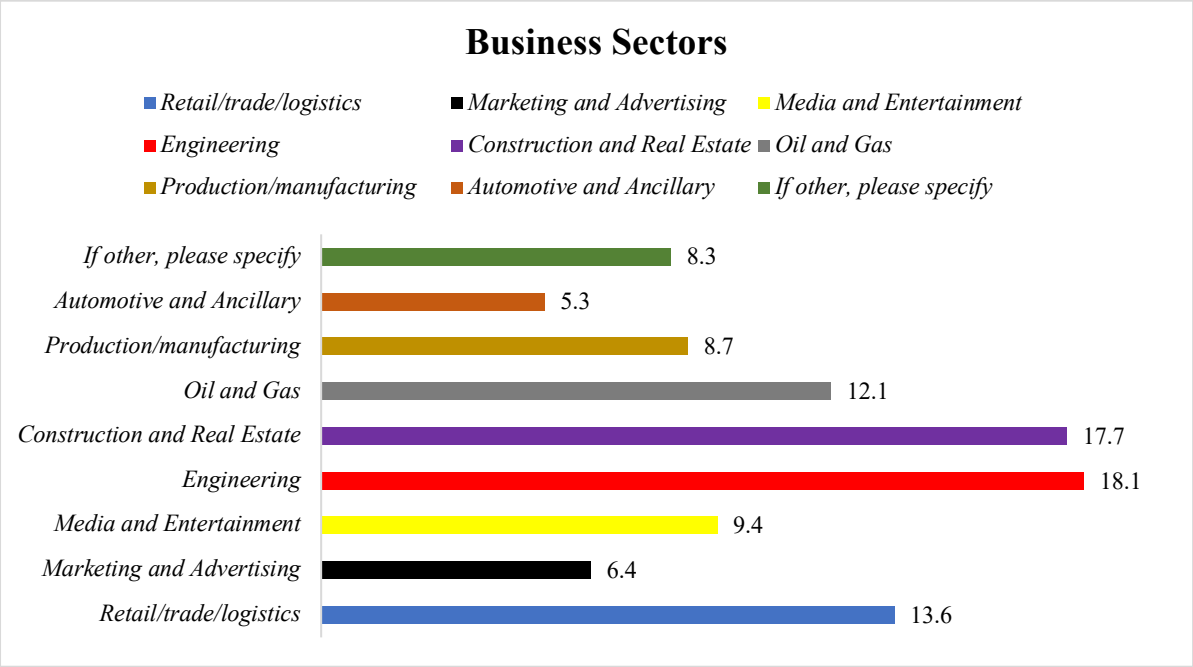
Figure 4.29: Company Status of the Respondents



4.3.1.5 Business Sectors

Question 5 in the survey questionnaire was designed to find out different business sector that business operates in the UAE. From the quantitative data analysis, it is found that most of the respondents around 48 (18.1%) operate engineering business, and nearly 47 (17.7%) business were in construction and real estate sector. The Figure shows that around 36 (13.6%) respondents operate retail/ trade/logistics business, and almost 32 (12.1%) respondents operate oil and gas sector. The rest of the respondents, nearly 25 (9.4%) have media and entertainment business, almost 23 (8.7%) production / manufacturing business, around 17 (6.4%) marketing and advertising, about 14 (5.3%) automotive and ancillary; and 22 (8.3%) other types of business. Figure 4.30 summaries types of business sectors are operated by respondents.

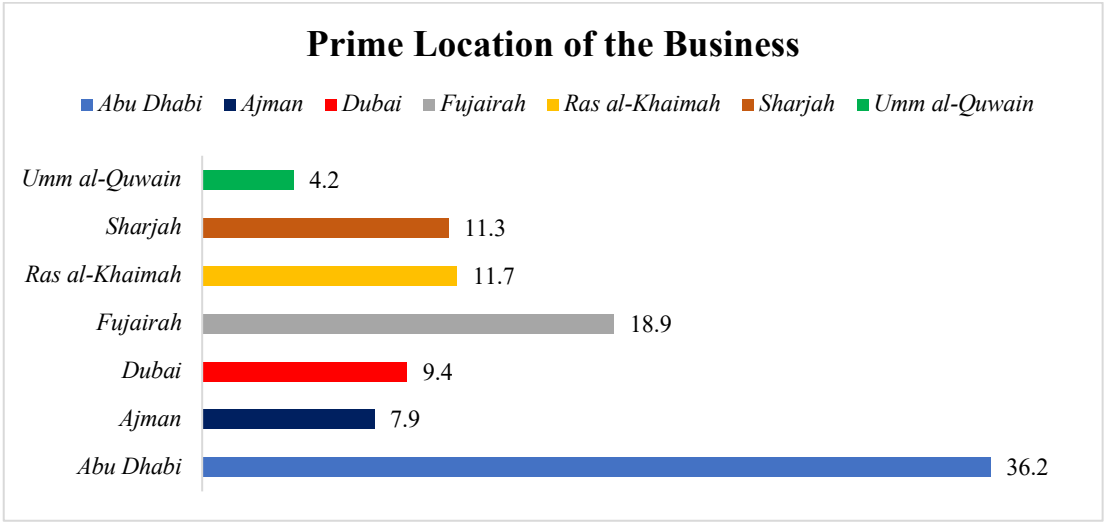
Figure 4.30: Types of business sectors are operated by respondents



4.3.1.6 Prime Location of Business

During the survey it is found that most of respondent's prime location of their business is Abu Dhabi 96 (36.2%). 50 (18.9%) respondents assured that their prime location of business is Fujairah. Rest of the respondents ensured that their prime locations of business are Ras al-Khaimah 31 (11.7 %), Sharjah 30 (11.3%), Dubai 25 (9.4%), Ajman 21 (7.9%), and Umm al-Quwain 11 (4.2%). Figure 4.31 summarises the result of the prime location of respondents' businesses.

Figure 4.31: The Prime Location of Business of Respondents

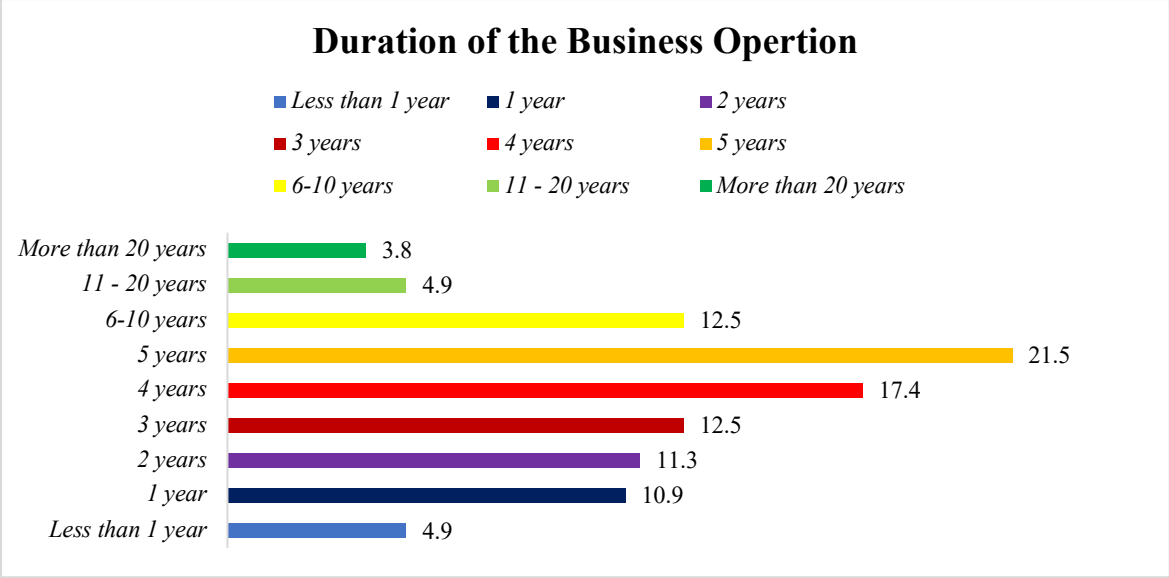


4.3.1.7 Years of Business Operations

Question 7 in the survey questionnaire was designed to understand the length of business operation. From the quantitative results, highest number of business around 57 (21.5%) operated business for 5 years whereas lowest number of businesses nearly 10 (3.8%) run their operation for more than 20 years. Second highest respondents about 46 (17.4%) businesses operated their businesses for 4 years.

Among the rest of the respondents, 33 (12.5%) each responded that they are operating their business for 3 years and 6-10 years, 30 (11.3%) businesses for 2 years, 29 (10.9%) businesses for 1 year, 13 (4.9%) each for less than 1 year and 11-20 years. Following Figure 4.32 summarises the duration of business operations of the respondents.

Figure 4.32: Duration of Business Operation



4.3.2 The Biggest Obstacle to the Success of Business

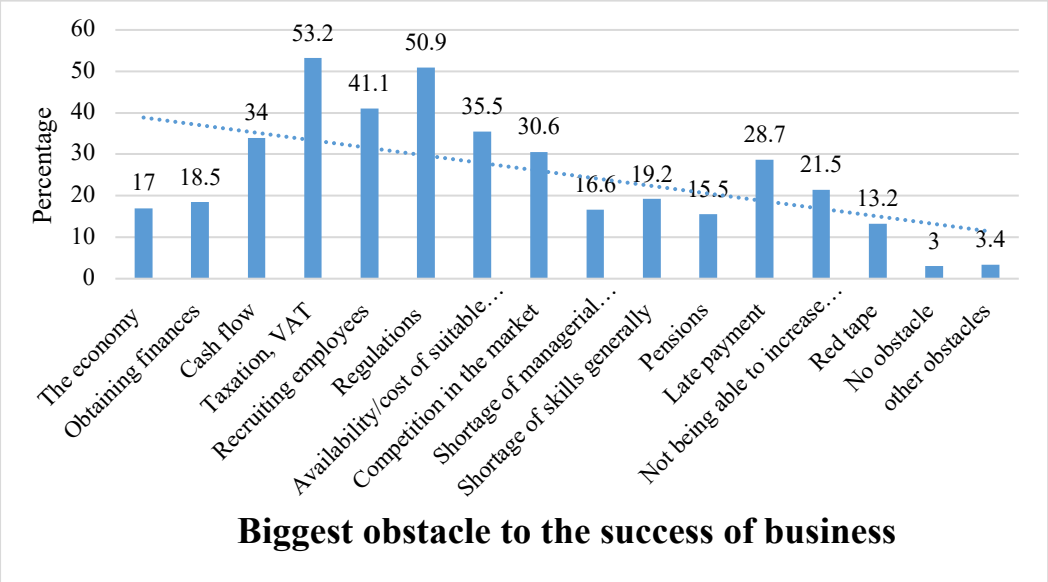
Throughout the question 8 of the survey questionnaire, this study identified the biggest obstacle that SMEs were facing to be successful in their business in the UAE. It is found that majority of the respondents about 141 (53.2%) identified taxation and VAT where lowest number of respondents around 8 (3%) found they do not face any obstacles to be successful in their business. From the survey results, 135 (50.9%) respondents confirmed that second highest challenge in the success of business was regulation. According to KPMG (n.d.) new VAT regulation raises complex issues for many businesses including SMEs in the UAE.

Respondents identified some other obstacles in the success of their business are recruiting employees 109 (41.1%), availability/cost of suitable premises 94 (35.5%), cash flow 90 (34%), competition in the market 81 (30.6%), and late payments fees 76 (28.7). Rest of the respondents identified not being able to increase prices/fees 57 (21.5%), obtaining finances 49 (18.5%), shortage of skills generally 51 (19.2%), the economy 45 (17.0%), shortage of managerial skills/expertise 44 (16.6%) as the obstacles to the success of business. Very few of the respondents identified pensions 41 (15.5%), red tape 35 (13.2 %) and other obstacles (3.4%) as obstacles to the success of business. Following Table 4.1 and Figure 4.4 summarises the biggest obstacles to the success of business identified by respondents.

Table 4.4: The Biggest Obstacle to the Success of Business of Respondents

Rank	Obstacles	Frequency	Percentage
01	*Taxation, VAT*	141	53.2
02	*Regulations*	135	50.9
03	*Recruiting employees*	109	41.1
04	*Availability/cost of suitable premises*	94	35.5
05	*Cash flow*	90	34.0
06	*Competition in the market*	81	30.6
07	*Late payment*	76	28.7
08	*Not being able to increase prices/fees*	57	21.5
09	*Shortage of skills generally*	51	19.2
10	*Obtaining finances*	49	18.5
11	*The economy*	45	17.0
12	*Shortage of managerial skills/expertise*	44	16.6
13	*Pensions*	41	15.5
14	*Red tape*	35	13.2
15	*other obstacles*	9	3.4
16	*No obstacle*	8	3.0

Figure 4.33: The biggest obstacle to the success of business of respondents



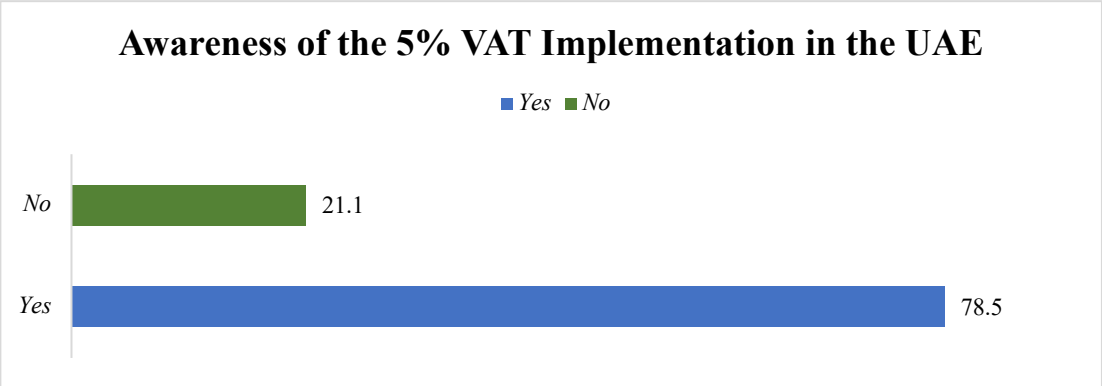
4.3.3 VAT and Legal Form

Section 2 was planned to understand the awareness of VAT as a legal obligation among SMEs in the UAE. The section reveals the awareness of 5% VAT implementation, registered business along with their business turnover, ease of VAT registration, impact of imposing 5% VAT on SMEs in the UAE. A detailed analysis and discussion is in the following.

4.3.3.1 Awareness on 5% VAT Implementation

Question 9 of the survey questionnaire was designed to examine the awareness on 5% VAT implementation in the UAE. From the quantitative results, it is found out that majority of the respondents about 208 (78.5%) are aware of the implementation 5% of VAT in the UAE whereas nearly 56 (21.1%) respondents responded that they are not aware of the implementation. Following Figure 4.34 summarises frequency of respondents on awareness of the implementation 5% of VAT in the UAE.

Figure 4.34: Awareness of the implementation 5% of VAT in the UAE

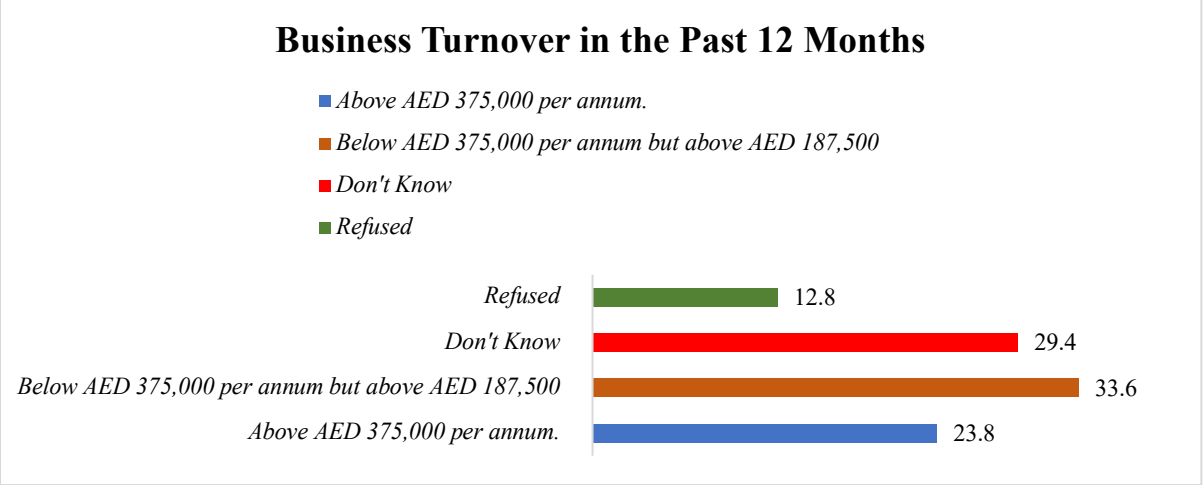


4.3.3.2 Business Turnover

Question 10 of the survey questionnaire was designed to find out the turnover of the business in the past 12 months. It is significant for this study to figure out whether businesses meet income threshold to pay 5% VAT in the UAE.

From the quantitative data, most of the respondents 89 (33.6%) stated that the nature of turnover was below AED 375,000 per annum but above AED 187,500. 63 (23.8%) businesses responded that their nature of turnover was above AED 375,000 per annum and only 34 (12.8%) respondents 'refused' to provide their business turnover in the past 12 months. While 78 (29.4%) businesses responded that they don't know about actual turnover of their businesses. Following Figure 4.35 shows nature of business turnover in the past 12 months.

Figure 4.35: Business Turnover in the Past 12 Months



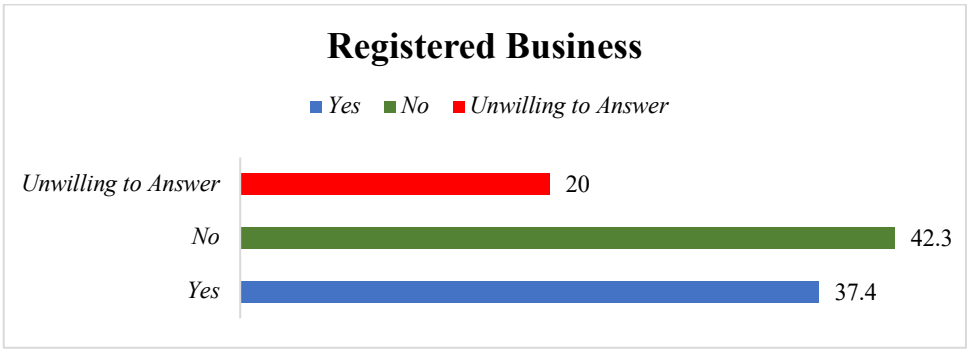
4.3.3.3 VAT and Business Success

This section is to design to find out the success of the business along with the VAT. The section includes Business VAT registration, ease of VAT registration process, and whether imposing 5% VAT impact the success of the business or not.

4.3.3.4 VAT Registered Business

The majority of respondents 112 (42.4%) replied that their business are not VAT registared where 99 (37.4%) respondent's business are VAT registered. 53 (20%) respondents showed their unwillingness to answer the question 'Is your business VAT registered?'. Following Figure 4.36 shows the responses of respondents on different issues of VAT related to the sucsess of business.

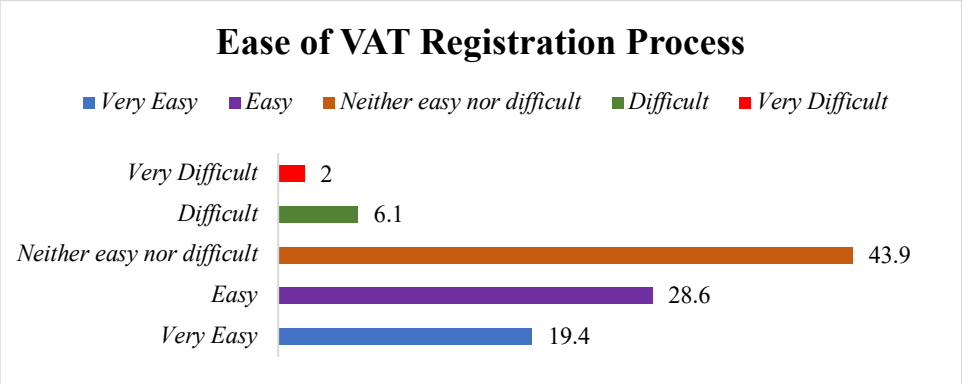
Figure 4.36: Responses of Respondents on VAT and Business Success



4.3.3.5 Ease of VAT Registration Process

The question such as 'how easy did you find the VAT registration process?' was asked to the VAT registered business. From the survey results, it has revealed that highest number of respondents, almost 43 (43.9%), found that VAT registration was neither easy nor difficult whereas lowest number of respondents, nearly 2 (2%), found VAT registration process was very difficult. About 19 (19.4%) and 28 (28.6%) respondents found out that VAT registration was very easy and easy respectively where 6 (6.1%) respondents found that VAT registration process was difficult. Following Figure 4.37 shows the responses on the ease of VAT registration process.

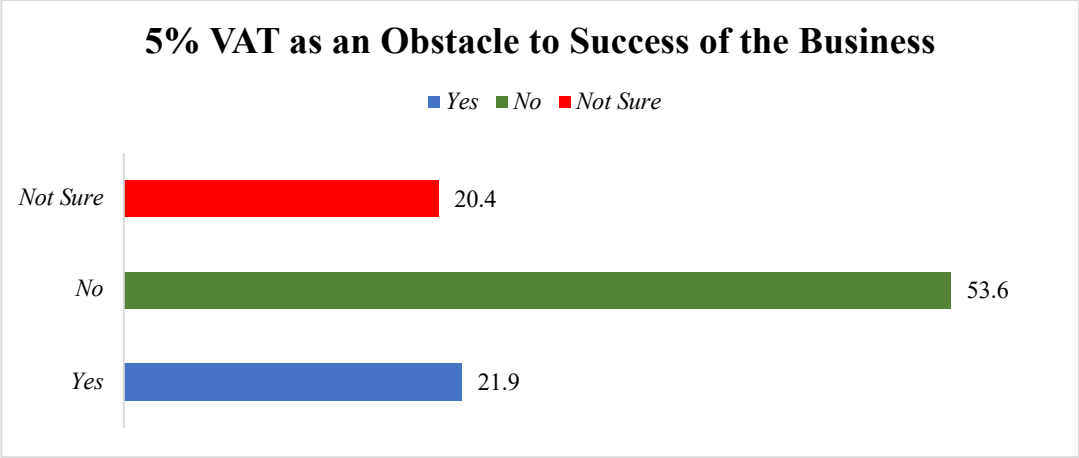
Figure 4.37: Responses of Respondents on VAT and Business Success



4.3.3.6 Imposing 5% VAT is an Obstacle to the Success of Your Business

From the quantitative data analysis, majority of the respondents, approximately 142 (53.6%), found that imposing 5% VAT is not an obstacle to the success of SMEs whereas 58 (21.9%) respondents revealed that imposing VAT is a challenge to the success of their business. About 54 (20.4%) respondents were not sure whether imposing 5% VAT is an obstacle to the success of their business or not. Following Figure 4.38 depicts the quantitative results derived form field study.

Figure 4.38: Imposing 5% VAT is an Obstacle to the Success of Your Business



4.3.4 The impact of VAT on the Companies' Profitability and the Cash Flow:

It is found that majority of the respondents said Costs involved in understanding legislation (exclusions, exemptions, deductions, good/service distinctions etc.) have impact on the companies' profitability and the cash flow to a great extent 81 (30.6%) and to moderate extent 81 (30.6%). About 56 (21.1%) of the respondents stated that costs involved in understanding legislation (exclusions, exemptions, deductions, good/service distinctions etc.) have impact on the companies' profitability and the cash flow to a to some extent and 25 (9.4%) said to a small extent while 12 (4.5%) said there is no impact.

Respondents said that procedural requirements (such as supporting evidences for VAT registrations, accounting records, bookkeeping for tax return, and accounting record for VAT return) involve additional workforce and, hence, increase in expenditure on wages and salaries to moderate extent 100 (37.7%), to some extent 67 (25.3%) and to a great extent 51 (19.2%). Rest of the respondents said procedural requirements (such as supporting evidences for VAT registrations, accounting records, bookkeeping for tax return, and accounting record for VAT return) involve additional workforce and, hence, increase in expenditure on wages and salaries impact on the companies' profitability and the cash flow to a small extent 30 (11.3%) and no impact 6 (2.3%).

It has been recorded that respondents said the compliance costs are significantly higher when businesses are involved in cross border trade has impact on the companies' profitability and the cash flow to a moderate extent 100 (37.7%), to some extent 60 (22.6%), and to a great

extent 46 (17.4%). Rest of the respondents said it has impact on the companies' profitability and the cash flow to a small extent 36 (13.6%), and 10 (3.8%) mentioned it has no impact.

Majority of the respondents 119 (44.9%) stated other administrative costs related to VAT claim, missing deadline, and others has impact on the companies' profitability and the cash flow to some extent. According to 65 (24.5%) respondents other administrative costs related to VAT claim, missing deadline, and others has impact on the companies' profitability and the cash flow to moderate extent, 23 (8.7%) responded it has impact to a great extent and 38 (13.6%) replied it has impact to a small extent while only 10 (3.8%) stated it has no impact.

'The company falls within the scope of the payment of VAT incurs a direct costs on the company's profitability' has impact on the companies' profitability and the cash flow to a moderate extent 100 (37.7%), to some extent 60 (22.6%), and to a great extent 41 (15.5%). 38 (14.3%) respondents said it has impact to a small extent and 10 (3.8%) stated it has no impact.

37 (36.6%) respondents believed that VAT adversely affects companies' profitability to some extent, 86 (32.5%) respondents thought VAT adversely affects companies' profitability to a moderate extent and 27 (10.2%) believed it has impact to a great extent. Only 13 (4.9%) replied that VAT has no impact on companies' profitability and 29 (10.9%) stated it has impact to a small extent.

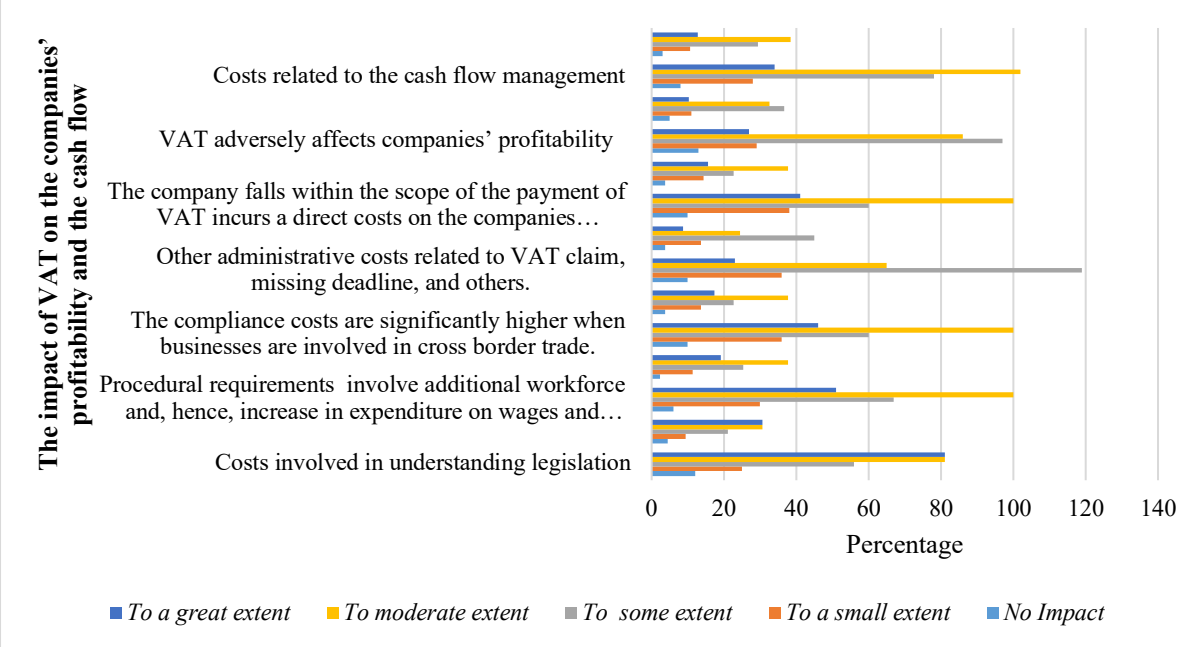
About 102 (38.5%) stated that costs related to the cash flow management has impact on company's profitability and cash flow to a moderate extent, 78 (29.4%) replied it has impact to some extent, and 34 (12.8%) mentioned it has impact to a great extent. Only 8 (3%) respondents believed that costs related to the cash flow management has no impact, and 28 (10.6%) respondents believed it has impact on company's profitability and cash flow to a small extent. Following Table 4.5 summarises the perception of respondents on impact of VAT on the companies' profitability and the cash flow.

Table 4.5: Perception of Respondents on the Impact of VAT on the Companies' Profitability and the Cash Flow

The impact of VAT on the companies' profitability and the cash flow		No Impact	To a small extent	To some extent	To moderate extent	To a great extent
Costs involved in understanding legislation (exclusions, exemptions, deductions, good/service distinctions etc.)	Frequency	12	25	56	81	81
	Percentage	4.5	9.4	21.1	30.6	30.6
Procedural requirements (such as supporting evidences for VAT registrations, accounting records, bookkeeping for tax return, and accounting record for VAT return) involve additional workforce and, hence, increase in expenditure on wages and salaries.	Frequency	6	30	67	100	51
	Percentage	2.3	11.3	25.3	37.7	19.2
The compliance costs are significantly higher when businesses are involved in cross border trade.	Frequency	10	36	60	100	46
	Percentage	3.8	13.6	22.6	37.7	17.4
Other administrative costs related to VAT claim, missing deadline, and others.	Frequency	10	36	119	65	23
	Percentage	3.8	13.6	44.9	24.5	8.7
The company falls within the scope of the payment of VAT incurs a direct cost on the company's profitability.	Frequency	10	38	60	100	41
	Percentage	3.8	14.3	22.6	37.7	15.5
VAT adversely affects companies' profitability	Frequency	13	29	97	86	27
	Percentage	4.9	10.9	36.6	32.5	10.2
Costs related to the cash flow management	Frequency	8	28	78	102	34
	Percentage	3.0	10.6	29.4	38.5	12.8

Figure 4.39 has been created based on the results showed on the table 4.5.

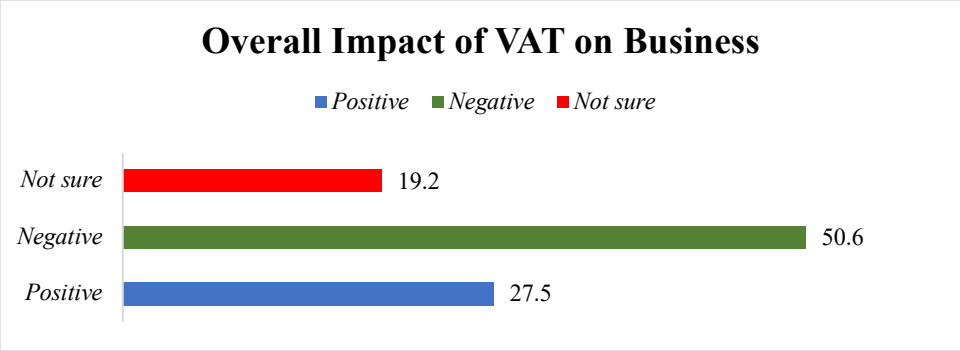
Figure 4.39: The Impact of VAT on the Companies' Profitability and the Cash Flow



4.3.4.1 Overall impact of VAT on business

The survey questionnaire is designed to understand the overall impact of VAT on business. From the quantitative data analysis, majority of the respondents 136 (50.6%) replied that there is negative impact of VAT on their business. Only 75 (27.5%) respondents said about the positive impact while 53 (19.2%) respondents said they are not sure about the overall impact of VAT on business. Figure 4.40 summarises the responses of respondents of overall impact of VAT on their business.

Figure 4.40: Responses on Overall Impact of VAT on Business



4.3.5 Section 3: Factors that Influence Compliance

Section 3 was planned to find out the factors that influence businesses to be VAT compliant. The factors include law, late payment change, having goods seized by the FTA for being failure to pay tax, influenced by other taxpayers, third party (bank) owing money to business, honesty in dealing with FTA, making and publishing judgement in case of failure to pay tax, motivated by personal belief such as doing right thing, concern regarding audit by the FTA, concern that the person's name will be published on the FTA's quarterly list of Defaulters, knowing that the FTA has the power to receive certain information about you from 3rd parties, ease to pay taxes, and tax payments are used to fund public services. Following Table 4.6 summarises the responses of respondents on factors that influence compliance (Make they bound to pay VAT).

Table 4.6: Responses on Factors that Influence Compliance (Make they bound to pay VAT)

Factors that influence compliance		No influence	Little Influence	Moderate Influence	Great Influence	Greater Influence
Because it is a law	Frequency	12	12	25	60	113
	Percentage	4.5	4.5	9.4	22.6	42.6
Concerning at having to pay interest charges for late payment of tax	Frequency	14	14	58	111	46
	Percentage	5.3	5.3	21.9	41.9	17.4
Concern at having goods seized by the Federal Tax Authority for failure to pay tax	Frequency	15	19	52	107	50
	Percentage	5.7	7.2	19.6	40.4	18.9
Belief that other taxpayers are declaring and paying honestly	Frequency	15	26	67	91	44
	Percentage	5.7	9.8	25.3	34.3	16.6
Concern that a third party (e.g. a bank), owing money to you, will be ordered to pay that money over to the Federal Tax Authority	Frequency	18	20	54	106	45
	Percentage	6.8	7.5	20.4	40.0	17.0
That fact that the Federal Tax Authority presumes that you have been honest in your dealings with them	Frequency	14	16	58	106	49
	Percentage	5.3	6.0	21.9	40.0	18.5
Concern that the Federal Tax Authority will obtain a court judgment against you for failure to pay tax and publish details of that judgment	Frequency	14	26	52	93	57
	Percentage	5.3	9.8	19.6	35.1	21.5
Your personal belief that you should do the 'right thing'	Frequency	12	18	65	105	43
	Percentage	4.5	6.8	24.5	39.6	16.2
Concern that you will be audited by the Federal Tax Authority	Frequency	12	29	63	107	32
	Percentage	4.5	10.9	23.8	40.4	12.1
Concern that your name will be published on the Federal Tax Authority's Quarterly List of Defaulters	Frequency	16	23	49	121	34
	Percentage	6.0	8.7	18.5	45.7	12.8
Knowing that the Federal Tax Authority has the power to receive certain information about you from 3rd parties (e.g. payments, rental income, interest, dividends)	Frequency	12	26	48	117	40
	Percentage	4.5	9.8	18.1	44.2	15.1
Because the Federal Tax Authority makes it easy to pay taxes	Frequency	13	25	68	105	32
	Percentage	4.9	9.4	25.7	39.6	12.1
Because tax payments are used to fund public services	Frequency	16	20	75	104	28
	Percentage	6.0	7.5	28.3	39.2	10.6

From Table 4.6 it is found that 113 (42.6%) respondents have been influenced in a greater extent and 60 (22.6%) respondents have been influenced greatly to pay VAT by thinking that it is a law.

Concerning at having to pay interest charges for late payment of tax have grate influence on 111 (41.9%) respondents which bound them to pay VAT.

Concern at having goods seized by the Federal Tax Authority for failure to pay tax has great influence on making them bound to pay VAT (40.4%).

50 (18.9%) respondents said Concern at having goods seized by the Federal Tax Authority for failure to pay tax has greater influence, 50 (19.6%) said it has moderate influence, 19 (7.2%) stated it has little influence, and 15 (5.7%) said it has no influence.

Belief that other taxpayers are declaring and paying honestly has great influence on respondents to pay VAT 91 (34.3%). About 44 (16.6%) said belief that other taxpayers are declaring and paying honestly has greater influence, 67 (25.3%) said it has moderate influence, 26 (9.8%) said it has little influence while 15 (5.7%) said it has no influence.

Most of the respondents identified 'Concern that a third party (e.g. a bank), owing money to you, will be ordered to pay that money over to the Federal Tax Authority' has great influence on them to make them bound to pay VAT 106 (40.0%). 54 (20.4%), about 45 (17%), and 20 (7.5%) respondents identified 'Concern that a third party (e.g. a bank), owing money to you, will be ordered to pay that money over to the Federal Tax Authority' has moderate influence, greater influence and little influence on them to make them bound to VAT respectively. Only 6.8 per cent said it has no influence on them to pay VAT.

106 (40.0%) respondents identified the fact the Federal Tax Authority presumes that they have been honest in dealings with them influence greatly them to pay VAT. 58 (21.9%), 49 (18.9%), and 16 (6%) respondents ensured that the fact the Federal Tax Authority presumes that they have been honest in dealings with them influence them in moderate extent, in greater extent and in little extent respectively to pay VAT. Only 14 (5.3%) per cent said it has no influence on them to pay VAT.

'Concern that the Federal Tax Authority will obtain a court judgment against them for failure to pay tax and publish details of that judgment' has great influence to them to pay VAT. 57 (21.5%), 52 (19.6%) and 26 (9.8%) respondents stated that 'Concern that the Federal Tax Authority will obtain a court judgment against them for failure to pay tax and publish details of that judgment' has greater influence, moderate influence and little influence respectively on them to pay VAT. Only 14 (5.3%) respondents replied that it has no influence on them.

It is found during the survey that 105 (39.6%) respondents mentioned that their personal belief that they should do the 'right thing' influenced them greatly to pay the VAT. Other 65 (24.5%), 43 (16.2%) and 18 (6.8%) respondents replied that their personal belief that they should do the 'right thing' influenced them in a greater extent, in a moderate extent and in a little extent respectively. Only 12 (4.5%) respondents mentioned that it has no influence on them.

About 107 (40.4%) respondents mentioned that 'Concern that they will be audited by the Federal Tax Authority' influenced them greatly to pay the VAT. Rest of the respondents said 'Concern that they will be audited by the Federal Tax Authority' influenced them in a greater extent 32 (12.1%), in a moderate extent 63 (23.8%), and in a little extent 29 (10.9%). Only 12 (4.5%) stated that it has no influence.

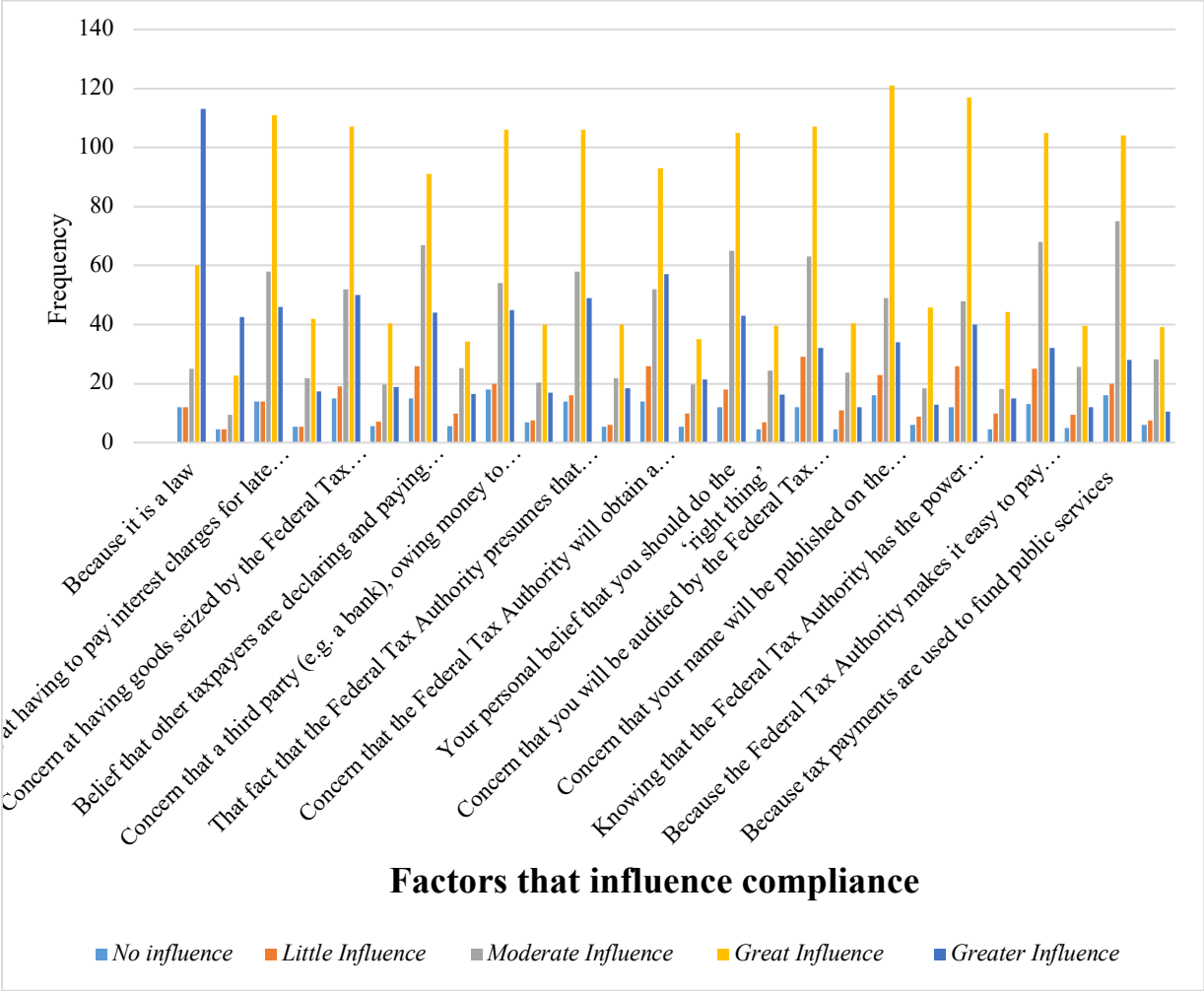
Majority of the respondents 121 (45.7%) said that 'Concern that their name will be published on the Federal Tax Authority's Quarterly List of Defaulters' influenced them greatly to pay VAT. Other respondents said that 'Concern that their name will be published on the Federal Tax Authority's Quarterly List of Defaulters' influenced them in a greater extent 34 (12.8%), in a moderate extent 49 (18.5%) and in a little extent 23 (8.7%) to pay VAT. Only 16 (6%) respondent think that it has no influence on them.

Knowing that the Federal Tax Authority has the power to receive certain information about them from 3rd parties (e.g. payments, rental income, interest, dividends), they have been influenced greatly 117 (44.2%), in a greater extent 40 (15.1%) , moderately 48 (18.1%), and to a little extent 26 (9.8%) to pay VAT. Only12 (4.5%) stated that it has no influence on them to pay VAT.

105 (39.6%) respondents think that they have been influenced greatly to pay VAT because the Federal Tax Authority makes it easy to pay taxes. 105 (39.2%) also mentioned that they have been influenced greatly to pay VAT because tax payments are used to fund public services.

Following Figure 4.41 has been drawn from the results shown in Table 4.6.

Figure 4.41: Responses on Factors that Influence Compliance (Make they bound to pay VAT)



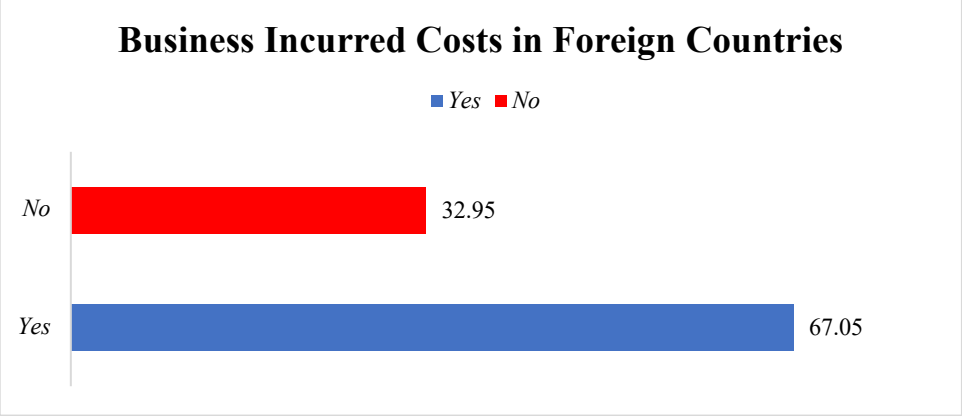
4.3.6 Section 4: Business Experience with Foreign VAT

Section 4 is designed to understand the business experiences of the UAE SMEs with foreign VAT. The section includes Business incurred costs in foreign countries, Business incurred expenditure in Foreign country and region, business abilities to recovering foreign VAT, and causes of not recovering VAT. Following is a detailed quantitative data analysis.

4.3.6.1 Business incurred costs in foreign countries

From the quantitative data, majority of the respondents 177 (67.05%) ensured that their business incurred costs in foreign countries. On the other hand, 87 (32.95%) respondents replied that their businesses do not incur any costs in foreign countries. Figure 4.42 summarises the responses of respondents on condition of business incurred costs in foreign countries.

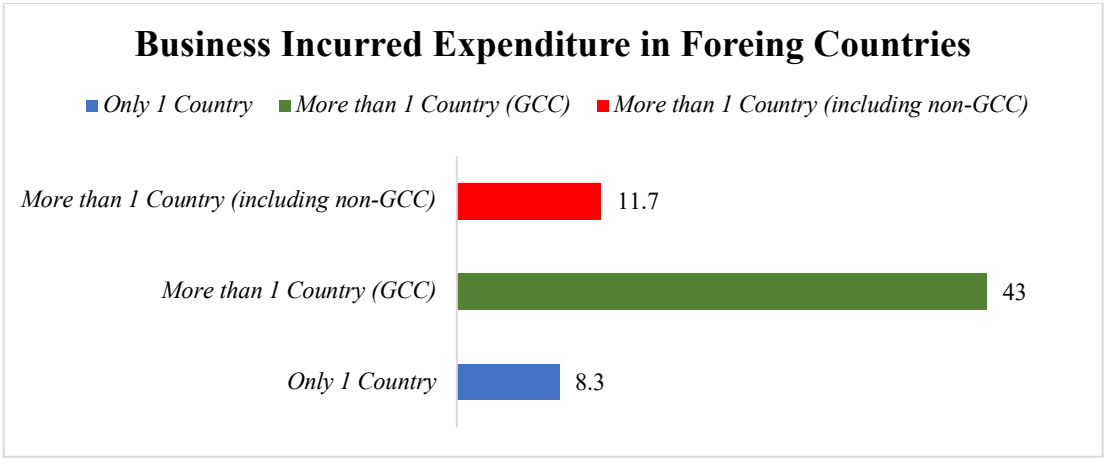
Figure 4.42: Business Incurred Costs in Foreign Countries



4.3.6.2 Business incurred expenditure in Foreign Country

Since 177 (67.05%) respondents confirmed their businesses incurred costs, overseas VAT, in foreign countries, It has revealed that 124 (47%) respondents have business incurred expenditure in more than 1 country (GCC), 31 (11.7%) respondents have business incurred expenditure in more than 1 country (including non-GCC) while 22 (8.3%) respondents have business incurred expenditure in only 1 country. Figure 4.43 illustrated the results.

Figure 4.43: Business Incurred Expenditure in Foreign Country

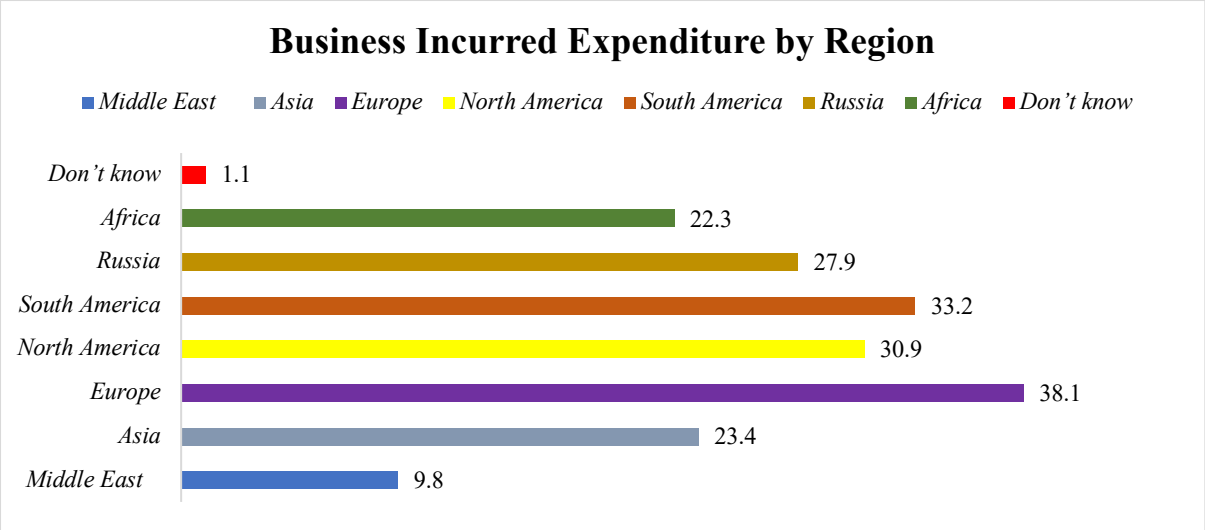


4.3.6.3 Business Incurred Expenditure by Region

Among total respondents, 177 respondents who replied their business incurred costs in foreign countries. From 177 respondents, most of the respondents mentioned that their business incurred expenditure in the regions such as Europe 101(38.1%), South America 88 (33.2%), and North America 82 (30.9%). Rest of the respondent's business incurred regions are Russia

74 (27.9%), Asia 62 (23.4%), Africa 59 (22.3%), and Middle East 26 (9.8%). Figure 4.44 depicts the results.

Figure 4.44: Business Incurred Expenditure by Region

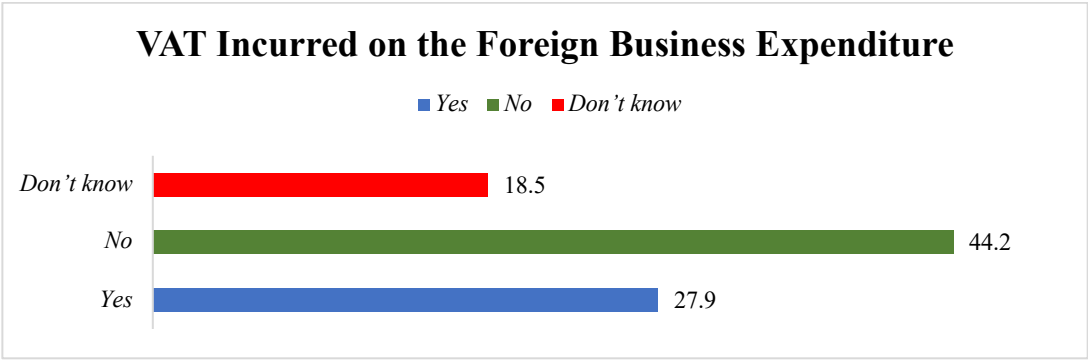


4.3.7 Responses on Foreign VAT and business

4.3.7.1 VAT incurred on the Foreign Business Expenditure

Survey questionnaire attempted to investigate whether VAT incurred on the foreign business expenditure or not and it has revealed that only 74 (27.9%) respondents confirmed that they can incur VAT on foreign business expenditure whereas large number of respondents 117 (44.2%) confirmed that their businesses do not incur VAT on the foreign business expenditure. Among the respondents, 49 (18.5%) respondents replied that they "don't know" whether their businesses incur VAT on the foreign business expenditure or not. Following Figure 4.45 shows the results – VAT incurred on the Foreign Business Expenditure.

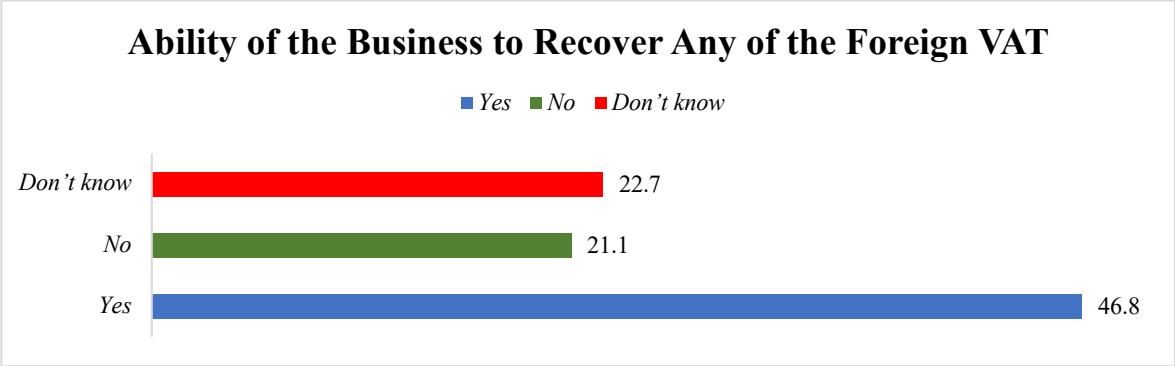
Figure 4.45: Responses on Foreign VAT and Business



4.3.7.2 Business Ability to Recover VAT

Majority of the respondents 124 (46.8%) confirmed that their businesses have ability to recover foreign VAT where few of the respondents 56 (21.1%) stated that their business have the ability to recover any of the foreign VAT. Around 60 (22.7%) respondents confirmed that they do not know whether their business has the ability to recover any of the foreign VAT or not. Following Figure 4.46 illustrates the results.

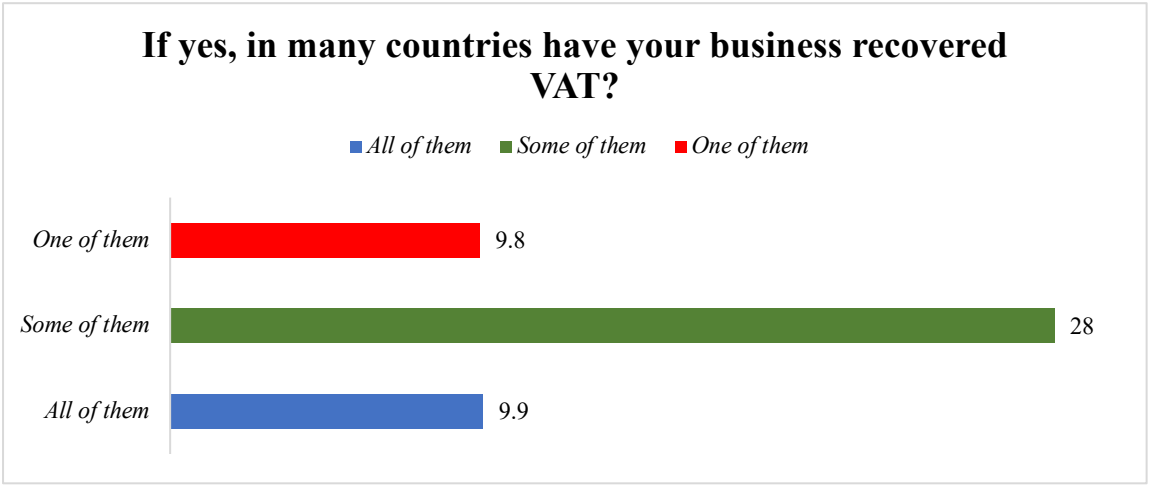
Figure 4.46: The Ability to Recover any of the Foreign VAT



4.3.7.3 If yes, in many countries have your business recovered VAT

Since 124 people responded yes to their business has ability to recover the foreign VAT, majority of the respondents 74 (28.03%) confirmed they have the ability to recover VAT from some of the countries, 24 (9.09%) respondents affirmed that they can recover VAT from all of the countries, and 26 (9.84%) participants replied that they can recover VAT from one country. Following Figure 4.47 illustrates the above-mentioned results.

Figure 4.47: Business Able to Recover any of the Foreign VAT



4.3.7.4 Causes of not recovering VAT

Following Table 4.7 ranks the causes that effect VAT recovery by businesses.

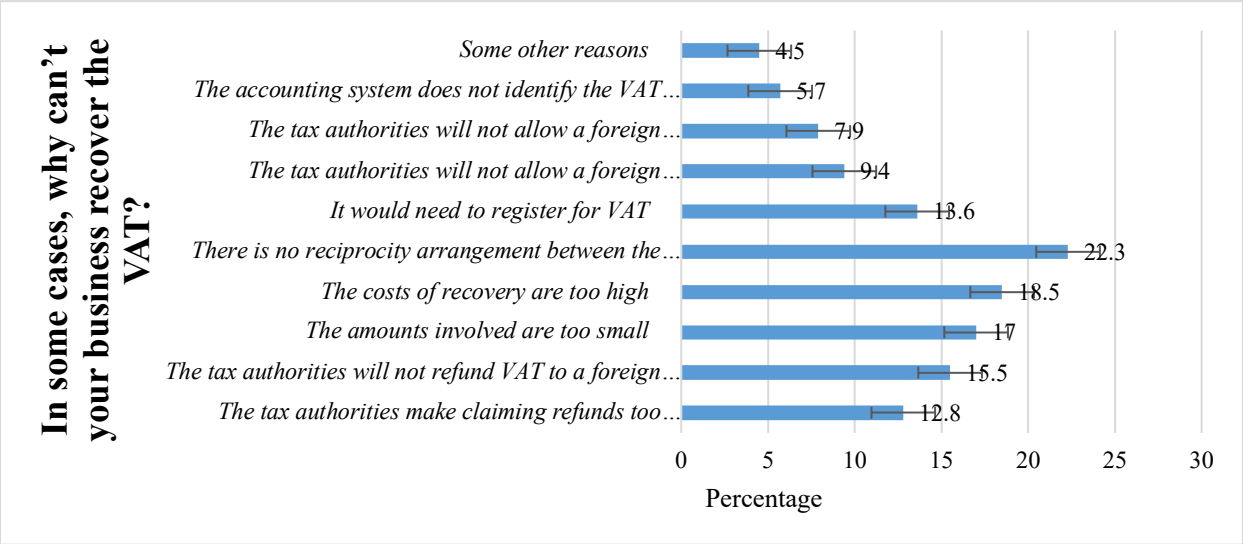
Table 4.7: Causes of Not Recovering VAT

Rank	In some cases, why can't your business recover the VAT?	Frequency	Percent
01	There is no reciprocity arrangement between the two countries	59	22.3
02	The costs of recovery are too high	49	18.5
03	The amounts involved are too small	45	17.0
04	The tax authorities will not refund VAT to a foreign business	41	15.5
05	It would need to register for VAT	36	13.6
06	The tax authorities make claiming refunds too difficult	34	12.8
07	The tax authorities will not allow a foreign business to register and recover VAT without having a taxable activity in the country	25	9.4
08	The tax authorities will not allow a foreign business to register and recover VAT without creating a branch or another establishment in the country	21	7.9
09	The accounting system does not identify the VAT incurred abroad	15	5.7
10	Some other reasons	12	4.5

From Table 4.7, it is found that 59 (22.3%) respondents identified not having reciprocity arrangement between the two countries as the cause of not recovering the VAT by their business. About 49 (18.5%) respondents affirmed that as the costs of recovery are too high they cannot recover the VAT. 45 (17%) respondents claimed that they cannot recover the VAT because the amount involved are too small while 41 (15.5%) responded that they cannot recover the VAT because the tax authorities will not refund VAT to a foreign business. Rest of the respondents identified 'The tax authorities make claiming refunds too difficult'34 (12.8%), 'It would need to register for VAT'36 (13.6%), 'The tax authorities will not allow a foreign business to register and recover VAT without having a taxable activity in the country' 21 (7.9%), 'The accounting system does not identify the VAT incurred abroad' 15 (5.7%) and Some other reasons 12 (4.5%) as the causes of not recovering VAT by their business.

Following Figure 4.48 is drawn on the basis of the quantitative data shown in Table 4.7.

Figure 4.48: Reasons of Not Recovering the VAT



4.3.8 Section 5: Business Support

4.3.8.1 Financial Support from Government to Grow Your Business

Figure 4.49 summarises the responses of respondents on getting financial support of government and bank. Majority of the respondents (58.1%) get financial support from government to grow their business.

Figure 4.49: Responses on Getting Financial Support of Government and Bank

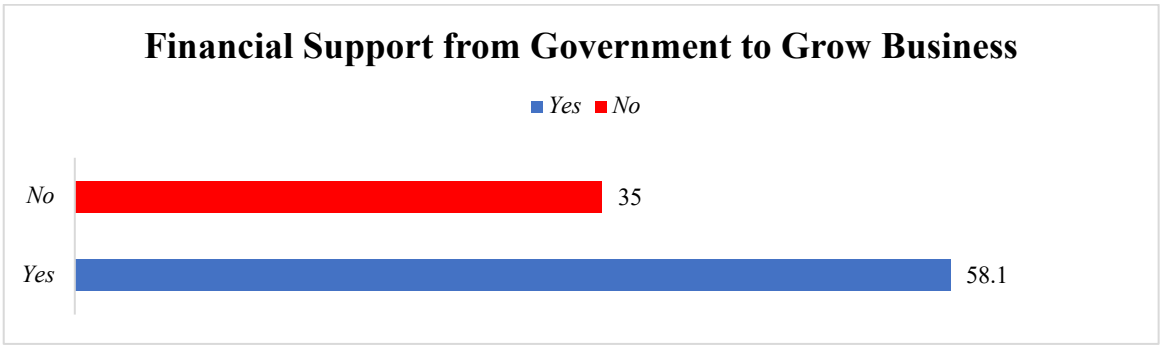


Figure 4.50 illustrates that 29 (10.9%) respondents said that this is easy to find financial support from government to grow business and 12 (4.5%) said it is very easy to find financial support. Most of the respondents 89 (33.6%) said that this is neither easy nor difficult to find financial support from government. 15 (5.7 %) respondents find it difficult and 10 (3.8%) respondents find it very difficult to get financial support from government to grow business.

Figure 4.50: Ease to Find Financial Support from Government to Grow Business

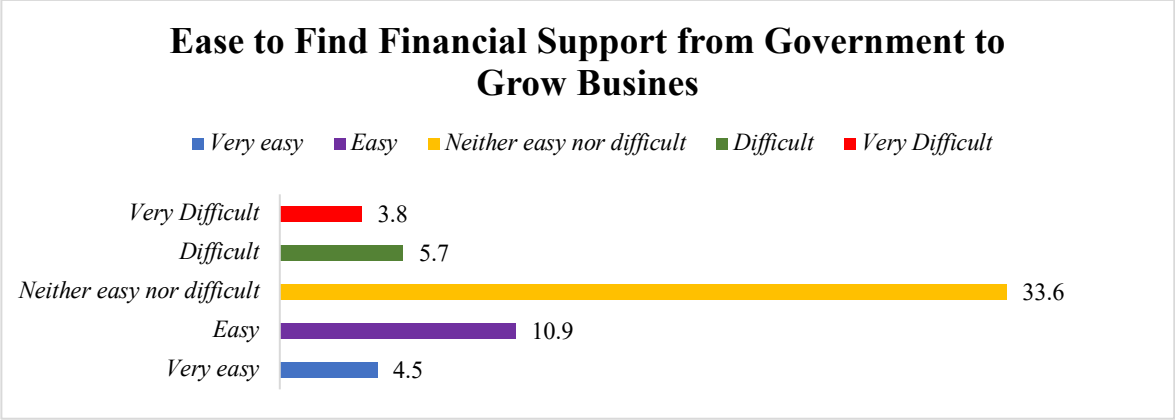


Figure 4.51 shows that less than half of the respondents 122 (46%) receive financial support from a bank or other financial institutions to grow your business where 112 (42.3%) confirmed they do not receive any financial support from a bank or financial institutions to grow their businesses.

Figure 4.51: Receiving Financial Support to Grow Business

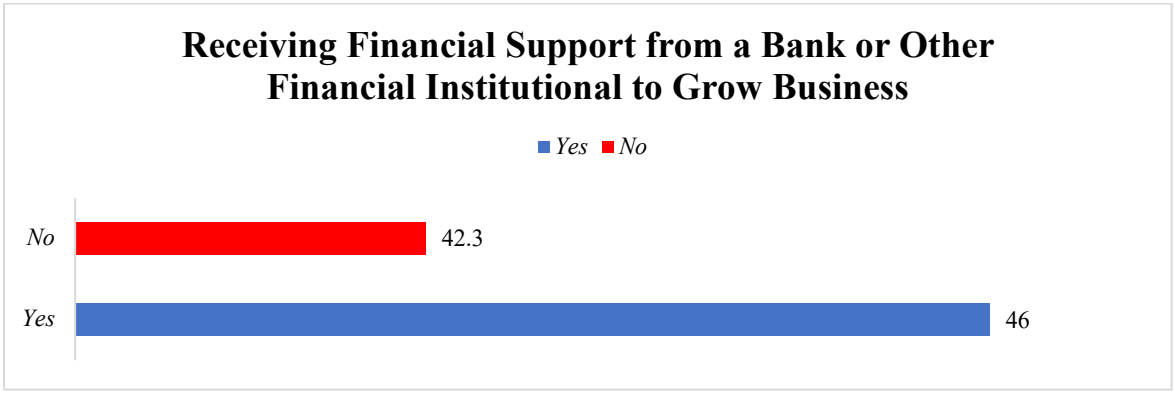
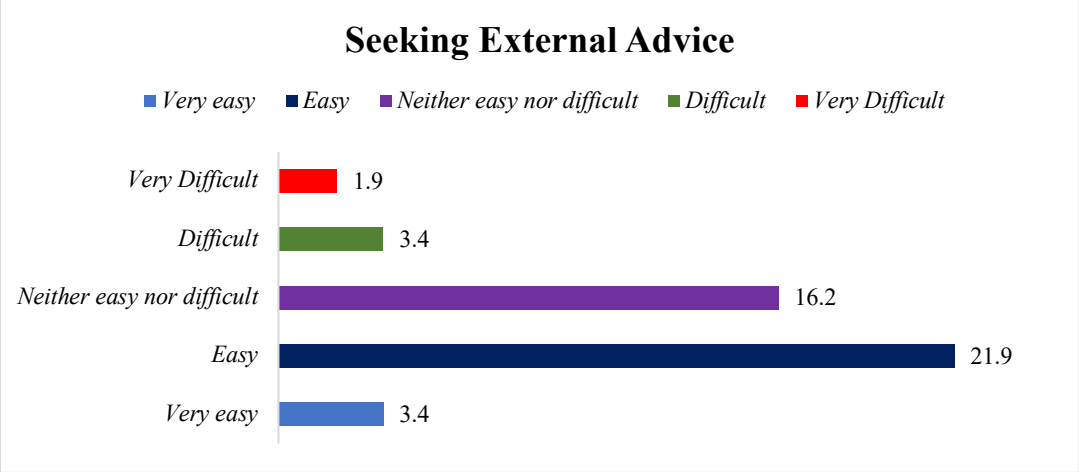


Figure 4.52 depicts that 59 (21.9%) find it easy to receive financial support from a bank or other financial institutions to grow your business while only 9 (3.4%) find it very easy to receive financial support. Rest of the respondents said this is neither easy nor difficult 43 (16.2%), difficult 9 (3.4%) and very difficult 5 (1.9%) to receive financial support from a bank or other financial institutions to grow your business.

Figure 4.52: Seeking External Advice



4.3.8.2 Sources of Information

Following Table 4.8 ranks the source of information according to the quantitative data received from the respondents.

Table 4.8: Sources of Information about Government Support to Small Business

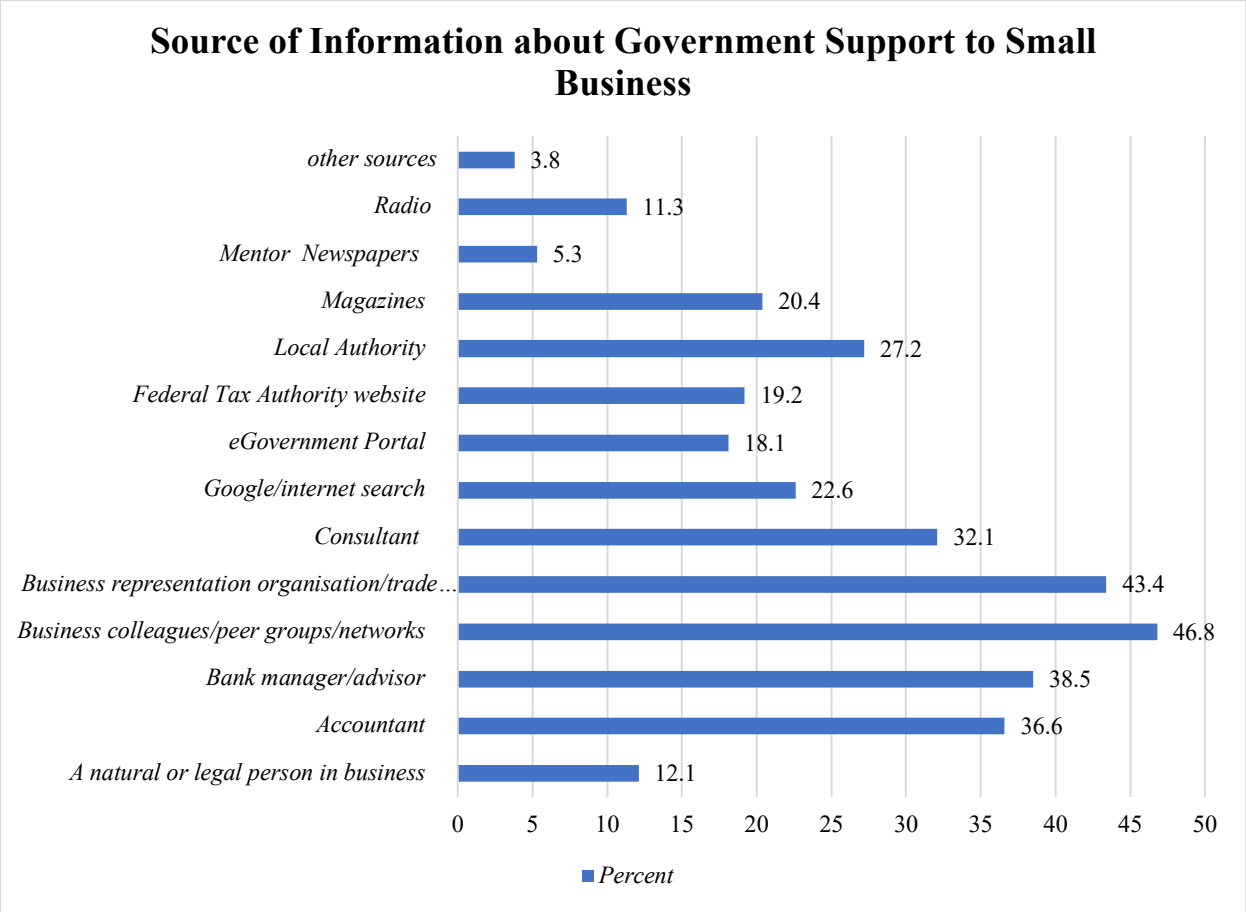
Rank	Sources of Information	Frequency	Percent
01	*Business colleagues/peer groups/networks*	124	46.8
02	*Business representation organisation/trade association/Chamber of Commerce*	115	43.4
03	*Bank manager/advisor*	102	38.5
04	*Accountant*	97	36.6
05	*Consultant*	85	32.1
06	*Local Authority*	72	27.2
07	*Google/internet search*	60	22.6
08	*Magazines*	54	20.4
09	*Federal Tax Authority website*	51	19.2
10	*eGovernment Portal*	48	18.1
11	*A natural or legal person in business*	32	12.1
12	*Radio*	30	11.3
13	*Mentor Newspapers*	14	5.3
14	*If other, please specify*	10	3.8

From Table 4.8, it is revealed that most of the respondents said that business colleagues or peer groups or networks 124 (46.8%), business representation organisation/trade association/Chamber of Commerce 115 (43.4%), bank manager/advisor 102 (38.5%) and accountant 97 (36.6%) are the sources of information from where respondents get information about government support on small business. They also get information from consultant 85 (32.1%), local authority 72 (27.2%), google/internet search 60 (22.6%), Federal Tax Authority website 51 (19.2%), eGovernment Portal 48 (18.1%) and Magazines 54 (20.4%). Rest of the

respondents get information from a natural or legal person in business 32 (12.1%), mentor newspaper 14 (5.3%), radio 30 (11.3%) and other 10 (3.8%) sources.

Figure 4.53 summarises the sources of information from where respondents get information about government support on small business.

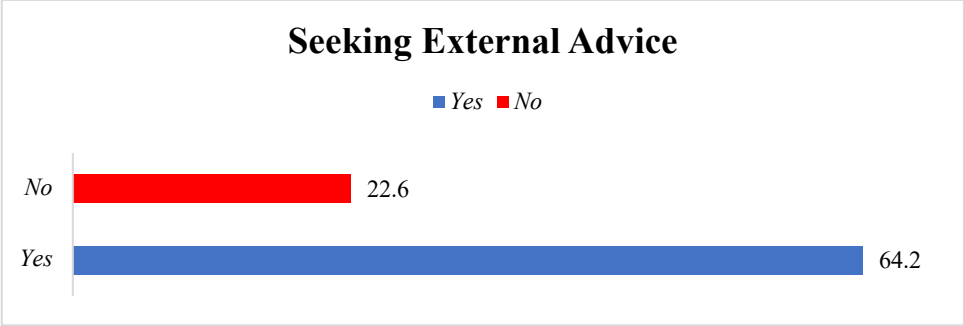
Figure 4.53: Sources of Information about Government Support to Small Business



4.3.8.4 Seeking External Advice

Figure 4.54 depicts the responses on using external advice or information on matters affecting business. It has revealed from survey results that majority of the respondents 170 (64.2%) ensured that in the last 12 months they have asked for external advice or information on matters affecting your business whereas 60 (22.6%) respondents confirmed that they have not sought any external advice or information on matters affecting their business.

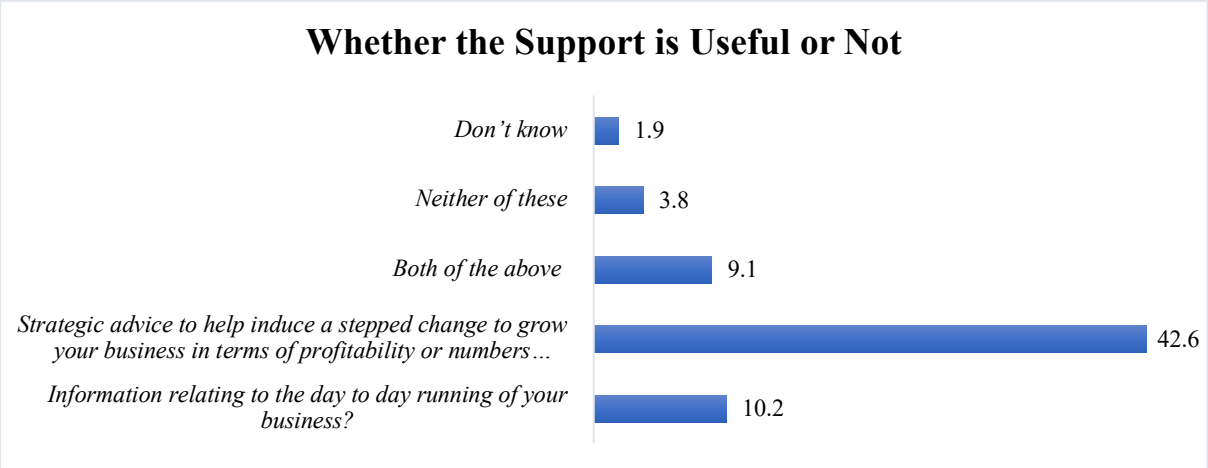
Figure 4.54: Seeking External Advice



4.3.8.5 Finding the Support is Useful for their Business or Not

The question was designed to understand whether external support useful for their business or not. Figure 4.55 depicts the survey results where it shows majority of the respondents 113 (42.6%) mentioned that the assistance or support that they received was for the Strategic advice to help induce a stepped change to grow their business in terms of profitability or numbers employed, or to increase productivity. About 27 (10.2%) respondents mentioned the Information they used was related to the day to day running of their business. Around 24 (9.1%) respondents confirmed that the assistance or support that they used was for both of the above purposes while only 10 (3.8%) replied that the assistance or support that they used was for neither of these purposes. Around 5 (1.9%) respondents affirmed that they do not know whether the information they received were useful for them or not.

Figure 4.55: Responses on Using External Advice or Information on Matters Affecting Business



4.3.8.6 Reasons for Seeking Strategic Advice:

Following Table 4.9 shows the data against the reasons for SMEs to seek strategic advice.

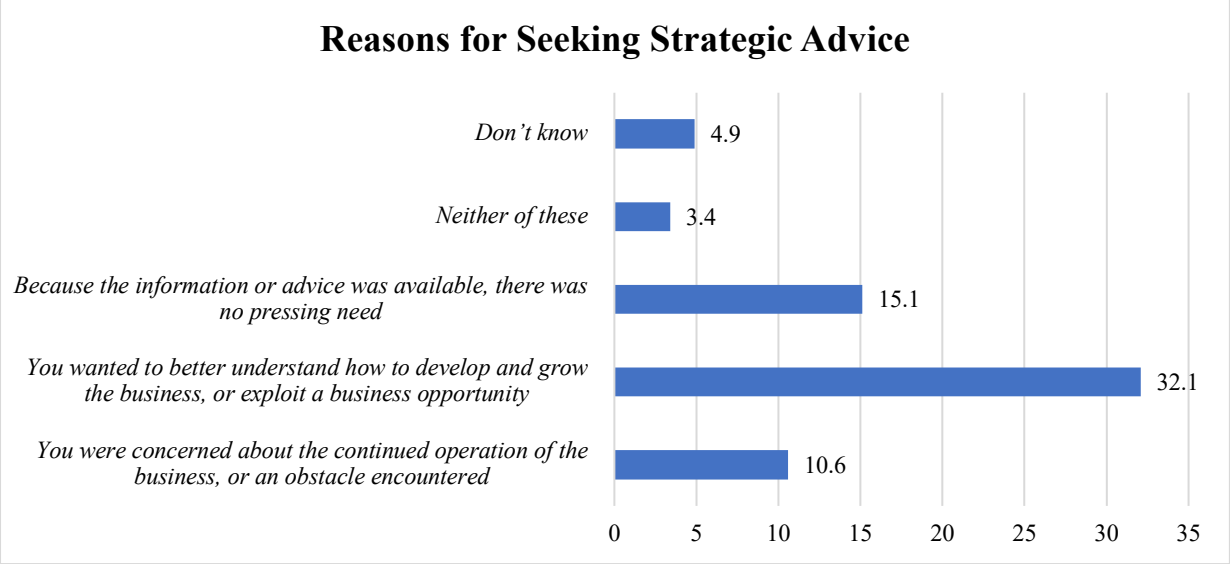
Table 4.9: Reasons for SMEs to Seek Strategic Advice

Rank	Reasons of seeking strategic advice	Frequency	Percent
01	*You wanted to better understand how to develop and grow the business, or exploit a business opportunity*	85	32.1
02	*Because the information or advice was available, there was no pressing need*	40	15.1
03	*You were concerned about the continued operation of the business, or an obstacle encountered*	28	10.6
04	*Neither of these*	9	3.4
05	*Don't know*	13	4.9

From the above-table, Table 4.9, most of the respondents 85 (32.1%) sought strategic advice because they wanted to better understand how to develop and grow the business or exploit a business opportunity. From the survey results, 40 (15.1%) respondents stated that they sought strategic advice because the information or advice was available, there was no pressing need and 28 (10.6%) respondents confirmed they were concerned about the continued operation of the business or an obstacle encountered.

Figure 4.56 is a summary of the results showed in the table 4.9.

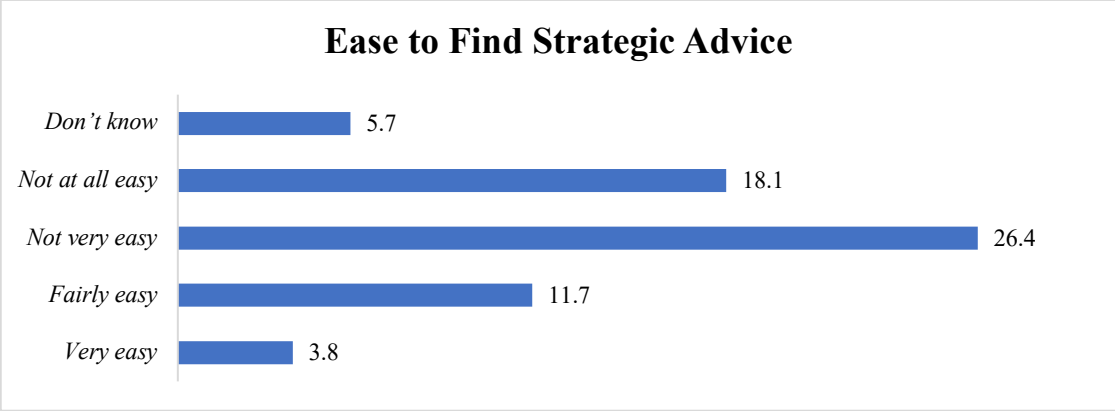
Figure 4.56: Reasons for Seeking Strategic Advice



4.3.8.7 Strategic Advice

Figure 4.57 illustrates the ease of finding strategic advice that the businesses needed. From the survey results, majority of the respondents 70 (26.4%) stated that it was not very easy where 48 (18.1%) confirmed that finding strategic is not easy at all. Few of the respondents find the strategic advice fairly easy 31 (11.7%) and very easy 10 (3.8%).

Figure 4.57: Responses on Easiness to Find the Strategic Advice that You Needed



4.3.9 Section 6: Business Performance

Table 4.10 shows the results received on the business performance. From the survey results, it has revealed that majority of the respondents 150 (56.6%) reported that the number of human resources has been risen in the last 12 months 2018-2019. Only 41 (15.5%) respondents expect growth in employment in the business in the next 12 months 2019-2020 and 113 (42.6%) respondents do not expect growth while 50 (18.9) respondents are not sure about it. 106 (40%) respondents witnessed increase in business turnover in the last fiscal year 2018-2019 while 96 (36.2%) respondents did not witness increase in business turnover.

About 66 (24.9%) expect increase in their business turnover in this fiscal year 2019-2020 and 100 (37.7%) do not per cent expect increase in their business turnover in this fiscal year 2019-2020 while 38 (14.3%) are not sure about it. Around 102 (38.5%) responded that their company have made profit in the last fiscal year 2018-2019, and 85 (32.1%) responded their company have not made profit in the last fiscal year 2018-2019. 60 (22.6%) respondents expect that their company will make profit in this fiscal year 2019-2020 and 91 (34.3%) respondents do not expect while 52 (19.6%) are not sure about it.

Table 4.10: Responses on Business Performance

Have you had any rise in the number of human resources in the last 12 months 2018-2019?		
Response	Frequency	Percent
Yes	150	56.6
No	57	21.5
Total	207	78.1
Do you expect any growth in employment in the business in the next 12 months 2019-2020?		
yes	41	15.5
no	113	42.6
Not Sure	50	18.9
Total	204	77.0

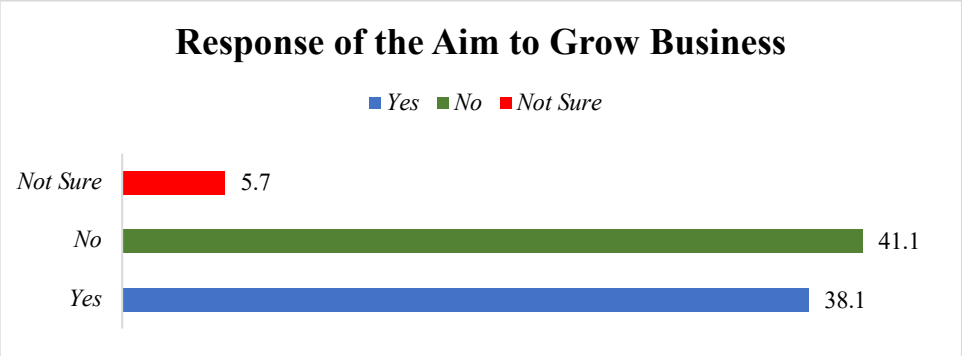
Have you witnessed any increase in business turnover in the last fiscal year 2018-2019?		
yes	106	40.0
no	96	36.2
Total	202	76.2
Do you expect any increase in your business turnover in this fiscal year 2019-2020?		
yes	66	24.9
no	100	37.7
Not Sure	38	14.3
Total	204	77.0
Has your company made any profit in the last fiscal year 2018-2019?		
yes	102	38.5
no	85	32.1
Total	187	70.6
Are you expecting your company to make any profit in this fiscal year 2019-2020?		
yes	60	22.6
no	91	34.3
Not Sure	52	19.6
Total	203	76.6

4.3.10 Section 7: Growth

4.3.10.1 Aim to Grow Business

Figure 4.58 shows the quantitative results regarding the aim to grow their businesses in the next three years. It is revealed that 101 (38.1%) respondents have the aim to grow business over the next two to three years. Comparatively more respondents around 109 (41.1%) do not have any aim to grow business over the next two to three years while 15 (5.7%) respondents are not sure about their aim.

Figure 4.58: Responses on Aim to Grow their Business

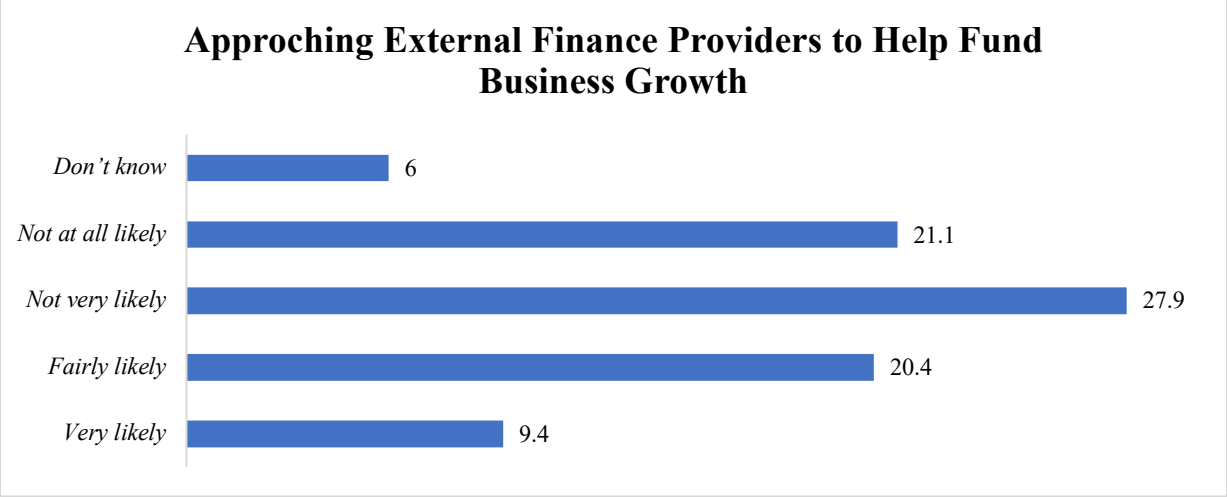


Response on approaching external finance providers to help fund this growth

Figure 4.59 depicts the response on approaching external finance providers to help fund this growth. It has found out that only 25 (9.4%) respondents replied that they will very likely approach external finance providers to help fund this growth, and 54 (20.4%) respondents confirmed that they will approach external finance providers to help fund this growth fairly likely. Around 74 (27.9%) respondents replied that they will not very likely to approach

external finance providers to help fund this growth, and 56 (21.1%) respondents will not at all likely to approach external finance providers to help fund this growth. Also, a small number of respondents 16 (6%) do not know whether they will approach external finance providers to help fund to grow their businesses or not.

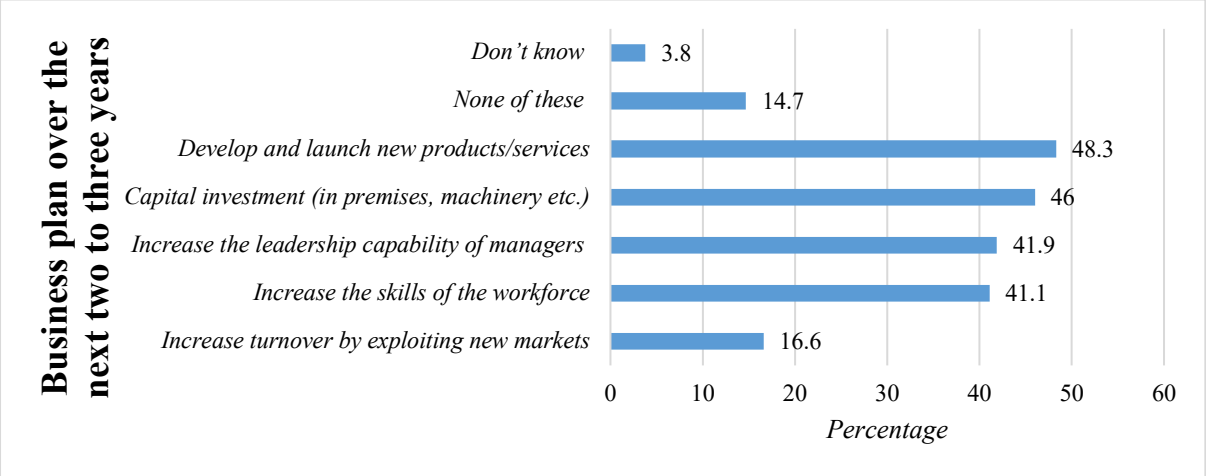
Figure 4.59: Response on Approaching External Finance Providers to Help Fund



4.3.10.2 Business Plan to Do over the Next Two to Three Years

Figure 4.60 shows that around 128 (48.3%) respondents have the plan to develop and launch new products or services over the next two to three years. About 122 (46%) respondents have plan for capital investment (in premises, machinery etc.), 111 (41.9%) have the plan to increase the leadership capability of managers, and 109 (41.1%) have plan to increase the skills of the workforce. Few of the respondents around 44 (16.6%) have the plan to increase turnover by exploiting new markets where 39 (14.7%) respondents have no plan for the next two to three years. A small number of the participants about 10 (3.8%) responded that they do not know anything about the plan.

Figure 4.60: Responses on Business Plan to Do over the Next Two to Three Years



4.3.10.3 Business Capability

Following Table 4.11 shows the responses on capability of the businesses. It is found that respondents said their business is strong for people management 83 (31.3%) and vary strong for people management 76 (28.7%). Around 31 (11.7%) mentioned their business are average for people management, and 26 (9.8%) stated their business are poor for people management. Nearly 9 (3.4%) replied their business are very poor for this task.

Regarding developing and implementing a business plan and strategy, 101 (38.1%) respondents confirmed that their business are strong for Developing and implementing a business plan and strategy, 32 (12.1%) mentioned that their business are very strong for Developing and implementing a business plan and strategy, and 68 (25.7%) confirmed that their business are average for Developing and implementing a business plan and strategy. About 20 (7.2%) said their business are poor, and 5 (1.9%) answered that their businesses are very poor for Developing and implementing a business plan and strategy.

In response to the capabilities of business especially entering new market, about 99 (37.4%) responded that their businesses are strong for entering into new markets, and 34 (12.8%) replied that their business are very strong. It has also revealed that 56 (21.1%) confirmed that their businesses are average for entering into new markets. Only 20 (7.5%) replied that their businesses are poor, and 16 (6%) confirmed that their business are very poor for entering into new markets.

Concerning the developing and introducing new products and services, about 104 (39.2%) responded that their businesses are strong, and 23 (8.7%) responded their business are very strong for developing and introducing new products and services. Nearly 61 (23%) respondents

said that their businesses are average for developing and introducing new products and services. Around 28 (10.6%) mentioned their business are poor while 9 (3.4%) affirmed that their businesses are very poor for developing and introducing new products and services.

Regarding the accessing external finances, nearly 109 (41.1%) respondents claimed that their businesses are strong, and 26 (9.8%) claimed their business are very strong. Approximately 48 (18.1%) respondents answered their businesses are average for accessing external finance. About 26 (8.7%) respondents said that their businesses are poor, and 19 (7.2%) confirmed their business are very poor for accessing external finance.

In regards to the operational improvement, e.g. adopting industry best practices, around 102 (38.5%) respondents mentioned that their businesses are strong, and 25 (9.4%) affirmed that their business are very strong. About 70 (26.4%) mentioned that their business are average for operational improvement, e.g. adopting industry best practices. Nearly 21 (7.9%) responded that their businesses are poor, and only 7 (2.6%) said their business are very poor for operational Improvement, e.g. adopting industry best practices.

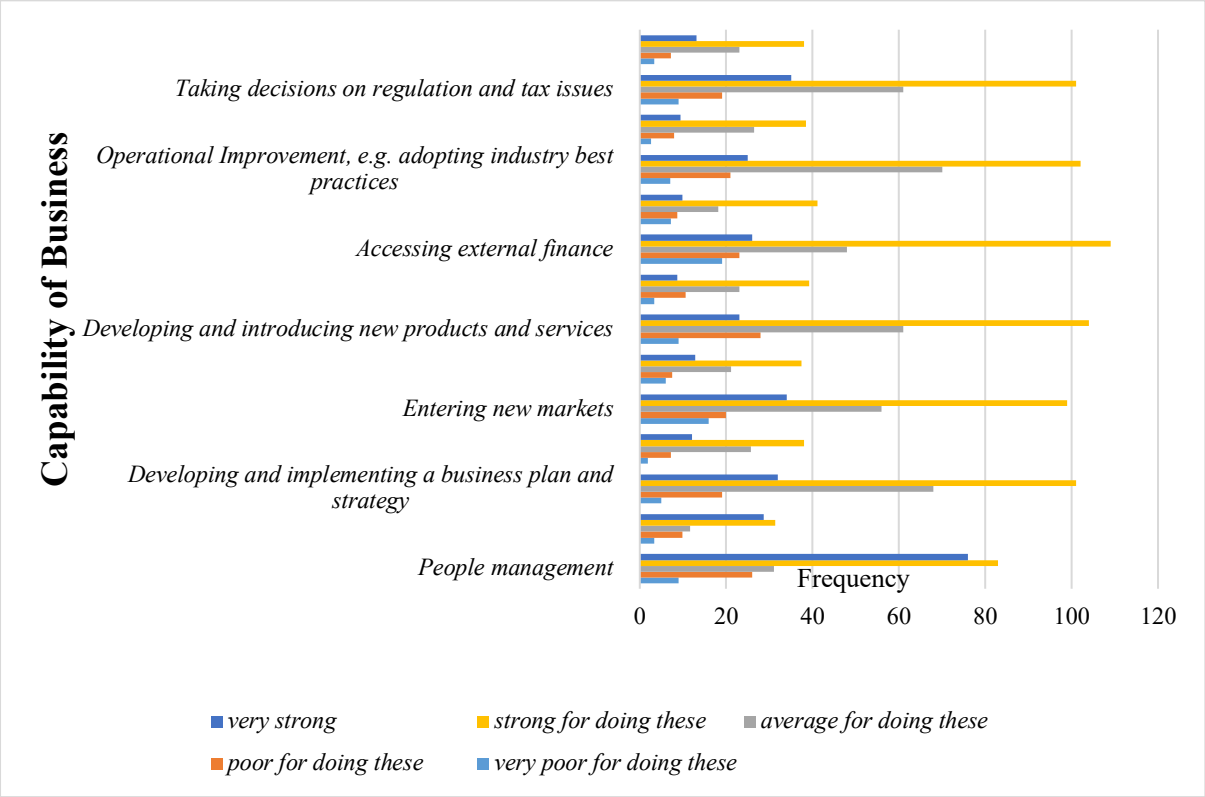
Considering taking decisions on regulation and tax issues, about 101 (38.1%) respondents claimed that their businesses are strong, 35 (13.2%) replied that their businesses are very strong, and 61 (23%) claimed their business are average for taking decisions on regulation and tax issues. About 19 (7.2%) said that their businesses are poor, and 9 (3.4%) replied that their businesses are very poor for taking decisions on regulation and tax issues.

Table 4.11: Responses on Capability of Business

Capability of Business		**Very Poor for Doing These**	**Poor for Doing These**	**Average for Doing These**	**Strong for Doing These**	**Very Strong**
People management	Frequency	9	26	31	83	76
	Percent	3.4	9.8	11.7	31.3	28.7
Developing and implementing a business plan and strategy	Frequency	5	19	68	101	32
	Percent	1.9	7.2	25.7	38.1	12.1
Entering new markets	Frequency	16	20	56	99	34
	Percent	6.0	7.5	21.1	37.4	12.8
Developing and introducing new products and services	Frequency	9	28	61	104	23
	Percent	3.4	10.6	23.0	39.2	8.7
Accessing external finance	Frequency	19	23	48	109	26
	Percent	7.2	8.7	18.1	41.1	9.8
Operational Improvement, e.g. adopting industry best practices	Frequency	7	21	70	102	25
	Percent	2.6	7.9	26.4	38.5	9.4
Taking decisions on regulation and tax issues	Frequency	9	19	61	101	35
	Percent	3.4	7.2	23.0	38.1	13.2

Figure 4.61 is the summary of Table 4.11 which illustrates the responses of participants on capability of their business at doing in terms of ranges of tasks.

Figure 4.61: Responses on Capability of Business



4.3.11 Chi-Square Test – Quantitative Data Analysis

4.3.11.1 The Impact of VAT on the Companies' Profitability and the Cash Flow

4.3.11.1.1 The impact of VAT on the companies' profitability and the cash flow (Costs involved in understanding legislation (exclusions, exemptions, deductions, good/service distinctions etc.)

From the chi-square test results shown in Table 4.12, it has revealed that there is a significant impact of VAT on the companies' profitability and cash flow especially variables like size of the business, on the number of sites, and the status of a company as their p-values are 0.007, 0.25 and 0.37 respectively. Since the p-values are greater than 5 (p>0.5), there is type II error occurs meaning the risk of confirming the null hypothesis when it should be rejected. It is worth mentioning the word p denotes to probability, 0.001 means 1 in 100 and, hence, 0.05 means 1 in 20 or 5 in 100.

It has found out that the profitability and the cash flow of the UAE SMEs with 4 sites are impacted to moderate extent (44.8%), 1 site are impacted to some extent (41%), 3 sites are

impacted to moderate extent (39.3%), 5 sites are impacted to a great extend (38.1%), and 2 sites are impacted to a great extent (38.3%).

In contrast, there is no significant impact on the variables such as sector of business, location of the business, and years of operation as their p-values are .000, .000, and .002 respectively. Because of the p-values are less than 0.05 ($p<0.05$) and 0.02 ($p<0.02$), there is type I error emerges which refers to the risk of rejecting the null hypothesis when it should be confirmed.

Table 4.12: The impact of VAT on the companies' profitability and the cash flow

								p-value
Variables			No Impact	To a small extent	To some extent	To moderate extent	To a great extent	
Size of the business	1-9 Employees	Frequency	5	9	33	18	29	.007
		Percentage	5.3%	9.6%	35.1%	19.1%	30.9%	
	10-49 employees	Frequency	6	11	17	46	34	
		Percentage	5.3%	9.6%	14.9%	40.4%	29.8%	
	50-249 employees	Frequency	1	5	6	17	18	
		Percentage	2.1%	10.6%	12.8%	36.2%	38.3%	
Number of Sites	1	Frequency	3	6	25	9	18	.025
		Percentage	4.9%	9.8%	41.0%	14.8%	29.5%	
	2	Frequency	3	7	10	13	13	
		Percentage	6.5%	15.2%	21.7%	28.3%	28.3%	
	3	Frequency	3	5	12	24	17	
		Percentage	4.9%	8.2%	19.7%	39.3%	27.9%	
	4	Frequency	2	5	4	26	21	
		Percentage	3.4%	8.6%	6.9%	44.8%	36.2%	
	5	Frequency	0	2	3	8	8	
		Percentage	0.0%	9.5%	14.3%	38.1%	38.1%	
Status of a company	Sole partnership	Frequency	5	9	20	6	15	.037
		Percentage	9.1%	16.4%	36.4%	10.9%	27.3%	
	Civil company	Frequency	1	4	4	6	7	
		Percentage	4.5%	18.2%	18.2%	27.3%	31.8%	
	Limited Liability Company	Frequency	4	6	13	20	21	
		Percentage	6.3%	9.4%	20.3%	31.3%	32.8%	
	Partnership	Frequency	1	3	8	24	14	
		Percentage	2.0%	6.0%	16.0%	48.0%	28.0%	
	Private Share Holding Company	Frequency	0	1	5	12	13	
		Percentage	0.0%	3.2%	16.1%	38.7%	41.9%	
	Public Share Holding Company	Frequency	1	2	1	8	6	
		Percentage	5.6%	11.1%	5.6%	44.4%	33.3%	
	Franchise	Frequency	0	0	1	3	4	
		Percentage	0.0%	0.0%	12.5%	37.5%	50.0%	
Sector of Business	Retail/Logistics	Frequency	3	5	12	5	8	.000
		Percentage	9.1%	15.2%	36.4%	15.2%	24.2%	
	Marketing and Advertising	Frequency	2	2	7	3	2	
		Percentage	12.5%	12.5%	43.8%	18.8%	12.5%	
	Media Entertainment	Frequency	2	3	3	4	13	
		Percentage	8.0%	12.0%	12.0%	16.0%	52.0%	
	Engineering	Frequency	2	1	6	21	18	
		Percentage	4.2%	2.1%	12.5%	43.8%	37.5%	
	Construction and Real Estate	Frequency	1	4	10	15	15	
		Percentage	2.2%	8.9%	22.2%	33.3%	33.3%	
	Oil and Gas	Frequency	0	1	2	19	10	
		Percentage	0.0%	3.1%	6.3%	59.4%	31.3%	
	Product/Manufacturing	Frequency	0	3	3	6	10	
		Percentage	0.0%	13.6%	13.6%	27.3%	45.5%	
	Automotive and Ancillary	Frequency	0	1	6	5	2	
		Percentage	0.0%	7.1%	42.9%	35.7%	14.3%	
Location of the Business	Abu Dhabi	Frequency	7	14	41	13	16	
		Percentage	7.7%	15.4%	45.1%	14.3%	17.6%	
	Ajman	Frequency	0	2	4	6	8	

		Percentage	0.0%	10.0%	20.0%	30.0%	40.0%	
	Dubai	Frequency	1	3	2	7	12	
		Percentage	4.0%	12.0%	8.0%	28.0%	48.0%	
	Fujairah	Frequency	3	5	1	18	22	.000
		Percentage	6.1%	10.2%	2.0%	36.7%	44.9%	
	Ras Al-Khaimah	Frequency	0	0	3	19	8	
		Percentage	0.0%	0.0%	10.0%	63.3%	26.7%	
	Sharjah	Frequency	1	0	3	12	13	
		Percentage	3.4%	0.0%	10.3%	41.4%	44.8%	
	Umm al-Quwain	Frequency	0	1	2	6	2	
		Percentage	0.0%	9.1%	18.2%	54.5%	18.2%	
Years of operation	Less than 1 year	Frequency	2	2	6	2	0	.002
		Percent	16.7%	16.7%	50.0%	16.7%	0.0%	
	1 Year	Frequency	1	4	10	9	3	
		Percent	3.7%	14.8%	37.0%	33.3%	11.1%	
	2 Years	Frequency	2	5	4	8	9	
		Percent	7.1%	17.9%	14.3%	28.6%	32.1%	
	3 Years	Frequency	2	1	8	8	13	
		Percent	6.3%	3.1%	25.0%	25.0%	40.6%	
	4 Years	Frequency	1	1	4	21	19	
		Percent	2.2%	2.2%	8.7%	45.7%	41.3%	
	5 Years	Frequency	1	5	6	24	20	
		Percent	1.8%	8.9%	10.7%	42.9%	35.7%	
	6-10 Years	Frequency	1	3	11	7	10	
		Percent	3.1%	9.4%	34.4%	21.9%	31.3%	
	11-20 Years	Frequency	2	3	3	1	3	
		Percent	16.7%	25.0%	25.0%	8.3%	25.0%	
	More than 20 Years	Frequency	0	1	4	1	4	
		Percent	0.0%	10.0%	40.0%	10.0%	40.0%	

4.3.11.1.2 Procedural requirements (such as supporting evidences for VAT registrations, accounting records, bookkeeping for tax return, and accounting record for VAT return) involve additional workforce and, hence, increase in expenditure on wages and salaries.

It has been found out from the chi-square test (Table 4.13), there are significant impacts of procedural requirements, such as supporting evidences for VAT registrations, accounting records, bookkeeping for tax return, and accounting record for VAT return) involve additional workforce and, hence, increase in expenditure on wages and salaries, on the variables such as size of the business, number of sites, status of a company, sector of business, and year of operation as their *p*-values are .283, 0.63, 0.184, 0.11, and 0.013 respectively. Because of the greater than 0.005 p-value (p>0.005), the null hypothesis such as the VAT has an impact of procedural requirements on the SMEs in the UAE.

It has revealed that there is no significant relationship between procedural requirements and location of the business as its *p*-value is 0.001. Because of the *p*-value is less than 0.005 ($p<0.005$), the null hypothesis is rejected.

Table 4.13: Procedural requirements involve additional workforce and, hence, increase in expenditure on wages and salaries.

								p-value
Variables			No Impact	To a small extent	To some extent	To moderate extent	To a great extent	
Size of the business	1-9 Employees	Frequency	2	15	31	31	15	.283
		Percentage	2.1%	16.0%	33.0%	33.0%	16.0%	
	10-49 employees	Frequency	2	11	24	52	24	
		Percentage	1.8%	9.7%	21.2%	46.0%	21.2%	
	50-249 employees	Frequency	2	4	12	17	12	
		Percentage	4.3%	8.5%	25.5%	36.2%	25.5%	
Number of Sites	1	Frequency	2	7	19	19	13	.065
		Percentage	3.3%	11.7%	31.7%	31.7%	21.7%	
	2	Frequency	1	10	14	16	5	
		Percentage	2.2%	21.7%	30.4%	34.8%	10.9%	
	3	Frequency	2	4	19	27	9	
		Percentage	3.3%	6.6%	31.1%	44.3%	14.8%	
	4	Frequency	0	4	9	30	15	
		Percentage	0.0%	6.9%	15.5%	51.7%	25.9%	
	5	Frequency	0	4	3	8	6	
		Percentage	0.0%	19.0%	14.3%	38.1%	28.6%	
Status of a company	Sole partnership	Frequency	1	10	20	12	12	.184
		Percentage	1.8%	18.2%	36.4%	21.8%	21.8%	
	Civil company	Frequency	0	4	5	8	5	
		Percentage	0.0%	18.2%	22.7%	36.4%	22.7%	
	Limited Liability Company	Frequency	4	7	15	22	16	
		Percentage	6.3%	10.9%	23.4%	34.4%	25.0%	
	Partnership	Frequency	1	6	9	26	7	
		Percentage	2.0%	12.2%	18.4%	53.1%	14.3%	
	Private Share Holding Company	Frequency	0	2	6	17	6	
		Percentage	0.0%	6.5%	19.4%	54.8%	19.4%	
	Public Share Holding Company	Frequency	0	1	5	9	3	
		Percentage	0.0%	5.6%	27.8%	50.0%	16.7%	
	Franchise	Frequency	0	0	3	5	0	
		Percentage	0.0%	0.0%	37.5%	62.5%	0.0%	
Sector of Business	Retail/Logistics	Frequency	3	6	8	9	6	.011
		Percentage	9.4%	18.8%	25.0%	28.1%	18.8%	
	Marketing and Advertising	Frequency	1	6	6	2	1	
		Percentage	6.3%	37.5%	37.5%	12.5%	6.3%	
	Media Entertainment	Frequency	0	3	8	8	6	
		Percentage	0.0%	12.0%	32.0%	32.0%	24.0%	
	Engineering	Frequency	1	5	12	20	10	
		Percentage	2.1%	10.4%	25.0%	41.7%	20.8%	
	Construction and Real Estate	Frequency	0	3	8	21	13	
		Percentage	0.0%	6.7%	17.8%	46.7%	28.9%	
	Oil and Gas	Frequency	0	2	4	21	5	
		Percentage	0.0%	6.3%	12.5%	65.6%	15.6%	
	Product/Manufacturing	Frequency	0	3	5	9	5	
		Percentage	0.0%	13.6%	22.7%	40.9%	22.7%	
	Automotive and Ancillary	Frequency	0	1	6	6	1	
		Percentage	0.0%	7.1%	42.9%	42.9%	7.1%	
Location of the Business	Abu Dhabi	Frequency	5	18	35	18	14	.001
		Percentage	5.6%	20.0%	38.9%	20.0%	15.6%	
	Ajman	Frequency	0	0	6	10	4	
		Percentage	0.0%	0.0%	30.0%	50.0%	20.0%	
	Dubai	Frequency	0	3	6	9	7	
		Percentage	0.0%	12.0%	24.0%	36.0%	28.0%	
	Fujairah	Frequency	0	6	7	25	11	
		Percentage	0.0%	12.2%	14.3%	51.0%	22.4%	
	Ras Al-Khaimah	Frequency	0	2	6	16	6	
		Percentage	0.0%	6.7%	20.0%	53.3%	20.0%	
	Sharjah	Frequency	1	0	3	19	6	
		Percentage	3.4%	0.0%	10.3%	65.5%	20.7%	
	Umm al-Quwain	Frequency	0	1	4	3	3	
		Percentage	0.0%	9.1%	36.4%	27.3%	27.3%	
	Less than 1 year	Frequency	1	2	5	4	0	

		Percent	8.3%	16.7%	41.7%	33.3%	0.0%	
Years of operation	1 Year	Frequency	0	5	10	10	2	.013
		Percent	0.0%	18.5%	37.0%	37.0%	7.4%	
	2 Years	Frequency	2	3	7	11	5	
		Percent	7.1%	10.7%	25.0%	39.3%	17.9%	
	3 Years	Frequency	0	2	11	12	7	
		Percent	0.0%	6.3%	34.4%	37.5%	21.9%	
	4 Years	Frequency	0	0	9	23	14	
		Percent	0.0%	0.0%	19.6%	50.0%	30.4%	
	5 Years	Frequency	0	8	10	28	9	
		Percent	0.0%	14.5%	18.2%	50.9%	16.4%	
	6-10 Years	Frequency	1	6	7	9	9	
		Percent	3.1%	18.8%	21.9%	28.1%	28.1%	
	11-20 Years	Frequency	1	4	3	1	3	
		Percent	8.3%	33.3%	25.0%	8.3%	25.0%	
	More than 20 Years	Frequency	1	0	5	2	2	
		Percent	10.0%	0.0%	50.0%	20.0%	20.0%	

4.3.11.1.3 The compliance costs are significantly higher when businesses are involved in cross border trade.

It has revealed from the Chi-square test results shown in Table 4.14, there are significant impacts of compliance cost on the variables such as status of a company, and year of operation as their p-values are .310 and .008 respectively. Since the p-values exceeded the 0.005, there is a high chance to approve H1: the VAT has impact of the high compliance costs on the SMEs in the UAE.

It has found out that there is no impact of the high compliance costs on the variables such as size of the business, number of sites, sector of business, and location of the business as their p-values are .002, .000, .001, and .000 respectively. Because the *p*-values are less than .005, there is high chance of rejecting the null hypothesis such as the VAT has an impact of the high compliance costs on SMEs in the UAE.

Table 4.14: The compliance costs are significantly higher when businesses are involved in cross border trade

								p-value
Variables			No Impact	To a small extent	To some extent	To moderate extent	To a great extent	
Size of the business	1-9 Employees	Frequency	4	13	37	28	12	.002
		Percentage	4.3%	13.8%	39.4%	29.8%	12.8%	
	10-49 employees	Frequency	3	17	17	48	26	
		Percentage	2.7%	15.3%	15.3%	43.2%	23.4%	
	50-249 employees	Frequency	3	6	6	24	8	
		Percentage	6.4%	12.8%	12.8%	51.1%	17.0%	
Number of Sites	1	Frequency	1	7	23	15	13	.000
		Percentage	1.7%	11.9%	39.0%	25.4%	22.0%	
	2	Frequency	2	12	12	15	5	
		Percentage	4.3%	26.1%	26.1%	32.6%	10.9%	
	3	Frequency	2	8	15	27	8	
		Percentage	3.3%	13.3%	25.0%	45.0%	13.3%	
	4	Frequency	2	5	8	30	13	
		Percentage	3.4%	8.6%	13.8%	51.7%	22.4%	

	5	Frequency	1	3	1	11	5	
		Percentage	4.8%	14.3%	4.8%	52.4%	23.8%	
Status of a company	Sole partnership	Frequency	2	12	20	11	10	.310
		Percentage	3.6%	21.8%	36.4%	20.0%	18.2%	
	Civil company	Frequency	1	4	3	9	5	
		Percentage	4.5%	18.2%	13.6%	40.9%	22.7%	
	Limited Liability Company	Frequency	5	8	18	25	7	
		Percentage	7.9%	12.7%	28.6%	39.7%	11.1%	
	Partnership	Frequency	2	5	7	22	12	
		Percentage	4.2%	10.4%	14.6%	45.8%	25.0%	
	Private Share Holding Company	Frequency	0	4	5	15	7	
		Percentage	0.0%	12.9%	16.1%	48.4%	22.6%	
	Public Share Holding Company	Frequency	0	2	3	9	4	
		Percentage	0.0%	11.1%	16.7%	50.0%	22.2%	
	Franchise	Frequency	0	0	2	5	1	
		Percentage	0.0%	0.0%	25.0%	62.5%	12.5%	
Sector of Business	Retail/Logistics	Frequency	3	7	8	7	6	.001
		Percentage	9.7%	22.6%	25.8%	22.6%	19.4%	
	Marketing and Advertising	Frequency	3	3	7	2	1	
		Percentage	18.8%	18.8%	43.8%	12.5%	6.3%	
	Media Entertainment	Frequency	0	6	4	11	4	
		Percentage	0.0%	24.0%	16.0%	44.0%	16.0%	
	Engineering	Frequency	2	3	7	26	10	
		Percentage	4.2%	6.3%	14.6%	54.2%	20.8%	
	Construction and Real Estate	Frequency	1	6	6	21	11	
		Percentage	2.2%	13.3%	13.3%	46.7%	24.4%	
	Oil and Gas	Frequency	0	2	5	19	5	
		Percentage	0.0%	6.5%	16.1%	61.3%	16.1%	
	Product/Manufacturing	Frequency	0	5	7	3	7	
		Percentage	0.0%	22.7%	31.8%	13.6%	31.8%	
	Automotive and Ancillary	Frequency	0	1	7	5	1	
		Percentage	0.0%	7.1%	50.0%	35.7%	7.1%	
Location of the Business	Abu Dhabi	Frequency	7	19	32	17	13	.000
		Percentage	8.0%	21.6%	36.4%	19.3%	14.8%	
	Ajman	Frequency	0	1	9	9	1	
		Percentage	0.0%	5.0%	45.0%	45.0%	5.0%	
	Dubai	Frequency	1	3	5	9	7	
		Percentage	4.0%	12.0%	20.0%	36.0%	28.0%	
	Fujairah	Frequency	0	6	5	30	8	
		Percentage	0.0%	12.2%	10.2%	61.2%	16.3%	
	Ras Al-Khaimah	Frequency	0	3	2	17	8	
		Percentage	0.0%	10.0%	6.7%	56.7%	26.7%	
	Sharjah	Frequency	2	2	3	15	7	
		Percentage	6.9%	6.9%	10.3%	51.7%	24.1%	
	Umm al-Quwain	Frequency	0	2	4	3	2	
		Percentage	0.0%	18.2%	36.4%	27.3%	18.2%	
Years of operation	Less than 1 year	Frequency	0	3	4	3	1	.008
		Percent	0.0%	27.3%	36.4%	27.3%	9.1%	
	1 Year	Frequency	0	6	10	8	3	
		Percent	0.0%	22.2%	37.0%	29.6%	11.1%	
	2 Years	Frequency	2	6	10	7	3	
		Percent	7.1%	21.4%	35.7%	25.0%	10.7%	
	3 Years	Frequency	4	1	8	12	7	
		Percent	12.5%	3.1%	25.0%	37.5%	21.9%	
	4 Years	Frequency	0	1	6	28	11	
		Percent	0.0%	2.2%	13.0%	60.9%	23.9%	
	5 Years	Frequency	0	9	10	27	9	
		Percent	0.0%	16.4%	18.2%	49.1%	16.4%	
	6-10 Years	Frequency	2	6	7	10	6	
		Percent	6.5%	19.4%	22.6%	32.3%	19.4%	
	11-20 Years	Frequency	2	3	2	2	3	
		Percent	16.7%	25.0%	16.7%	16.7%	25.0%	
	More than 20 Years	Frequency	0	1	3	3	3	
		Percent	0.0%	10.0%	30.0%	30.0%	30.0%	

4.3.11.1.4 Other administrative costs related to VAT claim, missing deadline, and others.

From the chi-square test, Table 4.15, all six variables such as size of the business, number of sites, status of company, sector of business, location of the business, and years of operation are impacted by the other administrative costs related to VAT claim, missing deadlines and others as their p-values are .642, .243, .415, .054, .011, and .132 respectively. With a greater *p*-values ($p>0.005$), this study accepts null hypotheses with type II error meaning there is an impact of administrative costs on the UAE SMEs.

Table 4.15: Other administrative costs related to VAT claim, missing deadline, and others

								p-value
Variables			No Impact	To a small extent	To some extent	To moderate extent	To a great extent	
Size of the business	1-9 Employees	Frequency	5	13	40	25	11	.642
		Percentage	5.3%	13.8%	42.6%	26.6%	11.7%	
	10-49 employees	Frequency	3	15	53	30	11	
		Percentage	2.7%	13.4%	47.3%	26.8%	9.8%	
	50-249 employees	Frequency	2	8	26	10	1	
		Percentage	4.3%	17.0%	55.3%	21.3%	2.1%	
Number of Sites	1	Frequency	3	10	22	15	9	.243
		Percentage	5.1%	16.9%	37.3%	25.4%	15.3%	
	2	Frequency	2	11	19	12	2	
		Percentage	4.3%	23.9%	41.3%	26.1%	4.3%	
	3	Frequency	2	7	35	13	4	
		Percentage	3.3%	11.5%	57.4%	21.3%	6.6%	
	4	Frequency	2	5	29	17	5	
		Percentage	3.4%	8.6%	50.0%	29.3%	8.6%	
	5	Frequency	0	3	10	7	1	
		Percentage	0.0%	14.3%	47.6%	33.3%	4.8%	
Status of a company	Sole partnership	Frequency	5	8	21	12	9	.415
		Percentage	9.1%	14.5%	38.2%	21.8%	16.4%	
	Civil company	Frequency	0	6	7	6	3	
		Percentage	0.0%	27.3%	31.8%	27.3%	13.6%	
	Limited Liability Company	Frequency	3	8	32	15	5	
		Percentage	4.8%	12.7%	50.8%	23.8%	7.9%	
	Partnership	Frequency	1	6	23	16	3	
		Percentage	2.0%	12.2%	46.9%	32.7%	6.1%	
	Private Share Holding Company	Frequency	0	3	20	7	1	
		Percentage	0.0%	9.7%	64.5%	22.6%	3.2%	
	Public Share Holding Company	Frequency	1	1	11	4	1	
		Percentage	5.6%	5.6%	61.1%	22.2%	5.6%	
	Franchise	Frequency	0	3	2	2	1	
		Percentage	0.0%	37.5%	25.0%	25.0%	12.5%	
Sector of Business	Retail/Logistics	Frequency	3	6	8	11	3	.054
		Percentage	9.7%	19.4%	25.8%	35.5%	9.7%	
	Marketing and Advertising	Frequency	1	6	6	3	0	
		Percentage	6.3%	37.5%	37.5%	18.8%	0.0%	
	Media Entertainment	Frequency	0	2	14	6	3	
		Percentage	0.0%	8.0%	56.0%	24.0%	12.0%	
	Engineering	Frequency	1	5	25	15	2	
		Percentage	2.1%	10.4%	52.1%	31.3%	4.2%	
	Construction and Real Estate	Frequency	1	5	23	9	7	
		Percentage	2.2%	11.1%	51.1%	20.0%	15.6%	
	Oil and Gas	Frequency	0	4	21	6	1	
		Percentage	0.0%	12.5%	65.6%	18.8%	3.1%	
	Product/Manufacturing	Frequency	0	5	7	6	4	
		Percentage	0.0%	22.7%	31.8%	27.3%	18.2%	
		Frequency	2	0	8	2	2	

	Automotive and Ancillary	Percentage	14.3%	0.0%	57.1%	14.3%	14.3%	
Location of the Business	Abu Dhabi	Frequency	8	20	29	20	12	.011
		Percentage	9.0%	22.5%	32.6%	22.5%	13.5%	
	Ajman	Frequency	0	2	10	7	1	
		Percentage	0.0%	10.0%	50.0%	35.0%	5.0%	
	Dubai	Frequency	0	1	14	6	4	
		Percentage	0.0%	4.0%	56.0%	24.0%	16.0%	
	Fujairah	Frequency	0	8	28	11	2	
		Percentage	0.0%	16.3%	57.1%	22.4%	4.1%	
	Ras Al-Khaimah	Frequency	0	2	14	12	2	
		Percentage	0.0%	6.7%	46.7%	40.0%	6.7%	
	Sharjah	Frequency	2	2	20	4	1	
		Percentage	6.9%	6.9%	69.0%	13.8%	3.4%	
	Umm al-Quwain	Frequency	0	1	4	5	1	
		Percentage	0.0%	9.1%	36.4%	45.5%	9.1%	
Years of operation	Less than 1 year	Frequency	1	1	7	2	0	.132
		Percent	9.1%	9.1%	63.6%	18.2%	0.0%	
	1 Year	Frequency	0	5	15	7	0	
		Percent	0.0%	18.5%	55.6%	25.9%	0.0%	
	2 Years	Frequency	3	4	12	7	2	
		Percent	10.7%	14.3%	42.9%	25.0%	7.1%	
	3 Years	Frequency	1	2	17	11	1	
		Percent	3.1%	6.3%	53.1%	34.4%	3.1%	
	4 Years	Frequency	0	4	25	13	4	
		Percent	0.0%	8.7%	54.3%	28.3%	8.7%	
	5 Years	Frequency	1	6	26	16	6	
		Percent	1.8%	10.9%	47.3%	29.1%	10.9%	
	6-10 Years	Frequency	2	8	10	6	6	
		Percent	6.3%	25.0%	31.3%	18.8%	18.8%	
	11-20 Years	Frequency	1	5	3	1	2	
		Percent	8.3%	41.7%	25.0%	8.3%	16.7%	
	More than 20 Years	Frequency	1	1	4	2	2	
		Percent	10.0%	10.0%	40.0%	20.0%	20.0%	

4.3.11.1.5 The company falls within the scope of the payment of VAT incurs a direct cost on the companies' profitability

It has revealed from the chi-square test, Table 4.16, SMEs with all six variables are impacted by the VAT implementation in the UAE. In detailed explanation, the variables such as size of the business, number of sites, status of company, sector of business, location of the business, and years of operation are impacted as their *p*-values are .052, .177, .666, .025, .014, and .202. Since the *p*-values exceeded the 0.005, there is a high chance to approve H1: the VAT has impact of the direct costs on the SMEs in the UAE.

Table 4.16: The company falls within the scope of the payment of VAT incurs a direct cost on the companies' profitability

								p-value
Variables			No Impact	To a small extent	To some extent	To moderate extent	To a great extent	
Size of the business	1-9 Employees	Frequency	5	17	30	28	11	.052
		Percentage	5.5%	18.7%	33.0%	30.8%	12.1%	
	10-49 employees	Frequency	4	16	23	51	17	
		Percentage	3.6%	14.4%	20.7%	45.9%	15.3%	
	50-249 employees	Frequency	1	5	7	21	13	
		Percentage	2.1%	10.6%	14.9%	44.7%	27.7%	
Number of Sites	1	Frequency	3	9	16	19	11	.177
		Percentage	5.2%	15.5%	27.6%	32.8%	19.0%	

	2	Frequency	4	9	14	12	7	
		Percentage	8.7%	19.6%	30.4%	26.1%	15.2%	
	3	Frequency	1	11	15	24	8	
		Percentage	1.7%	18.6%	25.4%	40.7%	13.6%	
	4	Frequency	1	4	9	35	9	
		Percentage	1.7%	6.9%	15.5%	60.3%	15.5%	
	5	Frequency	0	4	4	9	4	
		Percentage	0.0%	19.0%	19.0%	42.9%	19.0%	
Status of a company	Sole partnership	Frequency	6	11	11	16	8	.666
		Percentage	11.5%	21.2%	21.2%	30.8%	15.4%	
	Civil company	Frequency	0	5	4	11	2	
		Percentage	0.0%	22.7%	18.2%	50.0%	9.1%	
	Limited Liability Company	Frequency	2	11	17	21	12	
		Percentage	3.2%	17.5%	27.0%	33.3%	19.0%	
	Partnership	Frequency	2	4	12	21	9	
		Percentage	4.2%	8.3%	25.0%	43.8%	18.8%	
	Private Share Holding Company	Frequency	0	3	8	16	4	
		Percentage	0.0%	9.7%	25.8%	51.6%	12.9%	
	Public Share Holding Company	Frequency	0	3	3	8	4	
		Percentage	0.0%	16.7%	16.7%	44.4%	22.2%	
	Franchise	Frequency	0	1	2	4	1	
		Percentage	0.0%	12.5%	25.0%	50.0%	12.5%	
Sector of Business	Retail/Logistics	Frequency	2	7	6	10	6	.025
		Percentage	6.5%	22.6%	19.4%	32.3%	19.4%	
	Marketing and Advertising	Frequency	1	6	3	5	1	
		Percentage	6.3%	37.5%	18.8%	31.3%	6.3%	
	Media Entertainment	Frequency	0	4	10	7	4	
		Percentage	0.0%	16.0%	40.0%	28.0%	16.0%	
	Engineering	Frequency	1	6	9	25	6	
		Percentage	2.1%	12.8%	19.1%	53.2%	12.8%	
	Construction and Real Estate	Frequency	2	6	7	18	12	
		Percentage	4.4%	13.3%	15.6%	40.0%	26.7%	
	Oil and Gas	Frequency	0	1	6	21	3	
		Percentage	0.0%	3.2%	19.4%	67.7%	9.7%	
	Product/Manufacturing	Frequency	1	4	6	5	6	
		Percentage	4.5%	18.2%	27.3%	22.7%	27.3%	
	Automotive and Ancillary	Frequency	2	0	5	5	1	
		Percentage	15.4%	0.0%	38.5%	38.5%	7.7%	
Location of the Business	Abu Dhabi	Frequency	9	22	22	22	11	.014
		Percentage	10.5%	25.6%	25.6%	25.6%	12.8%	
	Ajman	Frequency	0	3	7	7	3	
		Percentage	0.0%	15.0%	35.0%	35.0%	15.0%	
	Dubai	Frequency	0	4	3	12	6	
		Percentage	0.0%	16.0%	12.0%	48.0%	24.0%	
	Fujairah	Frequency	0	5	12	24	8	
		Percentage	0.0%	10.2%	24.5%	49.0%	16.3%	
	Ras Al-Khaimah	Frequency	0	2	6	16	6	
		Percentage	0.0%	6.7%	20.0%	53.3%	20.0%	
	Sharjah	Frequency	1	2	6	16	4	
		Percentage	3.4%	6.9%	20.7%	55.2%	13.8%	
	Umm al-Quwain	Frequency	0	0	4	3	3	
		Percentage	0.0%	0.0%	40.0%	30.0%	30.0%	
Years of operation	Less than 1 year	Frequency	0	3	4	4	0	.202
		Percent	0.0%	27.3%	36.4%	36.4%	0.0%	
	1 Year	Frequency	0	4	9	12	1	
		Percent	0.0%	15.4%	34.6%	46.2%	3.8%	
	2 Years	Frequency	3	4	10	6	5	
		Percent	10.7%	14.3%	35.7%	21.4%	17.9%	
	3 Years	Frequency	1	4	5	13	9	
		Percent	3.1%	12.5%	15.6%	40.6%	28.1%	
	4 Years	Frequency	0	3	11	25	7	
		Percent	0.0%	6.5%	23.9%	54.3%	15.2%	
	5 Years	Frequency	3	7	10	25	9	
		Percent	5.6%	13.0%	18.5%	46.3%	16.7%	
	6-10 Years	Frequency	2	7	6	10	6	
		Percent	6.5%	22.6%	19.4%	32.3%	19.4%	
	11-20 Years	Frequency	1	4	2	3	1	

		Percent	9.1%	36.4%	18.2%	27.3%	9.1%	
	More than 20 Years	Frequency	0	2	3	2	3	
		Percent	0.0%	20.0%	30.0%	20.0%	30.0%	

4.3.11.1.6 VAT adversely affects companies' profitability

It is found out from the chi-square test, Table 4.17, that variables such as size of the business, number of sites, status of company, and sector of business are impacted by the VAT implementation in the UAE. The *p*-values of the variables are .011 is for size of the business, .132 is for the number of sites, .013 is for the status of a company, and .114 is for the sector of business. A *p*-value greater than .005 ($p>.005$) clearly indicates that there is higher chance of confirming the hypothesis of VAT adversely affects profitability of the SMEs in the UAE with a type II error.

In contrast, the variables such as location of the business, and years of operation have no impacts of VAT implementation as their *p*-values are .001 and .000 respectively and less than .005 ($p<.005$). It is worth mentioning with the lesser p-value a null hypothesis is rejected with a type I error.

Table 4.17: VAT adversely affects companies' profitability

								p-value
Variables			No Impact	To a small extent	To some extent	To moderate extent	To a great extent	
Size of the business	1-9 Employees	Frequency	5	11	43	20	14	.011
		Percentage	5.4%	11.8%	46.2%	21.5%	15.1%	
	10-49 employees	Frequency	4	13	32	52	11	
		Percentage	3.6%	11.6%	28.6%	46.4%	9.8%	
	50-249 employees	Frequency	4	5	22	14	2	
		Percentage	8.5%	10.6%	46.8%	29.8%	4.3%	
Number of Sites	1	Frequency	3	7	23	15	11	.132
		Percentage	5.1%	11.9%	39.0%	25.4%	18.6%	
	2	Frequency	5	8	19	12	2	
		Percentage	10.9%	17.4%	41.3%	26.1%	4.3%	
	3	Frequency	1	6	23	23	7	
		Percentage	1.7%	10.0%	38.3%	38.3%	11.7%	
	4	Frequency	1	4	22	27	4	
		Percentage	1.7%	6.9%	37.9%	46.6%	6.9%	
	5	Frequency	2	3	7	8	1	
		Percentage	9.5%	14.3%	33.3%	38.1%	4.8%	
Status of a company	Sole partnership	Frequency	4	7	20	9	14	.013
		Percentage	7.4%	13.0%	37.0%	16.7%	25.9%	
	Civil company	Frequency	0	4	7	10	1	
		Percentage	0.0%	18.2%	31.8%	45.5%	4.5%	
	Limited Liability Company	Frequency	7	9	24	17	6	
		Percentage	11.1%	14.3%	38.1%	27.0%	9.5%	
	Partnership	Frequency	2	4	17	21	5	
		Percentage	4.1%	8.2%	34.7%	42.9%	10.2%	
	Private Share Holding Company	Frequency	0	2	14	15	0	
		Percentage	0.0%	6.5%	45.2%	48.4%	0.0%	
	Public Share Holding Company	Frequency	0	0	9	9	0	
		Percentage	0.0%	0.0%	50.0%	50.0%	0.0%	
	Franchise	Frequency	0	2	2	3	1	
		Percentage	0.0%	25.0%	25.0%	37.5%	12.5%	
	Retail/Logistics	Frequency	3	6	11	5	6	

Sector of Business		Percentage	9.7%	19.4%	35.5%	16.1%	19.4%	.114
	Marketing and Advertising	Frequency	2	4	7	3	0	
		Percentage	12.5%	25.0%	43.8%	18.8%	0.0%	
	Media Entertainment	Frequency	1	3	10	9	2	
		Percentage	4.0%	12.0%	40.0%	36.0%	8.0%	
	Engineering	Frequency	2	4	18	21	3	
		Percentage	4.2%	8.3%	37.5%	43.8%	6.3%	
	Construction and Real Estate	Frequency	1	3	18	17	6	
		Percentage	2.2%	6.7%	40.0%	37.8%	13.3%	
	Oil and Gas	Frequency	1	2	12	16	1	
		Percentage	3.1%	6.3%	37.5%	50.0%	3.1%	
	Product/Manufacturing	Frequency	0	4	5	7	6	
		Percentage	0.0%	18.2%	22.7%	31.8%	27.3%	
	Automotive and Ancillary	Frequency	2	0	6	5	1	
		Percentage	14.3%	0.0%	42.9%	35.7%	7.1%	
Location of the Business	Abu Dhabi	Frequency	9	16	33	15	15	.001
		Percentage	10.2%	18.2%	37.5%	17.0%	17.0%	
	Ajman	Frequency	0	3	9	8	0	
		Percentage	0.0%	15.0%	45.0%	40.0%	0.0%	
	Dubai	Frequency	0	2	13	7	3	
		Percentage	0.0%	8.0%	52.0%	28.0%	12.0%	
	Fujairah	Frequency	1	5	20	22	1	
		Percentage	2.0%	10.2%	40.8%	44.9%	2.0%	
	Ras Al-Khaimah	Frequency	0	1	9	18	2	
		Percentage	0.0%	3.3%	30.0%	60.0%	6.7%	
	Sharjah	Frequency	1	1	8	14	5	
		Percentage	3.4%	3.4%	27.6%	48.3%	17.2%	
	Umm al-Quwain	Frequency	2	1	5	2	1	
		Percentage	18.2%	9.1%	45.5%	18.2%	9.1%	
Years of operation	Less than 1 year	Frequency	1	0	6	2	2	.000
		Percent	9.1%	0.0%	54.5%	18.2%	18.2%	
	1 Year	Frequency	0	4	19	2	2	
		Percent	0.0%	14.8%	70.4%	7.4%	7.4%	
	2 Years	Frequency	3	5	5	12	3	
		Percent	10.7%	17.9%	17.9%	42.9%	10.7%	
	3 Years	Frequency	1	4	11	13	3	
		Percent	3.1%	12.5%	34.4%	40.6%	9.4%	
	4 Years	Frequency	1	2	12	28	3	
		Percent	2.2%	4.3%	26.1%	60.9%	6.5%	
	5 Years	Frequency	2	2	27	18	5	
		Percent	3.7%	3.7%	50.0%	33.3%	9.3%	
	6-10 Years	Frequency	3	7	10	7	5	
		Percent	9.4%	21.9%	31.3%	21.9%	15.6%	
	11-20 Years	Frequency	2	5	2	1	2	
		Percent	16.7%	41.7%	16.7%	8.3%	16.7%	
	More than 20 Years	Frequency	0	0	5	3	2	
		Percent	0.0%	0.0%	50.0%	30.0%	20.0%	

4.3.11.1.7 Costs related to the cash flow management

From chi-square test, Table 4.18, it has validated that variables such as size of the business, number of sites, status of company, and sector of business are impacted by the VAT implementation especially cost related to the cash flow management incurs. However, the *p*-values are for size of the business .331, for the number of sites .011, for the status of a company .121, and the sector of business .005. With a greater or equal to p-value of .005 ($p \geq .005$), the null hypothesis such as the VAT has an impact on the SMEs in the UAE from the cost related to the cash flow management perspectives is confirmed with a type II error.

On the other hand, variables such as location of the business, and years of operation have no impacts of VAT implementation in the UAE from costs related to the cash flow management perspectives as their p-values are .0001 and .000 accordingly. With the p-values less than .005 (p<.005), the null hypothesis such as impact of costs related to the cash flow management on the variables like location of the business and years of operation is rejected with the type I error.

Table 4.18: Costs related to the cash flow management

								p-value
Variables			No Impact	To a small extent	To some extent	To moderate extent	To a great extent	
Size of the business	1-9 Employees	Frequency	4	13	33	28	13	.331
		Percentage	4.4%	14.3%	36.3%	30.8%	14.3%	
	10-49 employees	Frequency	2	11	29	53	17	
		Percentage	1.8%	9.8%	25.9%	47.3%	15.2%	
	50-249 employees	Frequency	2	4	16	21	4	
		Percentage	4.3%	8.5%	34.0%	44.7%	8.5%	
Number of Sites	1	Frequency	2	7	20	15	14	.011
		Percentage	3.4%	12.1%	34.5%	25.9%	24.1%	
	2	Frequency	2	6	14	19	4	
		Percentage	4.4%	13.3%	31.1%	42.2%	8.9%	
	3	Frequency	3	6	20	25	6	
		Percentage	5.0%	10.0%	33.3%	41.7%	10.0%	
	4	Frequency	0	3	14	36	5	
		Percentage	0.0%	5.2%	24.1%	62.1%	8.6%	
	5	Frequency	0	6	6	6	3	
		Percentage	0.0%	28.6%	28.6%	28.6%	14.3%	
Status of a company	Sole partnership	Frequency	3	9	17	13	11	.121
		Percentage	5.7%	17.0%	32.1%	24.5%	20.8%	
	Civil company	Frequency	0	2	6	11	3	
		Percentage	0.0%	9.1%	27.3%	50.0%	13.6%	
	Limited Liability Company	Frequency	3	9	18	22	10	
		Percentage	4.8%	14.5%	29.0%	35.5%	16.1%	
	Partnership	Frequency	1	6	13	23	6	
		Percentage	2.0%	12.2%	26.5%	46.9%	12.2%	
	Private Share Holding Company	Frequency	0	0	11	17	3	
		Percentage	0.0%	0.0%	35.5%	54.8%	9.7%	
	Public Share Holding Company	Frequency	1	1	3	12	1	
		Percentage	5.6%	5.6%	16.7%	66.7%	5.6%	
	Franchise	Frequency	0	1	4	3	0	
		Percentage	0.0%	12.5%	50.0%	37.5%	0.0%	
Sector of Business	Retail/Logistics	Frequency	2	7	6	9	7	.005
		Percentage	6.5%	22.6%	19.4%	29.0%	22.6%	
	Marketing and Advertising	Frequency	1	5	3	5	1	
		Percentage	6.7%	33.3%	20.0%	33.3%	6.7%	
	Media Entertainment	Frequency	0	3	10	9	3	
		Percentage	0.0%	12.0%	40.0%	36.0%	12.0%	
	Engineering	Frequency	1	4	13	25	5	
		Percentage	2.1%	8.3%	27.1%	52.1%	10.4%	
	Construction and Real Estate	Frequency	1	1	15	19	8	
		Percentage	2.3%	2.3%	34.1%	43.2%	18.2%	
	Oil and Gas	Frequency	0	3	6	22	1	
		Percentage	0.0%	9.4%	18.8%	68.8%	3.1%	
	Product/Manufacturing	Frequency	0	3	7	7	5	
		Percentage	0.0%	13.6%	31.8%	31.8%	22.7%	
	Automotive and Ancillary	Frequency	1	0	9	2	2	
		Percentage	7.1%	0.0%	64.3%	14.3%	14.3%	
Location of the Business	Abu Dhabi	Frequency	8	17	28	18	16	.001
		Percentage	9.2%	19.5%	32.2%	20.7%	18.4%	
	Ajman	Frequency	0	1	9	10	0	

		Percentage	0.0%	5.0%	45.0%	50.0%	0.0%	
	Dubai	Frequency	0	1	8	10	5	
		Percentage	0.0%	4.2%	33.3%	41.7%	20.8%	
	Fujairah	Frequency	0	6	13	29	1	
		Percentage	0.0%	12.2%	26.5%	59.2%	2.0%	
	Ras Al-Khaimah	Frequency	0	1	9	14	6	
		Percentage	0.0%	3.3%	30.0%	46.7%	20.0%	
	Sharjah	Frequency	0	1	8	16	4	
		Percentage	0.0%	3.4%	27.6%	55.2%	13.8%	
	Umm al-Quwain	Frequency	0	1	3	5	2	
		Percentage	0.0%	9.1%	27.3%	45.5%	18.2%	
Years of operation	Less than 1 year	Frequency	1	0	5	4	1	.000
		Percent	9.1%	0.0%	45.5%	36.4%	9.1%	
	1 Year	Frequency	0	6	12	6	3	
		Percent	0.0%	22.2%	44.4%	22.2%	11.1%	
	2 Years	Frequency	3	3	10	9	2	
		Percent	11.1%	11.1%	37.0%	33.3%	7.4%	
	3 Years	Frequency	0	5	10	10	7	
		Percent	0.0%	15.6%	31.3%	31.3%	21.9%	
	4 Years	Frequency	0	0	9	34	3	
		Percent	0.0%	0.0%	19.6%	73.9%	6.5%	
	5 Years	Frequency	0	6	13	29	5	
		Percent	0.0%	11.3%	24.5%	54.7%	9.4%	
	6-10 Years	Frequency	1	5	12	6	8	
		Percent	3.1%	15.6%	37.5%	18.8%	25.0%	
	11-20 Years	Frequency	2	3	4	1	2	
		Percent	16.7%	25.0%	33.3%	8.3%	16.7%	
	More than 20 Years	Frequency	1	0	3	3	3	
		Percent	10.0%	0.0%	30.0%	30.0%	30.0%	

4.3.11.2 Factors that Influence Compliance

4.3.11.2.1 Because it is a law

It is revealed from the chi-square test, Table 4.19, that five variables of the SMEs except sector of business are significantly influenced by the factor such as law as their p-values are size of the business (*p*-value .114), number of sites, status of company (*p*-value .080), sector of business (*p*-value .449), location of the business (*p*-value .010),, and years of operation (*p*-value .123). Because of a greater *p*-value ($p \geq .005$), the H2: Factor such as compliance that make UAE SMEs to be VAT compliant is accepted.

In contrast, variable such as section of organisation is not influence by the factor such as compliance as the *p*-value is .002 which is less than .005 ($p < .005$). Since the *p*-value is less than .005, the H2: Factor such as concerning at having to pay interest charges for late payment of tax is rejected with type I error.

Table 4.19: Because it is a law

								p-value
Variables			No influence	Little Influence	Moderate Influence	Great Influence	Greater Influence	
Size of the business	1-9 Employees	Frequency	8	5	13	22	35	.114
		Percentage	66.7	41.7	52.0	36.7	31.0	
	10-49 employees	Frequency	3	5	11	23	57	
		Percentage	25.0	41.7	44.0	38.3	50.4	
	50-249 employees	Frequency	1	2	1	15	21	
		Percentage	8.3	16.7	4.0	25.0	18.6	
Number of Sites	1	Frequency	7	6	9	7	28	.080
		Percentage	58.3	50.0	36.0	11.7	24.8	
	2	Frequency	1	1	3	18	15	
		Percentage	8.3	8.3	12.0	30.0	13.3	
	3	Frequency	3	1	6	14	28	
		Percentage	25.0	8.3	24.0	23.3	24.8	
	4	Frequency	1	3	3	18	23	
		Percentage	8.3	25.0	12.0	30.0	20.4	
	5	Frequency	0	1	3	2	13	
		Percentage	0.0	8.3	12.0	3.3	11.5	
Status of a company	Sole partnership	Frequency	5	2	4	11	22	.449
		Percentage	41.7	16.7	16.0	18.3	19.5	
	Civil company	Frequency	1	2	5	2	12	
		Percentage	8.3	16.7	20.0	3.3	10.6	
	Limited Liability Company	Frequency	5	2	5	18	27	
		Percentage	41.7	16.7	20.0	30.0	23.9	
	Partnership	Frequency	1	3	3	13	21	
		Percentage	8.3	25.0	12.0	21.7	18.6	
	Private Share Holding Company	Frequency	0	2	6	6	14	
		Percentage	0.0	16.7	24.0	10.0	12.4	
	Public Share Holding Company	Frequency	0	1	1	8	6	
		Percentage	0.0	8.3	4.0	13.3	5.3	
	Franchise	Frequency	0	0	1	1	5	
		Percentage	0.0	.0	4.0	1.7	4.4	
Sector of Business	Retail/Logistics	Frequency	5	2	2	8	11	.002
		Percentage	41.7	16.7	8.0	13.3	9.7	
	Marketing and Advertising	Frequency	3	1	3	4	4	
		Percentage	25.0	8.3	12.0	6.7	3.5	
	Media Entertainment	Frequency	1	1	1	6	14	
		Percentage	8.3	8.3	4.0	10.0	12.4	
	Engineering	Frequency	0	2	5	13	24	
		Percentage	0.0	16.7	20.0	21.7	21.2	
	Construction and Real Estate	Frequency	0	3	5	6	28	
		Percentage	0	25.0	20.0	10.0	24.8	
	Oil and Gas	Frequency	0	0	0	16	9	
		Percentage	0.0	0.0	0.0	26.7	8.0	
	Product/Manufacturing	Frequency	0	2	4	2	10	
		Percentage	0.0	16.7	16.0	3.3	8.8	
	Automotive and Ancillary	Frequency	1	0	2	3	6	
		Percentage	8.3	0.0	8.0	5.0	5.3	
Location of the Business	Abu Dhabi	Frequency	11	7	12	14	29	.010
		Percentage	91.7	58.3	48.0	23.3	25.7	
	Ajman	Frequency	0	0	4	6	9	
		Percentage	0.0	0.0	16.0	10.0	8.0	
	Dubai	Frequency	0	0	2	10	11	
		Percentage	0.0	0.0	8.0	16.7	9.7	
	Fujairah	Frequency	1	3	3	10	27	
		Percentage	8.3	25.0	12.0	16.7	23.9	
	Ras Al-Khaimah	Frequency	0	1	2	9	18	
		Percentage	0.0	8.3	8.0	15.0	15.9	
	Sharjah	Frequency	0	0	1	10	13	

		Percentage	0.0	0.0	4.0	16.7	11.5	
	Umm al-Quwain	Frequency	0	1	1	1	6	
		Percentage	0.0	8.3	4.0	1.7	5.3	
Years of operation	Less than 1 year	Frequency	2	1	3	2	2	.123
		Percent	16.7	8.3	12.0	3.3	1.8	
	1 Year	Frequency	1	1	4	6	12	
		Percent	8.3	8.3	16.0	10.0	10.6	
	2 Years	Frequency	4	2	4	3	13	
		Percent	33.3	16.7	16.0	5.0	11.5	
	3 Years	Frequency	1	1	2	9	17	
		Percent	8.3	8.3	8.0	15.0	15.0	
	4 Years	Frequency	0	1	2	15	21	
		Percent	0.0	8.3	8.0	25.0	18.6	
	5 Years	Frequency	1	3	6	15	24	
		Percent	8.3	25.0	24.0	25.0	21.2	
	6-10 Years	Frequency	1	3	2	9	13	
		Percent	8.3	25.0	8.0	15.0	11.5	
	11-20 Years	Frequency	2	0	2	0	5	
		Percent	16.7	0.0	8.0	0.0	4.4	
	More than 20 Years	Frequency	0	0	0	1	6	
		Percent	0.0	0.0	0.0	1.7	5.3	

4.3.11.2.2 Concerning at having to pay interest charges for late payment of tax

From the chi-square test, Table 4.20, there is a statistical significance between the variables such as number of sites (*p*-value .025), status of company (*p*-value .016), and years of operation (*p*-value .054) and the factor such as concerning at having to pay interest charges for late payment of tax. Since the *p*-values are higher than .005 ((*p*≥.005), the H2: Factor such as concerning at having to pay interest charges for late payment of tax is accepted with type II error.

On the other hand, there is no statistical significance between the variables such as size of the business (*p*-value .003), sector of business (*p*-value .000), and location of the business (*p*-value .000) and the factor such as concerning at having to pay interest charges for late payment of tax. Because of the *p*-values are less than .005, the H2: Factor such as concerning at having to pay interest charges for late payment of tax is rejected with type I error.

Table 4.20: Concerning at having to pay interest charges for late payment of tax

								p-value
Variables			No influence	Little Influence	Moderate Influence	Great Influence	Greater Influence	
Size of the business	1-9 Employees	Frequency	10	8	26	26	20	.003
		Percentage	71.4	57.1	44.8	23.4	43.5	
	10-49 employees	Frequency	3	6	22	59	20	
		Percentage	21.4	42.9	37.9	53.2	43.5	
	50-249 employees	Frequency	1	0	10	26	6	
		Percentage	7.1	0.0	17.2	23.4	13.0	
Number of Sites	1	Frequency	8	6	15	14	18	.025
		Percentage	57.1	42.9	25.9	12.6	39.1	
	2	Frequency	2	2	7	26	3	
		Percentage	14.3	14.3	12.1	23.4	6.5	
	3	Frequency	2	3	14	30	6	
		Percentage	14.3	21.4	24.1	27.0	13.0	

	4	Frequency	1	3	16	26	12	
		Percentage	7.1	21.4	27.6	23.4	26.1	
	5	Frequency	0	0	5	12	4	
		Percentage	0.0	0.0	8.6	10.8	8.7	
Status of a company	Sole partnership	Frequency	6	5	9	10	18	.016
		Percentage	42.9	35.7	15.5	9.0	39.1	
	Civil company	Frequency	1	1	5	14	1	
		Percentage	7.1	7.1	8.6	12.6	2.2	
	Limited Liability Company	Frequency	6	3	15	27	13	
		Percentage	42.9	21.4	25.9	24.3	28.3	
	Partnership	Frequency	1	2	11	27	6	
		Percentage	7.1	14.3	19.0	24.3	13.0	
	Private Share Holding Company	Frequency	0	2	10	15	3	
		Percentage	0.0	14.3	17.2	13.5	6.5	
	Public Share Holding Company	Frequency	0	0	6	10	1	
		Percentage	0.0	0.0	10.3	9.0	2.2	
	Franchise	Frequency	0	1	2	4	1	
		Percentage	0.0	7.1	3.4	3.6	2.2	
Sector of Business	Retail/Logistics	Frequency	5	2	7	6	10	.000
		Percentage	35.7	14.3	12.1	5.4	21.7	
	Marketing and Advertising	Frequency	4	2	6	5	0	
		Percentage	28.6	14.3	10.3	4.5	0.0	
	Media Entertainment	Frequency	0	0	8	13	3	
		Percentage	0.0	0.0	13.8	11.7	6.5	
	Engineering	Frequency	1	2	11	28	5	
		Percentage	7.1	14.3	19.0	25.2	10.9	
	Construction and Real Estate	Frequency	1	2	7	26	8	
		Percentage	7.1	14.3	12.1	23.4	17.4	
	Oil and Gas	Frequency	0	1	7	18	4	
		Percentage	0.0	7.1	12.1	16.2	8.7	
	Product/Manufacturing	Frequency	0	1	5	10	4	
		Percentage	0.0	7.1	8.6	9.0	8.7	
	Automotive and Ancillary	Frequency	1	1	4	3	5	
		Percentage	7.1	7.1	6.9	2.7	10.9	
Location of the Business	Abu Dhabi	Frequency	14	9	20	13	24	.000
		Percentage	100	64.3	34.5	11.7	52.2	
	Ajman	Frequency	0	1	7	11	1	
		Percentage	0.0	7.1	12.1	9.9	2.2	
	Dubai	Frequency	0	1	6	11	6	
		Percentage	0.0	7.1	10.3	9.9	13.0	
	Fujairah	Frequency	0	2	14	28	5	
		Percentage	0.0	14.3	24.1	25.2	10.9	
	Ras Al-Khaimah	Frequency	0	0	5	22	3	
		Percentage	0.0	0.0	8.6	19.8	6.5	
	Sharjah	Frequency	0	1	4	20	4	
		Percentage	0.0	7.1	6.9	18.0	8.7	
	Umm al-Quwain	Frequency	0	14	58	111	46	
		Percentage	0.0	100	100	100	100	
Years of operation	Less than 1 year	Frequency	2	0	7	0	2	.054
		Percent	14.3	0.0	12.1	0.0	4.3	
	1 Year	Frequency	1	3	5	12	4	
		Percent	7.1	21.4	8.6	10.8	8.7	
	2 Years	Frequency	3	3	5	12	4	
		Percent	21.4	21.4	8.6	10.8	8.7	
	3 Years	Frequency	1	2	7	17	4	
		Percent	7.1	14.3	12.1	15.3	8.7	
	4 Years	Frequency	0	2	9	26	8	
		Percent	0.0	14.3	15.5	23.4	17.4	
	5 Years	Frequency	2	2	16	26	10	
		Percent	14.3	14.3	27.6	23.4	21.7	
	6-10 Years	Frequency	3	2	7	11	7	
		Percent	21.4	14.3	12.1	9.9	1.2	
	11-20 Years	Frequency	2	0	2	4	2	
		Percent	14.3	0.0	3.4	3.6	4.3	
	More than 20 Years	Frequency	0	0	0	3	5	
		Percent	0.0	0.0	.0	2.7	10.9	

4.3.11.2.3 Concern at having goods seized by the Federal Tax Authority for failure to pay tax

It is found out from Table 4.21 that there is a significant relationship between variables size of the business (*p*-value .011), number of sites (*p*-value .028), status of company (*p*-value .064), and years of operation (*p*-value .007) and factor such as concern at having goods seized by the Federal Tax Authority for failure to pay tax. Since the *p*-values are higher than .005 ((*p*≥.005), the H2: Factor such as concern at having goods seized by the Federal Tax Authority for failure to pay tax with type II error.

In contract, there are no relationship between the variables such as sector of business (*p*-value .000) and the location of the business (*p*-value .000) and the factor such as concern at having goods seized by the Federal Tax Authority for failure to pay tax. Because of the *p*-values are less than .005, the H2: Factor such as concerning at having to pay interest charges for late payment of tax is rejected with type I error.

Table 4.21: Concern at having goods seized by the Federal Tax Authority for failure to pay tax

								p-value
Variables			No influence	Little Influence	Moderate Influence	Great Influence	Greater Influence	
Size of the business	1-9 Employees	Frequency	9	9	24	25	23	.011
		Percentage	60.0	47.4	46.2	23.4	46.0	
	10-49 employees	Frequency	3	8	23	59	17	
		Percentage	20.0	42.1	44.2	55.1	34.0	
	50-249 employees	Frequency	3	2	5	23	10	
		Percentage	20.0	10.5	9.6	21.5	20.0	
Number of Sites	1	Frequency	7	6	16	13	19	.028
		Percentage	46.7	31.6	30.8	12.1	38.0	
	2	Frequency	3	6	8	18	5	
		Percentage	20	31.6	15.4	16.8	10	
	3	Frequency	2	5	13	28	7	
		Percentage	13.3	26.3	25.0	26.2	14.0	
	4	Frequency	1	1	10	36	10	
		Percentage	6.7	5.3	19.2	33.6	20.0	
	5	Frequency	1	1	4	10	5	
		Percentage	6.7	5.3	7.7	9.3	10	
Status of a company	Sole partnership	Frequency	5	5	12	10	16	.064
		Percentage	33.3	26.3	23.1	9.3	32.0	
	Civil company	Frequency	2	4	3	9	4	
		Percentage	13.3	21.1	5.8	8.4	8.0	
	Limited Liability Company	Frequency	7	4	14	27	12	
		Percentage	46.7	21.1	26.9	25.2	24.0	
	Partnership	Frequency	1	2	12	26	6	
		Percentage	6.7	10.5	23.1	24.3	12.0	
	Private Share Holding Company	Frequency	0	3	5	17	5	
		Percentage	0.0	15.8	9.6	15.9	10.0	
	Public Share Holding Company	Frequency	0	0	4	11	2	
		Percentage	0.0	0.0	7.7	10.3	4.0	
	Franchise	Frequency	0	1	2	4	1	
		Percentage	0.0	5.3	3.8	3.7	2.0	
Sector of Business	Retail/Logistics	Frequency	5	1	10	7	7	.000
		Percentage	33.3	5.3	19.2	6.5	14.0	
	Marketing and Advertising	Frequency	2	4	3	7	1	
		Percentage	13.3	21.1	5.8	6.5	2.0	

	Media Entertainment	Frequency	0	2	7	11	4	
		Percentage	0.0	10.5	13.5	10.3	8.0	
	Engineering	Frequency	2	2	7	33	3	
		Percentage	13.3	10.5	13.5	30.8	6.0	
	Construction and Real Estate	Frequency	1	4	6	16	17	
		Percentage	6.7	21.1	11.5	15.0	34.0	
	Oil and Gas	Frequency	0	2	7	17	4	
		Percentage	0.0	10.5	13.5	15.9	8.0	
	Product/Manufacturing	Frequency	0	2	5	9	4	
		Percentage	0.0	10.5	9.6	8.4	8.2	
	Automotive and Ancillary	Frequency	1	1	3	6	3	
		Percentage	6.7	5.3	5.8	5.6	6.0	
Location of the Business	Abu Dhabi	Frequency	13	9	21	15	22	.000
		Percentage	86.7	47.4	40.4	14.0	44.0	
	Ajman	Frequency	0	3	5	10	2	
		Percentage	0.0	15.8	9.6	9.3	4.0	
	Dubai	Frequency	1	0	5	14	4	
		Percentage	6.7	0.0	9.6	13.1	8.0	
	Fujairah	Frequency	1	3	11	28	6	
		Percentage	6.7	15.8	21.2	26.2	12.0	
	Ras Al-Khaimah	Frequency	0	0	4	16	0	
		Percentage	0.0	0.0	7.7	15.0	0.0	
	Sharjah	Frequency	0	2	5	18	4	
		Percentage	0.0	10.5	9.6	16..8	8.0	
	Umm al-Quwain	Frequency	0	2	1	6	2	
		Percentage	0.0	10.5	1.9	5.6	4.0	
Years of operation	Less than 1 year	Frequency	2	0	7	2	0	.007
		Percent	13.3	0.0	13.5	1.9	0.0	
	1 Year	Frequency	1	3	4	11	6	
		Percent	6.7	15.8	7.7	10.3	12.0	
	2 Years	Frequency	3	4	8	9	3	
		Percent	20.0	21.1	15.4	8.4	6.0	
	3 Years	Frequency	0	1	8	15	7	
		Percent	0.0	5.3	15.4	14.0	14.0	
	4 Years	Frequency	1	2	7	24	11	
		Percent	6.7	10.5	13.5	22.4	22.0	
	5 Years	Frequency	1	5	12	29	9	
		Percent	6.7	26.3	23.1	27.1	18.0	
	6-10 Years	Frequency	5	2	5	10	8	
		Percent	33.3	10.5	9.6	9.3	16.0	
	11-20 Years	Frequency	2	1	1	5	1	
		Percent	13.3	5.3	1.9	4.7	2.0	
	More than 20 Years	Frequency	0	1	0	2	5	
		Percent	0.0	5.3	0.0	1.9	10.0	

4.3.11.2.4 Belief that other taxpayers are declaring and paying honestly

It has revealed from chi-square test, Table 4.22, that there is a significant relationship between variables such as size of the business (*p*-value .210), number of sites (*p*-value .088), status of company (*p*-value .627), sector of business (*p*-value .021), location of the business (*p*-value .006), and years of operation (*p*-value .039) and the factor such as Belief that other taxpayers are declaring and paying honestly. Since the *p*-values are higher than .005 ((*p*≥.005), the H2: Factor such as belief that other taxpayers are declaring and paying honestly with type II error.

Table 4.22: Belief that other taxpayers are declaring and paying honestly

								p-value
Variables			No influence	Little Influence	Moderate Influence	Great Influence	Greater Influence	
Size of the business	1-9 Employees	Frequency	9	13	24	25	19	.210
		Percentage	60.0	50.0	35.8	27.5	43.2	
	10-49 employees	Frequency	4	8	30	50	18	
		Percentage	26.7	30.8	44.8	54.9	40.9	
	50-249 employees	Frequency	2	5	13	16	7	
		Percentage	13.3	19.2	19.4	17.6	15.9	
Number of Sites	1	Frequency	9	8	17	14	13	.088
		Percentage	60.0	30.8	25.4	15.4	29.5	
	2	Frequency	2	6	10	15	7	
		Percentage	13.3	23.1	14.9	16.5	15.9	
	3	Frequency	1	5	19	23	7	
		Percentage	6.7	19.2	28.4	25.3	15.9	
	4	Frequency	2	4	16	29	7	
		Percentage	13.3	15.4	23.9	31.9	15.9	
	5	Frequency	0	2	5	8	6	
		Percentage	0.0	7.7	7.5	8.8	13.6	
Status of a company	Sole partnership	Frequency	6	7	14	10	11	.627
		Percentage	40.0	26.9	20.0	11.0	25.0	
	Civil company	Frequency	1	3	6	10	2	
		Percentage	6.7	11.5	9.0	11.0	4.5	
	Limited Liability Company	Frequency	6	6	17	23	12	
		Percentage	40.0	23.1	25.4	25.3	27.3	
	Partnership	Frequency	2	4	12	22	7	
		Percentage	13.3	15.4	17.9	24.2	15.9	
	Private Share Holding Company	Frequency	0	3	9	14	4	
		Percentage	0.0	11.5	13.4	15.4	9.1	
	Public Share Holding Company	Frequency	0	2	5	5	5	
		Percentage	0.0	7.7	7.5	5.5	11.4	
	Franchise	Frequency	0	1	3	4	8	
		Percentage	0.0	3.8	4.5	4.4	3.3	
Sector of Business	Retail/Logistics	Frequency	3	1	10	8	8	.021
		Percentage	20.0	3.8	14.9	8.8	18.2	
	Marketing and Advertising	Frequency	2	6	3	4	2	
		Percentage	13.3	23.1	4.5	4.4	4.5	
	Media Entertainment	Frequency	0	6	6	7	5	
		Percentage	0.0	23.1	9.0	7.7	11.5	
	Engineering	Frequency	1	2	13	22	9	
		Percentage	6.7	7.7	19.4	24.2	20.5	
	Construction and Real Estate	Frequency	2	2	12	18	10	
		Percentage	13.3	7.7	17.9	19.8	22.7	
	Oil and Gas	Frequency	1	1	9	16	3	
		Percentage	6.7	3.8	13.4	17.6	6.8	
	Product/Manufacturing	Frequency	1	3	4	9	3	
		Percentage	6.7	11.5	6.0	9.9	6.8	
	Automotive and Ancillary	Frequency	1	2	6	4	1	
		Percentage	6.7	7.7	9.0	4.4	2.3	
Location of the Business	Abu Dhabi	Frequency	13	9	23	15	20	.006
		Percentage	86.7	34.6	34.3	16.5	45.5	
	Ajman	Frequency	0	3	7	7	3	
		Percentage	0.0	11.5	10.4	7.7	6.8	
	Dubai	Frequency	1	2	7	10	4	
		Percentage	6.7	7.7	10.4	11.0	9.0	
	Fujairah	Frequency	0	6	14	23	6	
		Percentage	0.0	23.1	20.9	25.3	13.6	
	Ras Al-Khaimah	Frequency	0	2	7	16	5	
		Percentage	0.0	7.7	10.4	17.6	11.4	
	Sharjah	Frequency	0	1	7	16	5	
		Percentage	0.0	3.8	10.4	17.6	11.4	
	Umm al-Quwain	Frequency	1	3	2	4	1	
		Percentage	6.7	11.5	3.0	4.4	2.3	
Years of operation	Less than 1 year	Frequency	2	1	5	2	1	.039
		Percent	13.3	3.8	7.5	2.2	2.3	
	1 Year	Frequency	4	5	8	5	5	

		Percent	26.7	19.2	11.9	5.5	11.4
	2 Years	Frequency	0	3	9	14	5
		Percent	0.0	11.5	13.4	15.4	11.4
	3 Years	Frequency	0	1	10	26	8
		Percent	0.0	3.8	14.9	28.6	18.2
	4 Years	Frequency	2	7	12	24	11
		Percent	13.3	26.9	17.9	26.4	25.0
	5 Years	Frequency	2	7	12	24	11
		Percent	13.3	26.9	17.9	26.4	25.0
	6-10 Years	Frequency	3	3	11	7	6
		Percent	20.0	11.5	16.4	7.7	13.6
	11-20 Years	Frequency	2	2	3	2	1
		Percent	13.3	7.7	4.5	2.2	2.3
	More than 20 Years	Frequency	1	0	0	3	4
		Percent	6.7	0.0	0.0	3.3	9.1

4.3.11.2.5 Concern that a third party (e.g. a bank), owing money to you, will be ordered to pay that money over to the Federal Tax Authority

From chi-square test, Table 4.23, it has found out that there is a significant influence between variables such as size of the business (*p*-value .181), number of sites (*p*-value .041), status of company (*p*-value .203), sector of business (*p*-value .009), and years of operation (*p*-value .20) and the factors such as concern that a third party (e.g. a bank), owing money to you, will be ordered to pay that money over to the Federal Tax Authority. Because of a higher *p*-values ((*p*≥.005), the H2: Factors such as concern that a third party (e.g. a bank), owing money to you, will be ordered to pay that money over to the Federal Tax Authority with type II error.

On the other hand, there is no significant influence of the factor such as concern that a third party (e.g. a bank), owing money to you, will be ordered to pay that money over to the Federal Tax Authority on the variable such as location of the business (*p*-value .000) found. Because of the *p*-value is less than .005 (*p*<.005), the H2: Factor such as Concern that a third party (e.g. a bank), owing money to you, will be ordered to pay that money over to the Federal Tax Authority is rejected with type I error.

Table 4.23: Concern that a third party (e.g. a bank), owing money to you, will be ordered to pay that money over to the Federal Tax Authority

								p-value
Variables			No influence	Little Influence	Moderate Influence	Great Influence	Greater Influence	
Size of the business	1-9 Employees	Frequency	11	10	21	31	17	.181
		Percentage	61.1%	50.0%	38.9%	29.2%	37.8%	
	10-49 employees	Frequency	5	9	23	51	22	
		Percentage	27.8%	45.0%	42.6%	48.1%	48.9%	
	50-249 employees	Frequency	2	1	10	24	6	
		Percentage	11.1%	5.0%	18.5%	22.6%	13.3%	
Number of Sites	1	Frequency	10	8	16	13	14	.041
		Percentage	55.6%	40.0%	29.6%	12.3%	31.1%	
	2	Frequency	2	4	11	19	4	
		Percentage	11.1%	20.0%	20.4%	17.9%	8.9%	
	3	Frequency	3	3	14	25	10	
		Percentage	16.7%	15.0%	25.9%	23.6%	22.2%	

	4	Frequency	1	3	9	34	11	
		Percentage	5.6%	15.0%	16.7%	32.1%	24.4%	
	5	Frequency	1	2	2	13	3	
		Percentage	5.6%	10.0%	3.7%	12.3%	6.7%	
Status of a company	Sole partnership	Frequency	6	6	11	13	12	.203
		Percentage	33.3%	30.0%	20.4%	12.3%	26.7%	
	Civil company	Frequency	4	2	3	10	3	
		Percentage	22.2%	10.0%	5.6%	9.4%	6.7%	
	Limited Liability Company	Frequency	7	5	12	29	11	
		Percentage	38.9%	25.0%	22.2%	27.4%	24.4%	
	Partnership	Frequency	1	3	11	24	8	
		Percentage	5.6%	15.0%	20.4%	22.6%	17.8%	
	Private Share Holding Company	Frequency	0	1	11	13	5	
		Percentage	0.0%	5.0%	20.4%	12.3%	11.1%	
	Public Share Holding Company	Frequency	0	1	4	10	2	
		Percentage	0.0%	5.0%	7.4%	9.4%	4.4%	
	Franchise	Frequency	0	2	0	5	1	
		Percentage	0.0%	10.0%	0.0%	4.7%	2.2%	
Sector of Business	Retail/Logistics	Frequency	6	3	4	7	10	.009
		Percentage	33.3%	15.0%	7.4%	6.6%	22.2%	
	Marketing and Advertising	Frequency	3	3	4	7	0	
		Percentage	16.7%	15.0%	7.4%	6.6%	0.0%	
	Media Entertainment	Frequency	1	2	6	9	6	
		Percentage	5.6%	10.0%	11.1%	8.5%	13.3%	
	Engineering	Frequency	1	2	10	26	8	
		Percentage	5.6%	10.0%	18.5%	24.5%	17.8%	
	Construction and Real Estate	Frequency	2	2	11	21	8	
		Percentage	11.1%	10.0%	20.4%	19.8%	17.8%	
	Oil and Gas	Frequency	0	1	7	18	4	
		Percentage	0.0%	5.0%	13.0%	17.0%	8.9%	
	Product/Manufacturing	Frequency	0	2	4	8	6	
		Percentage	0.0%	10.0%	7.4%	7.5%	13.3%	
	Automotive and Ancillary	Frequency	1	1	3	8	1	
		Percentage	5.6%	5.0%	5.6%	7.5%	2.2%	
Location of the Business	Abu Dhabi	Frequency	16	11	21	15	17	.000
		Percentage	88.9%	55.0%	38.9%	14.2%	37.8%	
	Ajman	Frequency	0	3	3	13	1	
		Percentage	0.0%	15.0%	5.6%	12.3%	2.2%	
	Dubai	Frequency	1	1	4	15	3	
		Percentage	5.6%	5.0%	7.4%	14.2%	6.7%	
	Fujairah	Frequency	1	2	9	29	8	
		Percentage	5.6%	10.0%	16.7%	27.4%	17.8%	
	Ras Al-Khaimah	Frequency	0	1	7	16	6	
		Percentage	0.0%	5.0%	13.0%	15.1%	13.3%	
	Sharjah	Frequency	0	1	8	13	7	
		Percentage	0.0%	5.0%	14.8%	12.3%	15.6%	
	Umm al-Quwain	Frequency	0	1	2	5	3	
		Percentage	0.0%	5.0%	3.7%	4.7%	6.7%	
Years of operation	Less than 1 year	Frequency	3	1	3	4	0	.020
		Percent	16.7%	5.0%	5.6%	3.8%	0.0%	
	1 Year	Frequency	1	3	8	9	4	
		Percent	5.6%	15.0%	14.8%	8.5%	8.9%	
	2 Years	Frequency	3	4	4	13	3	
		Percent	16.7%	20.0%	7.4%	12.3%	6.7%	
	3 Years	Frequency	1	2	7	15	6	
		Percent	5.6%	10.0%	13.0%	14.2%	13.3%	
	4 Years	Frequency	0	1	7	27	10	
		Percent	0.0%	5.0%	13.0%	25.5%	22.2%	
	5 Years	Frequency	1	3	15	26	11	
		Percent	5.6%	15.0%	27.8%	24.5%	24.4%	
	6-10 Years	Frequency	5	5	7	8	5	
		Percent	27.8%	25.0%	13.0%	7.5%	11.1%	
	11-20 Years	Frequency	3	1	2	2	2	
		Percent	16.7%	5.0%	3.7%	1.9%	4.4%	
	More than 20 Years	Frequency	1	0	1	2	4	
		Percent	5.6%	0.0%	1.9%	1.9%	8.9%	

4.3.11.2.6 That fact that the Federal Tax Authority presumes that you have been honest in your dealings with them

It has revealed from chi-square test results shown in Table 4.24 that there is a significant influence between variables such as size of the business (*p*-value .010), number of sites (*p*-value .014), status of company (*p*-value .267), sector of business (*p*-value .018), and years of operation (*p*-value .186) and the factors such as That fact that the Federal Tax Authority presumes that you have been honest in your dealings with them. Because of a higher *p*-values ((*p*≥.005), the H2: Factor such as That fact that the Federal Tax Authority presumes that you have been honest in your dealings with them is accepted with type II error.

On the other hand, there is no significant influence of the factor such as that fact that the Federal Tax Authority presumes that you have been honest in your dealings with them on the variables such as location of the business with a *p*-value .001 found. Because of the *p*-value is less than .005 (*p*<.005), the H2: Factor such as that fact that the Federal Tax Authority presumes that you have been honest in your dealings with them is rejected with type I error.

Table 4.24: That fact that the Federal Tax Authority presumes that you have been honest in your dealings with them

								p-value
Variables			No influence	Little Influence	Moderate Influence	Great Influence	Greater Influence	
Size of the business	1-9 Employees	Frequency	11	6	27	29	17	.010
		Percentage	78.6%	37.5%	46.6%	27.4%	34.7%	
	10-49 employees	Frequency	3	7	21	59	20	
		Percentage	21.4%	43.8%	36.2%	55.7%	40.8%	
	50-249 employees	Frequency	0	3	10	18	12	
		Percentage	0.0%	18.8%	17.2%	17.0%	24.5%	
Number of Sites	1	Frequency	9	4	20	19	9	.014
		Percentage	64.3%	25.0%	34.5%	17.9%	18.4%	
	2	Frequency	2	6	8	18	6	
		Percentage	14.3%	37.5%	13.8%	17.0%	12.2%	
	3	Frequency	2	2	16	26	9	
		Percentage	14.3%	12.5%	27.6%	24.5%	18.4%	
	4	Frequency	1	3	11	31	12	
		Percentage	7.1%	18.8%	19.0%	29.2%	24.5%	
	5	Frequency	0	1	2	10	8	
		Percentage	0.0%	6.3%	3.4%	9.4%	16.3%	
Status of a company	Sole partnership	Frequency	7	6	12	14	9	.267
		Percentage	50.0%	37.5%	20.7%	13.2%	18.4%	
	Civil company	Frequency	2	0	8	11	1	
		Percentage	14.3%	0.0%	13.8%	10.4%	2.0%	
	Limited Liability Company	Frequency	4	4	15	29	12	
		Percentage	28.6%	25.0%	25.9%	27.4%	24.5%	
	Partnership	Frequency	1	2	8	26	10	
		Percentage	7.1%	12.5%	13.8%	24.5%	20.4%	
	Private Share Holding Company	Frequency	0	1	9	13	7	
		Percentage	0.0%	6.3%	15.5%	12.3%	14.3%	
	Public Share Holding Company	Frequency	0	2	3	8	4	
		Percentage	0.0%	12.5%	5.2%	7.5%	8.2%	
	Franchise	Frequency	0	1	2	2	3	
		Percentage	0.0%	6.3%	3.4%	1.9%	6.1%	
Sector of Business	Retail/Logistics	Frequency	4	2	8	7	9	.018
		Percentage	28.6%	12.5%	13.8%	6.6%	18.4%	

	Marketing and Advertising	Frequency	3	3	3	7	1	
		Percentage	21.4%	18.8%	5.2%	6.6%	2.0%	
	Media Entertainment	Frequency	0	3	6	10	5	
		Percentage	0.0%	18.8%	10.3%	9.4%	10.2%	
	Engineering	Frequency	0	1	12	26	8	
		Percentage	0.0%	6.3%	20.7%	24.5%	16.3%	
	Construction and Real Estate	Frequency	1	2	10	22	9	
		Percentage	7.1%	12.5%	17.2%	20.8%	18.4%	
	Oil and Gas	Frequency	0	2	5	17	6	
		Percentage	0.0%	12.5%	8.6%	16.0%	12.2%	
	Product/Manufacturing	Frequency	0	0	5	9	6	
		Percentage	0.0%	0.0%	8.6%	8.5%	12.2%	
	Automotive and Ancillary	Frequency	2	1	3	6	2	
		Percentage	14.3%	6.3%	5.2%	5.7%	4.1%	
Location of the Business	Abu Dhabi	Frequency	13	8	23	19	17	.001
		Percentage	92.9%	50.0%	39.7%	17.9%	34.7%	
	Ajman	Frequency	0	3	6	10	1	
		Percentage	0.0%	18.8%	10.3%	9.4%	2.0%	
	Dubai	Frequency	1	1	5	10	7	
		Percentage	7.1%	6.3%	8.6%	9.4%	14.3%	
	Fujairah	Frequency	0	3	10	27	9	
		Percentage	0.0%	18.8%	17.2%	25.5%	18.4%	
	Ras Al-Khaimah	Frequency	0	0	3	19	8	
		Percentage	0.0%	0.0%	5.2%	17.9%	16.3%	
	Sharjah	Frequency	0	0	8	16	5	
		Percentage	0.0%	0.0%	13.8%	15.1%	10.2%	
	Umm al-Quwain	Frequency	0	1	3	5	2	
		Percentage	0.0%	6.3%	5.2%	4.7%	4.1%	
Years of operation	Less than 1 year	Frequency	1	1	4	3	2	.186
		Percent	7.1%	6.3%	6.9%	2.8%	4.1%	
	1 Year	Frequency	1	2	7	11	4	
		Percent	7.1%	12.5%	12.1%	10.4%	8.2%	
	2 Years	Frequency	4	4	6	11	2	
		Percent	28.6%	25.0%	10.3%	10.4%	4.1%	
	3 Years	Frequency	1	0	8	15	7	
		Percent	7.1%	0.0%	13.8%	14.2%	14.3%	
	4 Years	Frequency	0	1	8	25	11	
		Percent	0.0%	6.3%	13.8%	23.6%	22.4%	
	5 Years	Frequency	2	6	12	28	8	
		Percent	14.3%	37.5%	20.7%	26.4%	16.3%	
	6-10 Years	Frequency	2	1	10	8	9	
		Percent	14.3%	6.3%	17.2%	7.5%	18.4%	
	11-20 Years	Frequency	2	1	2	3	2	
		Percent	14.3%	6.3%	3.4%	2.8%	4.1%	
	More than 20 Years	Frequency	1	0	1	2	4	
		Percent	7.1%	0.0%	1.7%	1.9%	8.2%	

4.3.11.2.7 Concern that the Federal Tax Authority will obtain a court judgment against you for failure to pay tax and publish details of that judgment

From the chi-square test results, Table 4.25,it has found out that that there is a significant influence between variables such as size of the business (*p*-value .071), number of sites (*p*-value .215), status of company (*p*-value .040), and sector of business (*p*-value .058), and the factors such as concern that the Federal Tax Authority will obtain a court judgment against you for failure to pay tax and publish details of that judgment. Because of a higher *p*-values ((*p*≥.005), the H2: Factors such as Concern that the Federal Tax Authority will obtain a court judgment against you for failure to pay tax and publish details of that judgment is accepted with type II error.

In contrast, with the p-value of .000, the variables such as location of the business and the years of operation have no influence of the factor - concern that the Federal Tax Authority will obtain a court judgment against you for failure to pay tax and publish details of that judgment. Since the *p*-values are less than .005 ($p<.005$), the H2: Factor, concern that the Federal Tax Authority will obtain a court judgment against you for failure to pay tax and publish details of that judgment, is rejected with type I error.

Table 4.25: Concern that the Federal Tax Authority will obtain a court judgment against you for failure to pay tax and publish details of that judgment

								p-value
Variables			No influence	Little Influence	Moderate Influence	Great Influence	Greater Influence	
Size of the business	1-9 Employees	Frequency	7	11	26	23	22	.071
		Percentage	7.9%	12.4%	29.2%	25.8%	24.7%	
	10-49 employees	Frequency	5	8	21	50	26	
		Percentage	4.5%	7.3%	19.1%	45.5%	23.6%	
	50-249 employees	Frequency	2	7	5	20	9	
		Percentage	4.7%	16.3%	11.6%	46.5%	20.9%	
Number of Sites	1	Frequency	6	5	16	17	16	.215
		Percentage	10.0%	8.3%	26.7%	28.3%	26.7%	
	2	Frequency	2	5	10	17	6	
		Percentage	5.0%	12.5%	25.0%	42.5%	15.0%	
	3	Frequency	3	8	9	26	9	
		Percentage	5.5%	14.5%	16.4%	47.3%	16.4%	
	4	Frequency	1	7	11	27	12	
		Percentage	1.7%	12.1%	19.0%	46.6%	20.7%	
	5	Frequency	1	1	4	6	9	
		Percentage	4.8%	4.8%	19.0%	28.6%	42.9%	
Status of a company	Sole partnership	Frequency	5	4	11	11	17	.040
		Percentage	10.4%	8.3%	22.9%	22.9%	35.4%	
	Civil company	Frequency	2	3	3	11	3	
		Percentage	9.1%	13.6%	13.6%	50.0%	13.6%	
	Limited Liability Company	Frequency	5	8	14	23	14	
		Percentage	7.8%	12.5%	21.9%	35.9%	21.9%	
	Partnership	Frequency	2	3	10	25	7	
		Percentage	4.3%	6.4%	21.3%	53.2%	14.9%	
	Private Share Holding Company	Frequency	0	3	8	13	6	
		Percentage	0.0%	10.0%	26.7%	43.3%	20.0%	
	Public Share Holding Company	Frequency	0	3	3	9	2	
		Percentage	0.0%	17.6%	17.6%	52.9%	11.8%	
	Franchise	Frequency	0	2	2	1	2	
		Percentage	0.0%	28.6%	28.6%	14.3%	28.6%	
Sector of Business	Retail/Logistics	Frequency	4	1	7	8	10	.058
		Percentage	13.3%	3.3%	23.3%	26.7%	33.3%	
	Marketing and Advertising	Frequency	2	4	4	4	3	
		Percentage	11.8%	23.5%	23.5%	23.5%	17.6%	
	Media Entertainment	Frequency	1	7	3	7	6	
		Percentage	4.2%	29.2%	12.5%	29.2%	25.0%	
	Engineering	Frequency	2	2	11	22	9	
		Percentage	4.3%	4.3%	23.9%	47.8%	19.6%	
	Construction and Real Estate	Frequency	1	4	9	19	11	
		Percentage	2.3%	9.1%	20.5%	43.2%	25.0%	
	Oil and Gas	Frequency	0	2	5	18	5	
		Percentage	0.0%	6.7%	16.7%	60.0%	16.7%	
	Product/Manufacturing	Frequency	0	3	6	7	4	
		Percentage	0.0%	15.0%	30.0%	35.0%	20.0%	
	Automotive and Ancillary	Frequency	1	2	3	6	2	
		Percentage	7.1%	14.3%	21.4%	42.9%	14.3%	
Location of the Business	Abu Dhabi	Frequency	12	8	20	15	24	.000
		Percentage	15.2%	10.1%	25.3%	19.0%	30.4%	
	Ajman	Frequency	0	5	3	10	2	
		Percentage	0.0%	25.0%	15.0%	50.0%	10.0%	

	Dubai	Frequency	1	1	10	5	7	
		Percentage	4.2%	4.2%	41.7%	20.8%	29.2%	
	Fujairah	Frequency	1	6	7	23	12	
		Percentage	2.0%	12.2%	14.3%	46.9%	24.5%	
	Ras Al-Khaimah	Frequency	0	1	5	17	7	
		Percentage	0.0%	3.3%	16.7%	56.7%	23.3%	
	Sharjah	Frequency	0	2	4	19	4	
		Percentage	0.0%	6.9%	13.8%	65.5%	13.8%	
	Umm al-Quwain	Frequency	0	3	3	4	1	
		Percentage	0.0%	27.3%	27.3%	36.4%	9.1%	
Years of operation	Less than 1 year	Frequency	1	1	5	3	1	.000
		Percent	9.1%	9.1%	45.5%	27.3%	9.1%	
	1 Year	Frequency	1	3	8	7	5	
		Percent	4.2%	12.5%	33.3%	29.2%	20.8%	
	2 Years	Frequency	4	2	5	12	4	
		Percent	14.8%	7.4%	18.5%	44.4%	14.8%	
	3 Years	Frequency	0	7	5	10	9	
		Percent	0.0%	22.6%	16.1%	32.3%	29.0%	
	4 Years	Frequency	0	2	8	24	11	
		Percent	0.0%	4.4%	17.8%	53.3%	24.4%	
	5 Years	Frequency	1	10	12	24	9	
		Percent	1.8%	17.9%	21.4%	42.9%	16.1%	
	6-10 Years	Frequency	4	0	6	11	9	
		Percent	13.3%	0.0%	20.0%	36.7%	30.0%	
	11-20 Years	Frequency	3	1	3	1	2	
		Percent	30.0%	10.0%	30.0%	10.0%	20.0%	
	More than 20 Years	Frequency	0	0	0	1	7	
		Percent	0.0%	0.0%	0.0%	12.5%	87.5%	

4.3.11.2.8 Your personal belief that you should do the 'right thing'

It is revealed from the chi-square test results, Table 4.26, that there is a significant influence between variable such as size of the business (*p*-value .048) and the factor such as your personal belief that you should do the 'right thing'. Because of a higher *p*-values (($p \geq .005$), the H2: Factor such as your personal belief that you should do the 'right thing' is accepted with type II error.

On the other hand, there is no significant influence between the variables such as number of sites (*p*-value .000), status of a company (*p*-value .003), sector of business (*p*-value .003), location of business (*p*-value .000), and years of operation (*p*-value .000) and factor - your personal belief that you should do the 'right thing'. Due to the fact that the *p*-values are less than .005 ($p < .005$), the H2: Factor, your personal belief that you should do the 'right thing', is rejected with type I error.

Table 4.26: Your personal belief that you should do the 'right thing'

								p-value
Variables			No influence	Little Influence	Moderate Influence	Great Influence	Greater Influence	
Size of the business	1-9 Employees	Frequency	8	7	30	26	19	.048
		Percentage	8.9%	7.8%	33.3%	28.9%	21.1%	
	10-49 employees	Frequency	3	7	27	57	16	
		Percentage	2.7%	6.4%	24.5%	51.8%	14.5%	
	50-249 employees	Frequency	1	4	8	22	8	
		Percentage	2.3%	9.3%	18.6%	51.2%	18.6%	
Number of Sites	1	Frequency	7	3	18	16	17	.000
		Percentage	11.5%	4.9%	29.5%	26.2%	27.9%	
	2	Frequency	2	7	11	17	3	
		Percentage	5.0%	17.5%	27.5%	42.5%	7.5%	
	3	Frequency	1	4	14	32	4	
		Percentage	1.8%	7.3%	25.5%	58.2%	7.3%	
	4	Frequency	2	2	18	28	8	
		Percentage	3.4%	3.4%	31.0%	48.3%	13.8%	
	5	Frequency	0	1	3	11	6	
		Percentage	0.0%	4.8%	14.3%	52.4%	28.6%	
Status of a company	Sole partnership	Frequency	5	4	12	12	15	.003
		Percentage	10.4%	8.3%	25.0%	25.0%	31.3%	
	Civil company	Frequency	0	2	9	9	2	
		Percentage	0.0%	9.1%	40.9%	40.9%	9.1%	
	Limited Liability Company	Frequency	4	7	14	28	11	
		Percentage	6.3%	10.9%	21.9%	43.8%	17.2%	
	Partnership	Frequency	2	2	9	28	6	
		Percentage	4.3%	4.3%	19.1%	59.6%	12.8%	
	Private Share Holding Company	Frequency	0	0	13	15	2	
		Percentage	0.0%	0.0%	43.3%	50.0%	6.7%	
	Public Share Holding Company	Frequency	1	1	7	7	1	
		Percentage	5.9%	5.9%	41.2%	41.2%	5.9%	
	Franchise	Frequency	0	2	1	4	1	
		Percentage	0.0%	25.0%	12.5%	50.0%	12.5%	
Sector of Business	Retail/Logistics	Frequency	3	1	7	9	10	.003
		Percentage	10.0%	3.3%	23.3%	30.0%	33.3%	
	Marketing and Advertising	Frequency	2	4	4	6	1	
		Percentage	11.8%	23.5%	23.5%	35.3%	5.9%	
	Media Entertainment	Frequency	0	3	4	14	3	
		Percentage	0.0%	12.5%	16.7%	58.3%	12.5%	
	Engineering	Frequency	0	2	14	24	7	
		Percentage	0.0%	4.3%	29.8%	51.1%	14.9%	
	Construction and Real Estate	Frequency	2	4	13	16	9	
		Percentage	4.5%	9.1%	29.5%	36.4%	20.5%	
	Oil and Gas	Frequency	0	2	8	20	0	
		Percentage	0.0%	6.7%	26.7%	66.7%	0.0%	
	Product/Manufacturing	Frequency	1	1	7	8	3	
		Percentage	5.0%	5.0%	35.0%	40.0%	15.0%	
	Automotive and Ancillary	Frequency	1	0	4	7	2	
		Percentage	7.1%	0.0%	28.6%	50.0%	14.3%	
Location of the Business	Abu Dhabi	Frequency	11	8	23	17	21	.000
		Percentage	13.8%	10.0%	28.8%	21.3%	26.3%	
	Ajman	Frequency	0	3	7	10	0	
		Percentage	0.0%	15.0%	35.0%	50.0%	0.0%	
	Dubai	Frequency	0	1	9	9	5	
		Percentage	0.0%	4.2%	37.5%	37.5%	20.8%	
	Fujairah	Frequency	0	4	12	30	3	
		Percentage	0.0%	8.2%	24.5%	61.2%	6.1%	
	Ras Al-Khaimah	Frequency	0	0	4	18	8	
		Percentage	0.0%	0.0%	13.3%	60.0%	26.7%	
	Sharjah	Frequency	1	0	6	17	5	
		Percentage	3.4%	0.0%	20.7%	58.6%	17.2%	
	Umm al-Quwain	Frequency	0	2	4	4	1	
		Percentage	0.0%	18.2%	36.4%	36.4%	9.1%	
Years of operation	Less than 1 year	Frequency	2	0	4	4	1	.000
		Percent	18.2%	0.0%	36.4%	36.4%	9.1%	
	1 Year	Frequency	0	2	9	9	5	
		Percent	0.0%	8.0%	36.0%	36.0%	20.0%	

2 Years	Frequency	4	3	9	8	3
	Percent	14.8%	11.1%	33.3%	29.6%	11.1%
3 Years	Frequency	0	2	10	14	5
	Percent	0.0%	6.5%	32.3%	45.2%	16.1%
4 Years	Frequency	0	2	8	32	3
	Percent	0.0%	4.4%	17.8%	71.1%	6.7%
5 Years	Frequency	2	5	18	24	7
	Percent	3.6%	8.9%	32.1%	42.9%	12.5%
6-10 Years	Frequency	2	3	6	9	10
	Percent	6.7%	10.0%	20.0%	30.0%	33.3%
11-20 Years	Frequency	2	1	1	4	2
	Percent	20.0%	10.0%	10.0%	40.0%	20.0%
More than 20 Years	Frequency	0	0	0	1	7
	Percent	0.0%	0.0%	0.0%	12.5%	87.5%

4.3.11.2.9 Concern that you will be audited by the Federal Tax Authority

According to the chi-square test results, Table 4.27, there is a significant influence between variables such as status of a company (*p*-value .012), and years of operation (*p*-value .12) and the factors such as Concern that you will be audited by the Federal Tax Authority. Due to the higher *p*-values (($p \geq .005$), the H2: Factor, Concern that you will be audited by the Federal Tax Authority, is accepted with type II error.

In contrast, there is no significant influence between the variables such as size of the business (*p*-value .001), number of sites (*p*-value .001), sector of business (*p*-value .000), and location of business (*p*-value .000), and factor - concern that you will be audited by the Federal Tax Authority. Because the *p*-values are less than .005 ($p < .005$), the H2: Factor, Concern that you will be audited by the Federal Tax Authority, is rejected with type I error.

Table 4.27: Concern that you will be audited by the Federal Tax Authority

								p-value
Variables			No influence	Little Influence	Moderate Influence	Great Influence	Greater Influence	
Size of the business	1-9 Employees	Frequency	8	19	23	26	14	.001
		Percentage	8.9%	21.1%	25.6%	28.9%	15.6%	
	10-49 employees	Frequency	4	6	31	58	11	
		Percentage	3.6%	5.5%	28.2%	52.7%	10.0%	
	50-249 employees	Frequency	0	4	9	23	7	
		Percentage	0.0%	9.3%	20.9%	53.5%	16.3%	
Number of Sites	1	Frequency	7	11	16	17	10	.001
		Percentage	11.5%	18.0%	26.2%	27.9%	16.4%	
	2	Frequency	2	7	8	21	2	
		Percentage	5.0%	17.5%	20.0%	52.5%	5.0%	
	3	Frequency	1	7	17	24	6	
		Percentage	1.8%	12.7%	30.9%	43.6%	10.9%	
	4	Frequency	1	3	16	31	7	
		Percentage	1.7%	5.2%	27.6%	53.4%	12.1%	
	5	Frequency	0	1	5	11	4	
		Percentage	0.0%	4.8%	23.8%	52.4%	19.0%	
Status of a company	Sole partnership	Frequency	5	8	14	13	8	.012
		Percentage	10.4%	16.7%	29.2%	27.1%	16.7%	
	Civil company	Frequency	0	5	4	12	1	
		Percentage	0.0%	22.7%	18.2%	54.5%	4.5%	
		Frequency	6	8	12	28	10	

	Limited Liability Company	Percentage	9.4%	12.5%	18.8%	43.8%	15.6%	
	Partnership	Frequency	1	1	16	23	6	
		Percentage	2.1%	2.1%	34.0%	48.9%	12.8%	
	Private Share Holding Company	Frequency	0	2	11	14	3	
		Percentage	0.0%	6.7%	36.7%	46.7%	10.0%	
	Public Share Holding Company	Frequency	0	3	4	10	0	
		Percentage	0.0%	17.6%	23.5%	58.8%	0.0%	
	Franchise	Frequency	0	2	2	4	0	
		Percentage	0.0%	25.0%	25.0%	50.0%	0.0%	
Sector of Business	Retail/Logistics	Frequency	4	2	8	6	10	.000
		Percentage	13.3%	6.7%	26.7%	20.0%	33.3%	
	Marketing and Advertising	Frequency	2	6	2	6	1	
		Percentage	11.8%	35.3%	11.8%	35.3%	5.9%	
	Media Entertainment	Frequency	0	7	5	10	2	
		Percentage	0.0%	29.2%	20.8%	41.7%	8.3%	
	Engineering	Frequency	0	3	12	27	5	
		Percentage	0.0%	6.4%	25.5%	57.4%	10.6%	
	Construction and Real Estate	Frequency	2	3	13	23	3	
		Percentage	4.5%	6.8%	29.5%	52.3%	6.8%	
	Oil and Gas	Frequency	0	1	7	19	3	
		Percentage	0.0%	3.3%	23.3%	63.3%	10.0%	
	Product/Manufacturing	Frequency	0	2	7	7	4	
		Percentage	0.0%	10.0%	35.0%	35.0%	20.0%	
	Automotive and Ancillary	Frequency	1	2	6	5	0	
		Percentage	7.1%	14.3%	42.9%	35.7%	0.0%	
Location of the Business	Abu Dhabi	Frequency	12	13	18	20	17	.000
		Percentage	15.0%	16.3%	22.5%	25.0%	21.3%	
	Ajman	Frequency	0	6	4	9	1	
		Percentage	0.0%	30.0%	20.0%	45.0%	5.0%	
	Dubai	Frequency	0	1	6	13	4	
		Percentage	0.0%	4.2%	25.0%	54.2%	16.7%	
	Fujairah	Frequency	0	5	16	25	3	
		Percentage	0.0%	10.2%	32.7%	51.0%	6.1%	
	Ras Al-Khaimah	Frequency	0	0	11	16	3	
		Percentage	0.0%	0.0%	36.7%	53.3%	10.0%	
	Sharjah	Frequency	0	2	6	18	3	
		Percentage	0.0%	6.9%	20.7%	62.1%	10.3%	
	Umm al-Quwain	Frequency	0	2	2	6	1	
		Percentage	0.0%	18.2%	18.2%	54.5%	9.1%	
Years of operation	Less than 1 year	Frequency	1	3	4	1	2	.012
		Percent	9.1%	27.3%	36.4%	9.1%	18.2%	
	1 Year	Frequency	0	4	5	13	3	
		Percent	0.0%	16.0%	20.0%	52.0%	12.0%	
	2 Years	Frequency	4	4	9	7	3	
		Percent	14.8%	14.8%	33.3%	25.9%	11.1%	
	3 Years	Frequency	1	5	8	12	5	
		Percent	3.2%	16.1%	25.8%	38.7%	16.1%	
	4 Years	Frequency	0	2	13	27	3	
		Percent	0.0%	4.4%	28.9%	60.0%	6.7%	
	5 Years	Frequency	2	7	15	30	2	
		Percent	3.6%	12.5%	26.8%	53.6%	3.6%	
	6-10 Years	Frequency	2	2	6	12	8	
		Percent	6.7%	6.7%	20.0%	40.0%	26.7%	
	11-20 Years	Frequency	2	1	2	3	2	
		Percent	20.0%	10.0%	20.0%	30.0%	20.0%	
	More than 20 Years	Frequency	0	1	1	2	4	
		Percent	0.0%	12.5%	12.5%	25.0%	50.0%	

4.3.11.2.10 Concern that your name will be published on the Federal Tax Authority's Quarterly List of Defaulters

It is found out from the chi-square test results, Table 4.28, that there is a significant influence between variables such as size of the business (*p*-value .033), number of sites (*p*-value .005)

and status of a company (p-value .008) and the factor such as concern that your name will be published on the Federal Tax Authority's Quarterly List of Defaulters. Due to the fact that higher *p*-values (($p \geq .005$), the H2: factor such as Concern that your name will be published on the Federal Tax Authority's Quarterly List of Defaulter is accepted with type II error.

On the other hand, there is no significant influence between the variables such as sector of business (*p*-value .000), location of business (*p*-value .000), and years of operation (*p*-value .000) and factor - concern that you will be audited by the Federal Tax Authority. Because the *p*-values are less than .005 ($p < .005$), the H2: Factor, Concern that your name will be published on the Federal Tax Authority's Quarterly List of Defaulters, is rejected with type I error.

Table 4.28: Concern that your name will be published on the Federal Tax Authority's Quarterly List of Defaulters

								p-value
Variables			No influence	Little Influence	Moderate Influence	Great Influence	Greater Influence	
Size of the business	1-9 Employees	Frequency	10	9	25	32	14	.033
		Percentage	11.1%	10.0%	27.8%	35.6%	15.6%	
	10-49 employees	Frequency	4	8	19	64	15	
		Percentage	3.6%	7.3%	17.3%	58.2%	13.6%	
	50-249 employees	Frequency	2	6	5	25	5	
		Percentage	4.7%	14.0%	11.6%	58.1%	11.6%	
Number of Sites	1	Frequency	7	7	16	20	11	.005
		Percentage	11.5%	11.5%	26.2%	32.8%	18.0%	
	2	Frequency	2	5	12	19	2	
		Percentage	5.0%	12.5%	30.0%	47.5%	5.0%	
	3	Frequency	2	5	9	34	5	
		Percentage	3.6%	9.1%	16.4%	61.8%	9.1%	
	4	Frequency	2	5	10	34	7	
		Percentage	3.4%	8.6%	17.2%	58.6%	12.1%	
	5	Frequency	1	1	1	12	6	
		Percentage	4.8%	4.8%	4.8%	57.1%	28.6%	
Status of a company	Sole partnership	Frequency	6	6	12	12	12	.008
		Percentage	12.5%	12.5%	25.0%	25.0%	25.0%	
	Civil company	Frequency	2	2	3	15	0	
		Percentage	9.1%	9.1%	13.6%	68.2%	0.0%	
	Limited Liability Company	Frequency	7	6	12	29	10	
		Percentage	10.9%	9.4%	18.8%	45.3%	15.6%	
	Partnership	Frequency	1	2	7	33	4	
		Percentage	2.1%	4.3%	14.9%	70.2%	8.5%	
	Private Share Holding Company	Frequency	0	1	9	17	3	
		Percentage	0.0%	3.3%	30.0%	56.7%	10.0%	
	Public Share Holding Company	Frequency	0	3	5	7	2	
		Percentage	0.0%	17.6%	29.4%	41.2%	11.8%	
	Franchise	Frequency	0	3	0	4	1	
		Percentage	0.0%	37.5%	0.0%	50.0%	12.5%	
Sector of Business	Retail/Logistics	Frequency	6	2	8	6	8	.000
		Percentage	20.0%	6.7%	26.7%	20.0%	26.7%	
	Marketing and Advertising	Frequency	3	4	3	7	0	
		Percentage	17.6%	23.5%	17.6%	41.2%	0.0%	
	Media Entertainment	Frequency	0	4	3	14	3	
		Percentage	0.0%	16.7%	12.5%	58.3%	12.5%	
	Engineering	Frequency	1	2	10	30	4	
		Percentage	2.1%	4.3%	21.3%	63.8%	8.5%	
	Construction and Real Estate	Frequency	2	3	7	23	9	
		Percentage	4.5%	6.8%	15.9%	52.3%	20.5%	
	Oil and Gas	Frequency	0	4	4	21	1	
		Percentage	0.0%	13.3%	13.3%	70.0%	3.3%	

	Product/Manufacturing	Frequency	0	1	5	7	7	
		Percentage	0.0%	5.0%	25.0%	35.0%	35.0%	
	Automotive and Ancillary	Frequency	1	1	3	9	0	
		Percentage	7.1%	7.1%	21.4%	64.3%	0.0%	
Location of the Business	Abu Dhabi	Frequency	15	8	21	20	16	.000
		Percentage	18.8%	10.0%	26.3%	25.0%	20.0%	
	Ajman	Frequency	0	3	5	12	0	
		Percentage	0.0%	15.0%	25.0%	60.0%	0.0%	
	Dubai	Frequency	0	1	6	11	6	
		Percentage	0.0%	4.2%	25.0%	45.8%	25.0%	
	Fujairah	Frequency	0	5	9	32	3	
		Percentage	0.0%	10.2%	18.4%	65.3%	6.1%	
	Ras Al-Khaimah	Frequency	0	1	1	22	6	
		Percentage	0.0%	3.3%	3.3%	73.3%	20.0%	
	Sharjah	Frequency	1	2	4	20	2	
		Percentage	3.4%	6.9%	13.8%	69.0%	6.9%	
	Umm al-Quwain	Frequency	0	3	3	4	1	
		Percentage	0.0%	27.3%	27.3%	36.4%	9.1%	
Years of operation	Less than 1 year	Frequency	1	0	6	3	1	.000
		Percent	9.1%	0.0%	54.5%	27.3%	9.1%	
	1 Year	Frequency	0	5	5	11	4	
		Percent	0.0%	20.0%	20.0%	44.0%	16.0%	
	2 Years	Frequency	3	4	5	13	2	
		Percent	11.1%	14.8%	18.5%	48.1%	7.4%	
	3 Years	Frequency	3	2	4	19	3	
		Percent	9.7%	6.5%	12.9%	61.3%	9.7%	
	4 Years	Frequency	0	1	6	34	4	
		Percent	0.0%	2.2%	13.3%	75.6%	8.9%	
	5 Years	Frequency	1	8	17	23	7	
		Percent	1.8%	14.3%	30.4%	41.1%	12.5%	
	6-10 Years	Frequency	6	1	3	14	6	
		Percent	20.0%	3.3%	10.0%	46.7%	20.0%	
	11-20 Years	Frequency	2	2	2	2	2	
		Percent	20.0%	20.0%	20.0%	20.0%	20.0%	
	More than 20 Years	Frequency	0	0	1	2	5	
		Percent	0.0%	0.0%	12.5%	25.0%	62.5%	

4.3.11.2.11 Knowing that the Federal Tax Authority has the power to receive certain information about you from 3rd parties (e.g. payments, rental income, interest, dividends)

From chi-square test results, Table 4.29, it has revealed that there is a significant influence between variables such as size of the business (*p*-value .005), status of a company (p-value .014), and years of operation (*p*-value .006) and the factor - knowing that the Federal Tax Authority has the power to receive certain information about you from 3rd parties (e.g. payments, rental income, interest, dividends). Because the higher *p*-values are greater than .005 ((*p*≥.005), the H2: factor - knowing that the Federal Tax Authority has the power to receive certain information about you from 3rd parties (e.g. payments, rental income, interest, dividends) is accepted with type II error.

In contrast, there is no significant influence between the variables like number of sites (*p*-value .000), sector of business (*p*-value .000), and location of business (*p*-value .000) and the factor - knowing that the Federal Tax Authority has the power to receive certain information about you from 3rd parties (e.g. payments, rental income, interest, dividends). Since the *p*-values are

less than .005 (p<.005), the H2: Factor, knowing that the Federal Tax Authority has the power to receive certain information about you from 3rd parties (e.g. payments, rental income, interest, dividends), is rejected with type I error.

Table 4.29: Knowing that the Federal Tax Authority has the power to receive certain information about you from 3rd parties (e.g. payments, rental income, interest, dividends)

								p-value
Variables			No influence	Little Influence	Moderate Influence	Great Influence	Greater Influence	
Size of the business	1-9 Employees	Frequency	8	10	28	29	15	.005
		Percentage	8.9%	11.1%	31.1%	32.2%	16.7%	
	10-49 employees	Frequency	3	11	15	62	19	
		Percentage	2.7%	10.0%	13.6%	56.4%	17.3%	
	50-249 employees	Frequency	1	5	5	26	6	
		Percentage	2.3%	11.6%	11.6%	60.5%	14.0%	
Number of Sites	1	Frequency	6	8	20	15	12	.000
		Percentage	9.8%	13.1%	32.8%	24.6%	19.7%	
	2	Frequency	2	7	5	21	5	
		Percentage	5.0%	17.5%	12.5%	52.5%	12.5%	
	3	Frequency	1	4	13	32	5	
		Percentage	1.8%	7.3%	23.6%	58.2%	9.1%	
	4	Frequency	1	5	8	36	8	
		Percentage	1.7%	8.6%	13.8%	62.1%	13.8%	
	5	Frequency	0	2	1	12	6	
		Percentage	0.0%	9.5%	4.8%	57.1%	28.6%	
Status of a company	Sole partnership	Frequency	5	8	9	11	15	.014
		Percentage	10.4%	16.7%	18.8%	22.9%	31.3%	
	Civil company	Frequency	0	3	4	11	4	
		Percentage	0.0%	13.6%	18.2%	50.0%	18.2%	
	Limited Liability Company	Frequency	6	7	11	33	7	
		Percentage	9.4%	10.9%	17.2%	51.6%	10.9%	
	Partnership	Frequency	1	2	8	29	7	
		Percentage	2.1%	4.3%	17.0%	61.7%	14.9%	
	Private Share Holding Company	Frequency	0	1	8	17	4	
		Percentage	0.0%	3.3%	26.7%	56.7%	13.3%	
	Public Share Holding Company	Frequency	0	3	3	11	0	
		Percentage	0.0%	17.6%	17.6%	64.7%	0.0%	
	Franchise	Frequency	0	2	4	1	1	
		Percentage	0.0%	25.0%	50.0%	12.5%	12.5%	
Sector of Business	Retail/Logistics	Frequency	3	2	8	6	11	.000
		Percentage	10.0%	6.7%	26.7%	20.0%	36.7%	
	Marketing and Advertising	Frequency	2	5	4	4	2	
		Percentage	11.8%	29.4%	23.5%	23.5%	11.8%	
	Media Entertainment	Frequency	0	5	2	14	3	
		Percentage	0.0%	20.8%	8.3%	58.3%	12.5%	
	Engineering	Frequency	1	4	8	30	4	
		Percentage	2.1%	8.5%	17.0%	63.8%	8.5%	
	Construction and Real Estate	Frequency	3	4	4	23	10	
		Percentage	6.8%	9.1%	9.1%	52.3%	22.7%	
	Oil and Gas	Frequency	0	1	4	22	3	
		Percentage	0.0%	3.3%	13.3%	73.3%	10.0%	
	Product/Manufacturing	Frequency	0	0	8	8	4	
		Percentage	0.0%	0.0%	40.0%	40.0%	20.0%	
	Automotive and Ancillary	Frequency	1	3	3	6	1	
		Percentage	7.1%	21.4%	21.4%	42.9%	7.1%	
Location of the Business	Abu Dhabi	Frequency	12	11	21	17	19	.000
		Percentage	15.0%	13.8%	26.3%	21.3%	23.8%	
	Ajman	Frequency	0	2	4	14	0	
		Percentage	0.0%	10.0%	20.0%	70.0%	0.0%	
	Dubai	Frequency	0	1	4	14	5	
		Percentage	0.0%	4.2%	16.7%	58.3%	20.8%	
	Fujairah	Frequency	0	6	9	31	3	
		Percentage	0.0%	12.2%	18.4%	63.3%	6.1%	

	Ras Al-Khaimah	Frequency	0	1	5	16	8	
		Percentage	0.0%	3.3%	16.7%	53.3%	26.7%	
	Sharjah	Frequency	0	3	3	20	3	
		Percentage	0.0%	10.3%	10.3%	69.0%	10.3%	
	Umm al-Quwain	Frequency	0	2	2	5	2	
		Percentage	0.0%	18.2%	18.2%	45.5%	18.2%	
Years of operation	Less than 1 year	Frequency	1	2	4	3	1	.006
		Percent	9.1%	18.2%	36.4%	27.3%	9.1%	
	1 Year	Frequency	0	2	8	11	4	
		Percent	0.0%	8.0%	32.0%	44.0%	16.0%	
	2 Years	Frequency	3	5	5	12	2	
		Percent	11.1%	18.5%	18.5%	44.4%	7.4%	
	3 Years	Frequency	1	1	6	19	4	
		Percent	3.2%	3.2%	19.4%	61.3%	12.9%	
	4 Years	Frequency	1	3	6	30	5	
		Percent	2.2%	6.7%	13.3%	66.7%	11.1%	
	5 Years	Frequency	1	8	13	26	8	
		Percent	1.8%	14.3%	23.2%	46.4%	14.3%	
	6-10 Years	Frequency	3	3	4	12	8	
		Percent	10.0%	10.0%	13.3%	40.0%	26.7%	
	11-20 Years	Frequency	2	2	1	3	2	
		Percent	20.0%	20.0%	10.0%	30.0%	20.0%	
	More than 20 Years	Frequency	0	0	1	1	6	
		Percent	0.0%	0.0%	12.5%	12.5%	75.0%	

4.3.11.2.12 Because the Federal Tax Authority makes it easy to pay taxes

It has found out from chi-square test results, Table 4.30, that there is a significant influence between variables such as size of the business (*p*-value .320), status of a company (p-value .056), sector of business (*p*-value .008), and years of operation (*p*-value .006) and the factor - Because the Federal Tax Authority makes it easy to pay taxes. Due to the higher *p*-values ((*p*≥.005), the H2: factor - Because the Federal Tax Authority makes it easy to pay taxes is accepted with type II error.

On the other hand, there is no significant influence between the variables such as number of sites (*p*-value .001), and location of business (*p*-value .006) and the factor - Because the Federal Tax Authority makes it easy to pay taxes. Due to the fact that the *p*-values are less than .005 (*p*<.005), the H2: Factor, Because the Federal Tax Authority makes it easy to pay taxes, is rejected with type I error.

Table 4.30: Because the Federal Tax Authority makes it easy to pay taxes

								p-value
Variables			No influence	Little Influence	Moderate Influence	Great Influence	Greater Influence	
Size of the business	1-9 Employees	Frequency	8	11	26	30	15	.320
		Percentage	8.9%	12.2%	28.9%	33.3%	16.7%	
	10-49 employees	Frequency	3	9	30	55	13	
		Percentage	2.7%	8.2%	27.3%	50.0%	11.8%	
	50-249 employees	Frequency	2	5	12	20	4	
		Percentage	4.7%	11.6%	27.9%	46.5%	9.3%	
Number of Sites	1	Frequency	6	9	19	16	11	.001
		Percentage	9.8%	14.8%	31.1%	26.2%	18.0%	
	2	Frequency	2	7	13	15	3	

		Percentage	5.0%	17.5%	32.5%	37.5%	7.5%	
	3	Frequency	1	2	12	32	8	
		Percentage	1.8%	3.6%	21.8%	58.2%	14.5%	
	4	Frequency	2	7	16	29	4	
		Percentage	3.4%	12.1%	27.6%	50.0%	6.9%	
	5	Frequency	1	0	5	12	3	
		Percentage	4.8%	0.0%	23.8%	57.1%	14.3%	
Status of a company	Sole partnership	Frequency	4	6	15	11	12	.056
		Percentage	8.3%	12.5%	31.3%	22.9%	25.0%	
	Civil company	Frequency	1	1	3	14	3	
		Percentage	4.5%	4.5%	13.6%	63.6%	13.6%	
	Limited Liability Company	Frequency	6	9	12	31	6	
		Percentage	9.4%	14.1%	18.8%	48.4%	9.4%	
	Partnership	Frequency	1	3	15	23	5	
		Percentage	2.1%	6.4%	31.9%	48.9%	10.6%	
	Private Share Holding Company	Frequency	0	2	12	15	1	
		Percentage	0.0%	6.7%	40.0%	50.0%	3.3%	
	Public Share Holding Company	Frequency	1	2	6	8	0	
		Percentage	5.9%	11.8%	35.3%	47.1%	0.0%	
	Franchise	Frequency	0	1	2	2	3	
		Percentage	0.0%	12.5%	25.0%	25.0%	37.5%	
Sector of Business	Retail/Logistics	Frequency	4	2	11	6	7	.008
		Percentage	13.3%	6.7%	36.7%	20.0%	23.3%	
	Marketing and Advertising	Frequency	2	4	4	5	2	
		Percentage	11.8%	23.5%	23.5%	29.4%	11.8%	
	Media Entertainment	Frequency	0	5	3	13	3	
		Percentage	0.0%	20.8%	12.5%	54.2%	12.5%	
	Engineering	Frequency	0	3	12	29	3	
		Percentage	0.0%	6.4%	25.5%	61.7%	6.4%	
	Construction and Real Estate	Frequency	3	2	11	22	6	
		Percentage	6.8%	4.5%	25.0%	50.0%	13.6%	
	Oil and Gas	Frequency	0	3	10	14	3	
		Percentage	0.0%	10.0%	33.3%	46.7%	10.0%	
	Product/Manufacturing	Frequency	0	1	9	6	4	
		Percentage	0.0%	5.0%	45.0%	30.0%	20.0%	
	Automotive and Ancillary	Frequency	1	1	3	8	1	
		Percentage	7.1%	7.1%	21.4%	57.1%	7.1%	
Location of the Business	Abu Dhabi	Frequency	12	9	27	18	14	.000
		Percentage	15.0%	11.3%	33.8%	22.5%	17.5%	
	Ajman	Frequency	0	3	5	11	1	
		Percentage	0.0%	15.0%	25.0%	55.0%	5.0%	
	Dubai	Frequency	0	1	6	11	6	
		Percentage	0.0%	4.2%	25.0%	45.8%	25.0%	
	Fujairah	Frequency	0	6	11	30	2	
		Percentage	0.0%	12.2%	22.4%	61.2%	4.1%	
	Ras Al-Khaimah	Frequency	0	0	6	18	6	
		Percentage	0.0%	0.0%	20.0%	60.0%	20.0%	
	Sharjah	Frequency	1	2	9	15	2	
		Percentage	3.4%	6.9%	31.0%	51.7%	6.9%	
	Umm al-Quwain	Frequency	0	4	4	2	1	
		Percentage	0.0%	36.4%	36.4%	18.2%	9.1%	
Years of operation	Less than 1 year	Frequency	1	0	5	3	2	.006
		Percent	9.1%	0.0%	45.5%	27.3%	18.2%	
	1 Year	Frequency	0	4	9	8	4	
		Percent	0.0%	16.0%	36.0%	32.0%	16.0%	
	2 Years	Frequency	3	5	6	10	3	
		Percent	11.1%	18.5%	22.2%	37.0%	11.1%	
	3 Years	Frequency	1	4	3	22	1	
		Percent	3.2%	12.9%	9.7%	71.0%	3.2%	
	4 Years	Frequency	0	2	14	26	3	
		Percent	0.0%	4.4%	31.1%	57.8%	6.7%	
	5 Years	Frequency	2	7	19	21	7	

		Percent	3.6%	12.5%	33.9%	37.5%	12.5%
	6-10 Years	Frequency	4	2	7	10	7
		Percent	13.3%	6.7%	23.3%	33.3%	23.3%
	11-20 Years	Frequency	2	0	3	4	1
		Percent	20.0%	0.0%	30.0%	40.0%	10.0%
	More than 20 Years	Frequency	0	1	2	1	4
		Percent	0.0%	12.5%	25.0%	12.5%	50.0%

4.3.11.2.13 Because tax payments are used to fund public services

According to chi-square test results, Table 4.31, it has revealed that there is a significant influence between variables such as size of the business (*p*-value .041), and status of a company (*p*-value .075), and the factor - Because tax payments are used to fund public services. The *p*-values are greater than .005 ((*p*≥.005) which confirm H2: factor - because tax payments are used to fund public services is accepted with type II error.

In contrast, there is no significant influence between the variables such as number of sites (*p*-value .000), sector of business (*p*-value .001), location of business (*p*-value .000), and years of operations (*p*-value .000) and the factor - Because tax payments are used to fund public services. Because of the *p*-values are less than .005 (*p*<.005), the H2: Factor, because tax payments are used to fund public services is rejected with type I error.

Table 4.31: Question 16 (13) Because tax payments are used to fund public services

								p-value
Variables			No influence	Little Influence	Moderate Influence	Great Influence	Greater Influence	
Size of the business	1-9 Employees	Frequency	11	9	30	27	13	.041
		Percentage	12.2%	10.0%	33.3%	30.0%	14.4%	
	10-49 employees	Frequency	4	7	32	58	9	
		Percentage	3.6%	6.4%	29.1%	52.7%	8.2%	
	50-249 employees	Frequency	1	4	13	19	6	
		Percentage	2.3%	9.3%	30.2%	44.2%	14.0%	
Number of Sites	1	Frequency	8	6	24	13	10	.000
		Percentage	13.1%	9.8%	39.3%	21.3%	16.4%	
	2	Frequency	2	4	10	21	3	
		Percentage	5.0%	10.0%	25.0%	52.5%	7.5%	
	3	Frequency	2	3	22	23	5	
		Percentage	3.6%	5.5%	40.0%	41.8%	9.1%	
	4	Frequency	1	5	13	37	2	
		Percentage	1.7%	8.6%	22.4%	63.8%	3.4%	
	5	Frequency	1	1	5	10	4	
		Percentage	4.8%	4.8%	23.8%	47.6%	19.0%	
Status of a company	Sole partnership	Frequency	6	5	14	14	9	.075
		Percentage	12.5%	10.4%	29.2%	29.2%	18.8%	
	Civil company	Frequency	2	2	3	12	3	
		Percentage	9.1%	9.1%	13.6%	54.5%	13.6%	
	Limited Liability Company	Frequency	7	7	18	26	6	
		Percentage	10.9%	10.9%	28.1%	40.6%	9.4%	
	Partnership	Frequency	1	1	18	24	3	
		Percentage	2.1%	2.1%	38.3%	51.1%	6.4%	
	Private Share Holding Company	Frequency	0	1	10	16	3	
		Percentage	0.0%	3.3%	33.3%	53.3%	10.0%	
		Frequency	0	3	5	9	0	

	Public Share Holding Company	Percentage	0.0%	17.6%	29.4%	52.9%	0.0%	
	Franchise	Frequency	0	1	4	2	1	
		Percentage	0.0%	12.5%	50.0%	25.0%	12.5%	
Sector of Business	Retail/Logistics	Frequency	4	2	9	7	8	.001
		Percentage	13.3%	6.7%	30.0%	23.3%	26.7%	
	Marketing and Advertising	Frequency	3	4	2	7	1	
		Percentage	17.6%	23.5%	11.8%	41.2%	5.9%	
	Media Entertainment	Frequency	0	4	5	12	3	
		Percentage	0.0%	16.7%	20.8%	50.0%	12.5%	
	Engineering	Frequency	0	0	19	22	6	
		Percentage	0.0%	0.0%	40.4%	46.8%	12.8%	
	Construction and Real Estate	Frequency	2	4	13	20	5	
		Percentage	4.5%	9.1%	29.5%	45.5%	11.4%	
	Oil and Gas	Frequency	0	1	8	21	0	
		Percentage	0.0%	3.3%	26.7%	70.0%	0.0%	
	Product/Manufacturing	Frequency	1	2	8	8	1	
		Percentage	5.0%	10.0%	40.0%	40.0%	5.0%	
	Automotive and Ancillary	Frequency	3	1	5	5	0	
		Percentage	21.4%	7.1%	35.7%	35.7%	0.0%	
Location of the Business	Abu Dhabi	Frequency	15	7	27	13	18	.000
		Percentage	18.8%	8.8%	33.8%	16.3%	22.5%	
	Ajman	Frequency	0	3	4	13	0	
		Percentage	0.0%	15.0%	20.0%	65.0%	0.0%	
	Dubai	Frequency	0	1	7	10	6	
		Percentage	0.0%	4.2%	29.2%	41.7%	25.0%	
	Fujairah	Frequency	0	4	20	23	2	
		Percentage	0.0%	8.2%	40.8%	46.9%	4.1%	
	Ras Al-Khaimah	Frequency	0	1	9	20	0	
		Percentage	0.0%	3.3%	30.0%	66.7%	0.0%	
	Sharjah	Frequency	0	2	6	20	1	
		Percentage	0.0%	6.9%	20.7%	69.0%	3.4%	
	Umm al-Quwain	Frequency	1	2	2	5	1	
		Percentage	9.1%	18.2%	18.2%	45.5%	9.1%	
Years of operation	Less than 1 year	Frequency	2	0	6	2	1	.000
		Percent	18.2%	0.0%	54.5%	18.2%	9.1%	
	1 Year	Frequency	1	3	8	10	3	
		Percent	4.0%	12.0%	32.0%	40.0%	12.0%	
	2 Years	Frequency	3	7	6	9	2	
		Percent	11.1%	25.9%	22.2%	33.3%	7.4%	
	3 Years	Frequency	3	0	7	19	2	
		Percent	9.7%	0.0%	22.6%	61.3%	6.5%	
	4 Years	Frequency	0	0	19	24	2	
		Percent	0.0%	0.0%	42.2%	53.3%	4.4%	
	5 Years	Frequency	1	7	19	25	4	
		Percent	1.8%	12.5%	33.9%	44.6%	7.1%	
	6-10 Years	Frequency	2	2	6	11	9	
		Percent	6.7%	6.7%	20.0%	36.7%	30.0%	
	11-20 Years	Frequency	2	1	2	4	1	
		Percent	20.0%	10.0%	20.0%	40.0%	10.0%	
	More than 20 Years	Frequency	2	0	2	0	4	
		Percent	25.0%	0.0%	25.0%	0.0%	50.0%	

4.3.11.3 Business Capabilities of SMEs to Grow Their Business with VAT Implementation

4.3.11.3.1 Can you inform me how capable you think your business is at doing tasks in terms of ranges of tasks. (People Management)

It has revealed from the chi-square test, Table 4.32, that there is a significant relationship between business capabilities especially people management and variables such as size of the business (*p*-value .007), status of a company (*p*-value .207), and years of operation (*p*-value

.371). Because of the greater *p*-values than .005 (($p \geq .005$), the H3: the UAE SMEs have the capabilities of people management to meet the challenge of VAT and grow their businesses is accepted with type II error.

On the other hand, there is no significant relationship between business capabilities mainly people management and variables such number of sites (*p*-value .000), sector of business (p-value .001), and location of the business (p-value .001). Since the *p*-values are less than .005 ($p < .005$), the H3: the UAE SMEs have the capabilities of people management to meet the challenge of VAT and grow their businesses is rejected with type I error.

Table 4.32: Can you inform me how capable you think your business is at doing tasks in terms of ranges of tasks. (People management)

								p-value
Variables			very poor	poor	average	strong	very strong	
Size of the business	1-9 Employees	Frequency	5	8	20	28	17	.007
		Percentage	6.4%	10.3%	25.6%	35.9%	21.8%	
	10-49 employees	Frequency	3	12	9	37	45	
		Percentage	2.8%	11.3%	8.5%	34.9%	42.5%	
	50-249 employees	Frequency	1	6	2	18	14	
		Percentage	2.4%	14.6%	4.9%	43.9%	34.1%	
Number of Sites	1	Frequency	2	4	18	19	9	.000
		Percentage	3.8%	7.7%	34.6%	36.5%	17.3%	
	2	Frequency	1	5	5	13	13	
		Percentage	2.7%	13.5%	13.5%	35.1%	35.1%	
	3	Frequency	2	4	3	25	19	
		Percentage	3.8%	7.5%	5.7%	47.2%	35.8%	
	4	Frequency	2	6	3	16	29	
		Percentage	3.6%	10.7%	5.4%	28.6%	51.8%	
	5	Frequency	1	5	0	7	6	
		Percentage	5.3%	26.3%	0.0%	36.8%	31.6%	
Status of a company	Sole partnership	Frequency	2	3	11	15	9	.207
		Percentage	5.0%	7.5%	27.5%	37.5%	22.5%	
	Civil company	Frequency	3	2	3	7	7	
		Percentage	13.6%	9.1%	13.6%	31.8%	31.8%	
	Limited Liability Company	Frequency	3	11	6	21	17	
		Percentage	5.2%	19.0%	10.3%	36.2%	29.3%	
	Partnership	Frequency	1	5	4	16	18	
		Percentage	2.3%	11.4%	9.1%	36.4%	40.9%	
	Private Share Holding Company	Frequency	0	2	2	11	14	
		Percentage	0.0%	6.9%	6.9%	37.9%	48.3%	
	Public Share Holding Company	Frequency	0	2	1	7	7	
		Percentage	0.0%	11.8%	5.9%	41.2%	41.2%	
	Franchise	Frequency	0	0	1	3	4	
		Percentage	0.0%	0.0%	12.5%	37.5%	50.0%	
Sector of Business	Retail/Logistics	Frequency	2	4	10	4	4	.001
		Percentage	8.3%	16.7%	41.7%	16.7%	16.7%	
	Marketing and Advertising	Frequency	1	3	6	3	2	
		Percentage	6.7%	20.0%	40.0%	20.0%	13.3%	
	Media Entertainment	Frequency	2	4	1	5	12	
		Percentage	8.3%	16.7%	4.2%	20.8%	50.0%	
	Engineering	Frequency	0	6	2	21	17	
		Percentage§	0.0%	13.0%	4.3%	45.7%	37.0%	
	Construction and Real Estate	Frequency	3	1	5	16	16	
		Percentage	7.3%	2.4%	12.2%	39.0%	39.0%	
	Oil and Gas	Frequency	0	4	0	12	13	
		Percentage	0.0%	13.8%	0.0%	41.4%	44.8%	
	Product/Manufacturing	Frequency	0	2	2	8	7	
		Percentage	0.0%	10.5%	10.5%	42.1%	36.8%	

	Automotive and Ancillary	Frequency	0	1	1	5	4	
		Percentage	0.0%	9.1%	9.1%	45.5%	36.4%	
Location of the Business	Abu Dhabi	Frequency	5	6	19	25	10	.001
		Percentage	7.7%	9.2%	29.2%	38.5%	15.4%	
	Ajman	Frequency	0	0	6	7	6	
		Percentage	0.0%	0.0%	31.6%	36.8%	31.6%	
	Dubai	Frequency	1	3	2	12	6	
		Percentage	4.2%	12.5%	8.3%	50.0%	25.0%	
	Fujairah	Frequency	1	8	0	17	23	
		Percentage	2.0%	16.3%	0.0%	34.7%	46.9%	
	Ras Al-Khaimah	Frequency	0	3	2	10	14	
		Percentage	0.0%	10.3%	6.9%	34.5%	48.3%	
	Sharjah	Frequency	1	5	1	10	11	
		Percentage	3.6%	17.9%	3.6%	35.7%	39.3%	
	Umm al-Quwain	Frequency	1	1	1	2	6	
		Percentage	9.1%	9.1%	9.1%	18.2%	54.5%	
Years of operation	Less than 1 year	Frequency	0	2	3	2	2	.371
		Percent	0.0%	22.2%	33.3%	22.2%	22.2%	
	1 Year	Frequency	0	1	7	8	2	
		Percent	0.0%	4.5%	31.8%	36.4%	9.1%	
	2 Years	Frequency	4	4	2	11	4	
		Percent	16.7%	16.7%	8.3%	45.8%	16.7%	
	3 Years	Frequency	2	4	3	11	4	
		Percent	6.7%	13.3%	10.0%	36.7%	13.3%	
	4 Years	Frequency	0	1	1	18	7	
		Percent	0.0%	2.2%	2.2%	40.0%	15.6%	
	5 Years	Frequency	0	8	9	16	8	
		Percent	0.0%	15.1%	17.0%	30.2%	15.1%	
	6-10 Years	Frequency	2	5	3	12	1	
		Percent	7.4%	18.5%	11.1%	44.4%	3.7%	
	11-20 Years	Frequency	1	0	1	3	1	
		Percent	12.5%	0.0%	12.5%	37.5%	12.5%	
	More than 20 Years	Frequency	0	1	2	2	3	
		Percent	0.0%	14.3%	28.6%	28.6%	42.9%	

4.3.11.3.2 Developing and implementing a business plan and strategy

From the chi-square test, Table 4.33, there is a significant association between business capabilities of SMEs especially developing and implementing a business plan and strategy and variables like size of the business (*p*-value .081), number of sites (*p*-value .010), status of company (*p*-value .076), sector of business (*p*-value .141), location of the business (*p*-value .072), and years of operation (*p*-value .371). Due to the fact that there are greater *p*-values than .005 ($p \geq .005$), the H3: the UAE SMEs have the capabilities of developing and implementing a business plan and strategy to meet the challenge of VAT and grow their businesses is accepted with type II error.

Table 4.33: Developing and implementing a business plan and strategy

								p-value
Variables			very poor	poor	average	strong	very strong	
Size of the business	1-9 Employees	Frequency	3	9	31	23	12	.081
		Percentage	3.8%	11.5%	39.7%	29.5%	15.4%	
	10-49 employees	Frequency	2	7	26	55	16	
		Percentage	1.9%	6.6%	24.5%	51.9%	15.1%	
	50-249 employees	Frequency	0	3	11	23	4	
		Percentage	0.0%	7.3%	26.8%	56.1%	9.8%	
Number of Sites	1	Frequency	4	2	23	17	6	.010
		Percentage	7.7%	3.8%	44.2%	32.7%	11.5%	
	2	Frequency	0	5	7	22	3	
		Percentage	0.0%	13.5%	18.9%	59.5%	8.1%	
	3	Frequency	0	5	19	21	8	
		Percentage	0.0%	9.4%	35.8%	39.6%	15.1%	
	4	Frequency	1	3	13	27	12	
		Percentage	1.8%	5.4%	23.2%	48.2%	21.4%	
	5	Frequency	0	1	4	11	3	
		Percentage	0.0%	5.3%	21.1%	57.9%	15.8%	
Status of a company	Sole partnership	Frequency	3	1	18	8	10	.076
		Percentage	7.5%	2.5%	45.0%	20.0%	25.0%	
	Civil company	Frequency	0	2	6	13	1	
		Percentage	0.0%	9.1%	27.3%	59.1%	4.5%	
	Limited Liability Company	Frequency	2	8	16	27	5	
		Percentage	3.4%	13.8%	27.6%	46.6%	8.6%	
	Partnership	Frequency	0	3	12	25	4	
		Percentage	0.0%	6.8%	27.3%	56.8%	9.1%	
	Private Share Holding Company	Frequency	0	2	8	12	7	
		Percentage	0.0%	6.9%	27.6%	41.4%	24.1%	
	Public Share Holding Company	Frequency	0	1	4	8	4	
		Percentage	0.0%	5.9%	23.5%	47.1%	23.5%	
	Franchise	Frequency	0	2	1	4	1	
		Percentage	0.0%	25.0%	12.5%	50.0%	12.5%	
Sector of Business	Retail/Logistics	Frequency	3	1	9	7	4	.141
		Percentage	12.5%	4.2%	37.5%	29.2%	16.7%	
	Marketing and Advertising	Frequency	0	3	6	5	1	
		Percentage	0.0%	20.0%	40.0%	33.3%	6.7%	
	Media Entertainment	Frequency	0	4	5	13	2	
		Percentage	0.0%	16.7%	20.8%	54.2%	8.3%	
	Engineering	Frequency	0	3	16	22	5	
		Percentage	0.0%	6.5%	34.8%	47.8%	10.9%	
	Construction and Real Estate	Frequency	1	3	10	22	5	
		Percentage	2.4%	7.3%	24.4%	53.7%	12.2%	
	Oil and Gas	Frequency	0	2	6	13	8	
		Percentage	0.0%	6.9%	20.7%	44.8%	27.6%	
	Product/Manufacturing	Frequency	0	3	4	8	4	
		Percentage	0.0%	15.8%	21.1%	42.1%	21.1%	
	Automotive and Ancillary	Frequency	0	0	4	6	1	
		Percentage	0.0%	0.0%	36.4%	54.5%	9.1%	
Location of the Business	Abu Dhabi	Frequency	4	6	26	19	10	.072
		Percentage	6.2%	9.2%	40.0%	29.2%	15.4%	
	Ajman	Frequency	0	2	7	10	0	
		Percentage	0.0%	10.5%	36.8%	52.6%	0.0%	
	Dubai	Frequency	1	0	10	8	5	
		Percentage	4.2%	0.0%	41.7%	33.3%	20.8%	
	Fujairah	Frequency	0	5	13	28	3	
		Percentage	0.0%	10.2%	26.5%	57.1%	6.1%	
	Ras Al-Khaimah	Frequency	0	2	7	14	6	
		Percentage	0.0%	6.9%	24.1%	48.3%	20.7%	
	Sharjah	Frequency	0	2	4	16	6	
		Percentage	0.0%	7.1%	14.3%	57.1%	21.4%	
	Umm al-Quwain	Frequency	0	2	1	6	2	
		Percentage	0.0%	18.2%	9.1%	54.5%	18.2%	
Years of operation	Less than 1 year	Frequency	1	1	3	2	2	
		Percent	11.1%	11.1%	33.3%	22.2%	22.2%	
	1 Year	Frequency	0	3	7	11	2	.371

		Percent	0.0%	13.6%	31.8%	50.0%	9.1%
	2 Years	Frequency	2	3	4	11	4
		Percent	8.3%	12.5%	16.7%	45.8%	16.7%
	3 Years	Frequency	2	2	9	13	4
		Percent	6.7%	6.7%	30.0%	43.3%	13.3%
	4 Years	Frequency	1	1	13	24	7
		Percent	2.2%	2.2%	28.9%	53.3%	15.6%
	5 Years	Frequency	3	8	19	21	8
		Percent	5.7%	15.1%	35.8%	39.6%	15.1%
	6-10 Years	Frequency	4	2	10	14	1
		Percent	14.8%	7.4%	37.0%	51.9%	3.7%
	11-20 Years	Frequency	3	0	1	4	1
		Percent	37.5%	0.0%	12.5%	50.0%	12.5%
	More than 20 Years	Frequency	0	0	2	1	3
		Percent	0.0%	0.0%	28.6%	14.3%	42.9%

4.3.11.3.3 Entering new markets

It is found out from chi-square test, Table 4.34, that there is a significant association between the capabilities of the SMEs to enter new markets and variables such as size of the business (*p*-value .015), number of sites (*p*-value .005), status of company (*p*-value .152), sector of business (*p*-value .050), location of the business (*p*-value .015), and years of operation (*p*-value .162). A greater or equal to .005 p-value certainly accept the H3 of this study which is the UAE SMEs have the capabilities of entering new markets to meet the challenge of VAT and grow their businesses with type II error.

Table 4.34: Entering new markets

								p-value
Variables			very poor	poor	average	strong	very strong	
Size of the business	1-9 Employees	Frequency	11	9	25	25	8	.015
		Percentage	14.1%	11.5%	32.1%	32.1%	10.3%	
	10-49 employees	Frequency	4	7	20	56	19	
		Percentage	3.8%	6.6%	18.9%	52.8%	17.9%	
	50-249 employees	Frequency	1	4	11	18	7	
		Percentage	2.4%	9.8%	26.8%	43.9%	17.1%	
Number of Sites	1	Frequency	7	7	15	20	3	.005
		Percentage	13.5%	13.5%	28.8%	38.5%	5.8%	
	2	Frequency	3	3	11	15	5	
		Percentage	8.1%	8.1%	29.7%	40.5%	13.5%	
	3	Frequency	1	4	14	21	13	
		Percentage	1.9%	7.5%	26.4%	39.6%	24.5%	
	4	Frequency	2	2	10	31	11	
		Percentage	3.6%	3.6%	17.9%	55.4%	19.6%	
	5	Frequency	0	3	3	11	2	
		Percentage	0.0%	15.8%	15.8%	57.9%	10.5%	
Status of a company	Sole partnership	Frequency	9	5	11	10	5	.152
		Percentage	22.5%	12.5%	27.5%	25.0%	12.5%	
	Civil company	Frequency	1	3	4	12	2	
		Percentage	4.5%	13.6%	18.2%	54.5%	9.1%	
	Limited Liability Company	Frequency	5	6	13	26	8	
		Percentage	8.6%	10.3%	22.4%	44.8%	13.8%	
	Partnership	Frequency	1	3	10	21	9	
		Percentage	2.3%	6.8%	22.7%	47.7%	20.5%	
	Private Share Holding Company	Frequency	0	2	6	16	5	
		Percentage	0.0%	6.9%	20.7%	55.2%	17.2%	
	Public Share Holding Company	Frequency	0	1	5	7	4	
		Percentage	0.0%	5.9%	29.4%	41.2%	23.5%	

	Franchise	Frequency	0	0	3	4	1	
		Percentage	0.0%	0.0%	37.5%	50.0%	12.5%	
Sector of Business	Retail/Logistics	Frequency	3	2	8	7	4	.050
		Percentage	12.5%	8.3%	33.3%	29.2%	16.7%	
	Marketing and Advertising	Frequency	1	4	5	3	2	
		Percentage	6.7%	26.7%	33.3%	20.0%	13.3%	
	Media Entertainment	Frequency	0	3	1	15	5	
		Percentage	0.0%	12.5%	4.2%	62.5%	20.8%	
	Engineering	Frequency	2	1	14	19	10	
		Percentage	4.3%	2.2%	30.4%	41.3%	21.7%	
	Construction and Real Estate	Frequency	5	2	9	22	3	
		Percentage	12.2%	4.9%	22.0%	53.7%	7.3%	
	Oil and Gas	Frequency	2	1	5	15	6	
		Percentage	6.9%	3.4%	17.2%	51.7%	20.7%	
	Product/Manufacturing	Frequency	0	5	4	7	3	
		Percentage	0.0%	26.3%	21.1%	36.8%	15.8%	
	Automotive and Ancillary	Frequency	1	0	4	5	1	
		Percentage	9.1%	0.0%	36.4%	45.5%	9.1%	
Location of the Business	Abu Dhabi	Frequency	12	7	20	20	6	.015
		Percentage	18.5%	10.8%	30.8%	30.8%	9.2%	
	Ajman	Frequency	0	1	8	6	4	
		Percentage	0.0%	5.3%	42.1%	31.6%	21.1%	
	Dubai	Frequency	1	1	5	15	2	
		Percentage	4.2%	4.2%	20.8%	62.5%	8.3%	
	Fujairah	Frequency	2	5	11	25	6	
		Percentage	4.1%	10.2%	22.4%	51.0%	12.2%	
	Ras Al-Khaimah	Frequency	1	2	3	17	6	
		Percentage	3.4%	6.9%	10.3%	58.6%	20.7%	
	Sharjah	Frequency	0	2	7	13	6	
		Percentage	0.0%	7.1%	25.0%	46.4%	21.4%	
	Umm al-Quwain	Frequency	0	2	2	3	4	
		Percentage	0.0%	18.2%	18.2%	27.3%	36.4%	
Years of operation	Less than 1 year	Frequency	1	1	1	4	2	.162
		Percent	11.1%	11.1%	11.1%	44.4%	22.2%	
	1 Year	Frequency	0	3	7	9	3	
		Percent	0.0%	13.6%	31.8%	40.9%	13.6%	
	2 Years	Frequency	2	3	8	7	4	
		Percent	8.3%	12.5%	33.3%	29.2%	16.7%	
	3 Years	Frequency	2	2	4	18	4	
		Percent	6.7%	6.7%	13.3%	60.0%	13.3%	
	4 Years	Frequency	1	1	9	25	9	
		Percent	2.2%	2.2%	20.0%	55.6%	20.0%	
	5 Years	Frequency	3	8	12	22	8	
		Percent	5.7%	15.1%	22.6%	41.5%	15.1%	
	6-10 Years	Frequency	4	2	11	8	2	
		Percent	14.8%	7.4%	40.7%	29.6%	7.4%	
	11-20 Years	Frequency	3	0	1	3	1	
		Percent	37.5%	0.0%	12.5%	37.5%	12.5%	
	More than 20 Years	Frequency	0	0	3	3	1	
		Percent	0.0%	0.0%	42.9%	42.9%	14.3%	

4.3.11.3.4 Developing and introducing new products and services

It has found out from the chi-square test, Table 4.35, that the SMEs has the business capabilities to develop and introduce new products and services in the UAE. In detailed analysis, there are significant capabilities of the SMEs in the UAE in regards to size of the business (*p*-value .330), status of company (*p*-value .608), sector of business (*p*-value .796), location of the business (*p*-value .038), and years of operation (*p*-value .078). With the higher *p*-values

($p \geq .005$), the H3 of this study - the UAE SMEs have the capabilities to develop and introduce new products and services, is accepted with type II error.

In contrast, there is no statistical significance between the business capabilities like developing and introducing new products and services and the variable such as number of sites (p-value .000). With the p-value is less than .005 ($p < .005$), the H3: the UAE SMEs have the capabilities to develop and introduce new products and services is rejected with type I error.

Table 4.35: Developing and introducing new products and services

								p-value
Variables			very poor	poor	average	strong	very strong	
Size of the business	1-9 Employees	Frequency	5	11	25	28	9	.330
		Percentage	6.4%	14.1%	32.1%	35.9%	11.5%	
	10-49 employees	Frequency	4	13	24	53	12	
		Percentage	3.8%	12.3%	22.6%	50.0%	11.3%	
	50-249 employees	Frequency	0	4	12	23	2	
		Percentage	0.0%	9.8%	29.3%	56.1%	4.9%	
Number of Sites	1	Frequency	4	5	18	20	5	.000
		Percentage	7.7%	9.6%	34.6%	38.5%	9.6%	
	2	Frequency	2	9	5	18	3	
		Percentage	5.4%	24.3%	13.5%	48.6%	8.1%	
	3	Frequency	0	6	19	20	8	
		Percentage	0.0%	11.3%	35.8%	37.7%	15.1%	
	4	Frequency	1	4	14	33	4	
		Percentage	1.8%	7.1%	25.0%	58.9%	7.1%	
	5	Frequency	0	4	1	11	3	
		Percentage	0.0%	21.1%	5.3%	57.9%	15.8%	
Status of a company	Sole partnership	Frequency	3	6	10	13	8	.608
		Percentage	7.5%	15.0%	25.0%	32.5%	20.0%	
	Civil company	Frequency	0	2	6	12	2	
		Percentage	0.0%	9.1%	27.3%	54.5%	9.1%	
	Limited Liability Company	Frequency	4	11	16	23	4	
		Percentage	6.9%	19.0%	27.6%	39.7%	6.9%	
	Partnership	Frequency	0	4	11	25	4	
		Percentage	0.0%	9.1%	25.0%	56.8%	9.1%	
	Private Share Holding Company	Frequency	1	2	9	15	2	
		Percentage	3.4%	6.9%	31.0%	51.7%	6.9%	
	Public Share Holding Company	Frequency	0	1	4	10	2	
		Percentage	0.0%	5.9%	23.5%	58.8%	11.8%	
	Franchise	Frequency	1	1	1	4	1	
		Percentage	12.5%	12.5%	12.5%	50.0%	12.5%	
Sector of Business	Retail/Logistics	Frequency	2	4	8	7	3	.796
		Percentage	8.3%	16.7%	33.3%	29.2%	12.5%	
	Marketing and Advertising	Frequency	0	3	6	5	1	
		Percentage	0.0%	20.0%	40.0%	33.3%	6.7%	
	Media Entertainment	Frequency	1	5	6	8	4	
		Percentage	4.2%	20.8%	25.0%	33.3%	16.7%	
	Engineering	Frequency	0	4	13	24	5	
		Percentage	0.0%	8.7%	28.3%	52.2%	10.9%	
	Construction and Real Estate	Frequency	4	3	11	19	4	
		Percentage	9.8%	7.3%	26.8%	46.3%	9.8%	
	Oil and Gas	Frequency	0	3	5	19	2	
		Percentage	0.0%	10.3%	17.2%	65.5%	6.9%	
	Product/Manufacturing	Frequency	1	3	3	10	2	
		Percentage	5.3%	15.8%	15.8%	52.6%	10.5%	
	Automotive and Ancillary	Frequency	0	2	3	5	1	
		Percentage	0.0%	18.2%	27.3%	45.5%	9.1%	
Location of the Business	Abu Dhabi	Frequency	6	7	22	20	10	.038
		Percentage	9.2%	10.8%	33.8%	30.8%	15.4%	

	Ajman	Frequency	1	4	6	8	0	
		Percentage	5.3%	21.1%	31.6%	42.1%	0.0%	
	Dubai	Frequency	1	1	10	10	2	
		Percentage	4.2%	4.2%	41.7%	41.7%	8.3%	
	Fujairah	Frequency	0	7	12	27	3	
		Percentage	0.0%	14.3%	24.5%	55.1%	6.1%	
	Ras Al-Khaimah	Frequency	1	1	6	19	2	
		Percentage	3.4%	3.4%	20.7%	65.5%	6.9%	
	Sharjah	Frequency	0	5	4	16	3	
		Percentage	0.0%	17.9%	14.3%	57.1%	10.7%	
	Umm al-Quwain	Frequency	0	3	1	4	3	
		Percentage	0.0%	27.3%	9.1%	36.4%	27.3%	
Years of operation	Less than 1 year	Frequency	1	2	3	2	1	.078
		Percent	11.1%	22.2%	33.3%	22.2%	11.1%	
	1 Year	Frequency	0	3	9	9	1	
		Percent	0.0%	13.6%	40.9%	40.9%	4.5%	
	2 Years	Frequency	3	4	6	8	3	
		Percent	12.5%	16.7%	25.0%	33.3%	12.5%	
	3 Years	Frequency	1	5	6	16	2	
		Percent	3.3%	16.7%	20.0%	53.3%	6.7%	
	4 Years	Frequency	0	2	11	27	5	
		Percent	0.0%	4.4%	24.4%	60.0%	11.1%	
	5 Years	Frequency	1	6	14	27	5	
		Percent	1.9%	11.3%	26.4%	50.9%	9.4%	
	6-10 Years	Frequency	1	6	7	11	2	
		Percent	3.7%	22.2%	25.9%	40.7%	7.4%	
	11-20 Years	Frequency	2	0	2	3	1	
		Percent	25.0%	0.0%	25.0%	37.5%	12.5%	
	More than 20 Years	Frequency	0	0	3	1	3	
		Percent	0.0%	0.0%	42.9%	14.3%	42.9%	

4.3.11.3.5 Accessing external finance

Table 4.36 shows that there is no statistical significance between business capabilities mainly accessing external finance and variables such size of the business (*p*-value .001), number of sites (*p*-value .001), status of company (*p*-value .000), sector of business (*p*-value .002), location of the business (*p*-value .001), and years of operation (*p*-value .001). Due to p-values are less than .005 ($p<.005$), the H3: the UAE SMEs have the capabilities accessing external finance is rejected with type I error.

Table 4.36: Accessing external finance

								p-value
Variables			very poor	poor	average	strong	very strong	
Size of the business	1-9 Employees	Frequency	13	10	24	24	7	.001
		Percentage	16.7%	12.8%	30.8%	30.8%	9.0%	
	10-49 employees	Frequency	6	11	15	60	14	
		Percentage	5.7%	10.4%	14.2%	56.6%	13.2%	
	50-249 employees	Frequency	0	2	9	25	5	
		Percentage	0.0%	4.9%	22.0%	61.0%	12.2%	
Number of Sites	1	Frequency	11	7	15	14	5	.001
		Percentage	21.2%	13.5%	28.8%	26.9%	9.6%	
	2	Frequency	3	5	11	17	1	
		Percentage	8.1%	13.5%	29.7%	45.9%	2.7%	
	3	Frequency	1	2	12	30	8	

		Percentage	1.9%	3.8%	22.6%	56.6%	15.1%	
	4	Frequency	1	5	7	35	8	
		Percentage	1.8%	8.9%	12.5%	62.5%	14.3%	
	5	Frequency	1	3	1	11	3	
		Percentage	5.3%	15.8%	5.3%	57.9%	15.8%	
Status of a company	Sole partnership	Frequency	13	5	7	10	5	.000
		Percentage	32.5%	12.5%	17.5%	25.0%	12.5%	
	Civil company	Frequency	0	3	7	7	5	
		Percentage	0.0%	13.6%	31.8%	31.8%	22.7%	
	Limited Liability Company	Frequency	6	7	12	29	4	
		Percentage	10.3%	12.1%	20.7%	50.0%	6.9%	
	Partnership	Frequency	0	2	7	32	3	
		Percentage	0.0%	4.5%	15.9%	72.7%	6.8%	
	Private Share Holding Company	Frequency	0	3	5	18	3	
		Percentage	0.0%	10.3%	17.2%	62.1%	10.3%	
	Public Share Holding Company	Frequency	0	2	3	7	5	
		Percentage	0.0%	11.8%	17.6%	41.2%	29.4%	
	Franchise	Frequency	0	1	2	4	1	
		Percentage	0.0%	12.5%	25.0%	50.0%	12.5%	
Sector of Business	Retail/Logistics	Frequency	4	4	6	6	4	.002
		Percentage	16.7%	16.7%	25.0%	25.0%	16.7%	
	Marketing and Advertising	Frequency	1	3	5	4	2	
		Percentage	6.7%	20.0%	33.3%	26.7%	13.3%	
	Media Entertainment	Frequency	0	4	2	13	5	
		Percentage	0.0%	16.7%	8.3%	54.2%	20.8%	
	Engineering	Frequency	1	4	10	28	3	
		Percentage	2.2%	8.7%	21.7%	60.9%	6.5%	
	Construction and Real Estate	Frequency	5	2	9	22	3	
		Percentage	12.2%	4.9%	22.0%	53.7%	7.3%	
	Oil and Gas	Frequency	0	2	3	22	2	
		Percentage	0.0%	6.9%	10.3%	75.9%	6.9%	
	Product/Manufacturing	Frequency	1	2	5	6	5	
		Percentage	5.3%	10.5%	26.3%	31.6%	26.3%	
	Automotive and Ancillary	Frequency	2	1	1	5	2	
		Percentage	18.2%	9.1%	9.1%	45.5%	18.2%	
Location of the Business	Abu Dhabi	Frequency	16	9	16	15	9	.001
		Percentage	24.6%	13.8%	24.6%	23.1%	13.8%	
	Ajman	Frequency	0	2	6	9	2	
		Percentage	0.0%	10.5%	31.6%	47.4%	10.5%	
	Dubai	Frequency	1	3	5	13	2	
		Percentage	4.2%	12.5%	20.8%	54.2%	8.3%	
	Fujairah	Frequency	0	5	11	27	6	
		Percentage	0.0%	10.2%	22.4%	55.1%	12.2%	
	Ras Al-Khaimah	Frequency	1	1	6	18	3	
		Percentage	3.4%	3.4%	20.7%	62.1%	10.3%	
	Sharjah	Frequency	1	1	3	21	2	
		Percentage	3.6%	3.6%	10.7%	75.0%	7.1%	
	Umm al-Quwain	Frequency	0	2	1	6	2	
		Percentage	0.0%	18.2%	9.1%	54.5%	18.2%	
Years of operation	Less than 1 year	Frequency	2	1	2	2	2	.001
		Percent	22.2%	11.1%	22.2%	22.2%	22.2%	
	1 Year	Frequency	0	3	7	11	1	
		Percent	0.0%	13.6%	31.8%	50.0%	4.5%	
	2 Years	Frequency	3	6	2	9	4	
		Percent	12.5%	25.0%	8.3%	37.5%	16.7%	
	3 Years	Frequency	1	4	3	17	5	
		Percent	3.3%	13.3%	10.0%	56.7%	16.7%	
	4 Years	Frequency	0	0	13	29	3	
		Percent	0.0%	0.0%	28.9%	64.4%	6.7%	
	5 Years	Frequency	4	4	9	31	5	
		Percent	7.5%	7.5%	17.0%	58.5%	9.4%	
	6-10 Years	Frequency	6	5	8	5	3	
		Percent	22.2%	18.5%	29.6%	18.5%	11.1%	
	11-20 Years	Frequency	3	0	1	3	1	
		Percent	37.5%	0.0%	12.5%	37.5%	12.5%	
	More than 20 Years	Frequency	0	0	3	2	2	
		Percent	0.0%	0.0%	42.9%	28.6%	28.6%	

4.3.11.3.6 Operational Improvement, e.g. adopting industry best practices

From the chi-square test, Table 4.37, it has found out that there is a relationship between the capabilities especially operational improvement, e.g. adopting industry best practices and the variables such as size of the business (*p*-value .038), status of company (*p*-value .392), sector of business (*p*-value .111), location of the business (*p*-value .175), and years of operation (*p*-value .027). Since the p-values are higher than or equal to .005 ($p \geq .005$), the H3 of this study - the UAE SMEs have the capabilities to carry out operational improvement, e.g. adopting industry best practices is accepted with type II error.

It has revealed that there are no significant business capabilities of SMEs for an operational improvement as the variable such as number of sites holds a *p*-value of .000. With a low p-value ($p < .005$), the H3: the UAE SMEs have the capabilities to operational improvement e.g. adopting industry best practices is rejected with type I error.

Table 4.37: Operational Improvement, e.g. adopting industry best practices

								p-value
Variables			very poor	poor	average	strong	very strong	
Size of the business	1-9 Employees	Frequency	4	13	27	28	6	.038
		Percentage	5.1%	16.7%	34.6%	35.9%	7.7%	
	10-49 employees	Frequency	3	7	29	51	16	
		Percentage	2.8%	6.6%	27.4%	48.1%	15.1%	
	50-249 employees	Frequency	0	1	14	23	3	
		Percentage	0.0%	2.4%	34.1%	56.1%	7.3%	
Number of Sites	1	Frequency	3	5	16	23	5	.000
		Percentage	5.8%	9.6%	30.8%	44.2%	9.6%	
	2	Frequency	1	6	9	17	4	
		Percentage	2.7%	16.2%	24.3%	45.9%	10.8%	
	3	Frequency	0	1	26	19	7	
		Percentage	0.0%	1.9%	49.1%	35.8%	13.2%	
	4	Frequency	2	5	13	32	4	
		Percentage	3.6%	8.9%	23.2%	57.1%	7.1%	
	5	Frequency	0	3	2	9	5	
		Percentage	0.0%	15.8%	10.5%	47.4%	26.3%	
Status of a company	Sole partnership	Frequency	3	7	12	12	6	.392
		Percentage	7.5%	17.5%	30.0%	30.0%	15.0%	
	Civil company	Frequency	0	1	9	9	3	
		Percentage	0.0%	4.5%	40.9%	40.9%	13.6%	
	Limited Liability Company	Frequency	4	5	13	30	6	
		Percentage	6.9%	8.6%	22.4%	51.7%	10.3%	
	Partnership	Frequency	0	3	15	20	6	
		Percentage	0.0%	6.8%	34.1%	45.5%	13.6%	
	Private Share Holding Company	Frequency	0	1	9	18	1	
		Percentage	0.0%	3.4%	31.0%	62.1%	3.4%	
	Public Share Holding Company	Frequency	0	3	4	8	2	
		Percentage	0.0%	17.6%	23.5%	47.1%	11.8%	
	Franchise	Frequency	0	1	4	2	1	
		Percentage	0.0%	12.5%	50.0%	25.0%	12.5%	
Sector of Business	Retail/Logistics	Frequency	2	2	6	10	4	.111
		Percentage	8.3%	8.3%	25.0%	41.7%	16.7%	
	Marketing and Advertising	Frequency	0	5	5	3	2	
		Percentage	0.0%	33.3%	33.3%	20.0%	13.3%	
	Media Entertainment	Frequency	0	3	9	9	3	
		Percentage	0.0%	12.5%	37.5%	37.5%	12.5%	
	Engineering	Frequency	0	2	17	25	2	
		Percentage	0.0%	4.3%	37.0%	54.3%	4.3%	

	Construction and Real Estate	Frequency	3	0	12	19	7	
		Percentage	7.3%	0.0%	29.3%	46.3%	17.1%	
	Oil and Gas	Frequency	1	2	5	17	4	
		Percentage	3.4%	6.9%	17.2%	58.6%	13.8%	
	Product/Manufacturing	Frequency	0	3	5	8	3	
		Percentage	0.0%	15.8%	26.3%	42.1%	15.8%	
	Automotive and Ancillary	Frequency	0	1	5	5	0	
		Percentage	0.0%	9.1%	45.5%	45.5%	0.0%	
Location of the Business	Abu Dhabi	Frequency	5	10	23	18	9	.175
		Percentage	7.7%	15.4%	35.4%	27.7%	13.8%	
	Ajman	Frequency	0	2	5	10	2	
		Percentage	0.0%	10.5%	26.3%	52.6%	10.5%	
	Dubai	Frequency	1	1	10	11	1	
		Percentage	4.2%	4.2%	41.7%	45.8%	4.2%	
	Fujairah	Frequency	1	6	15	22	5	
		Percentage	2.0%	12.2%	30.6%	44.9%	10.2%	
	Ras Al-Khaimah	Frequency	0	0	6	21	2	
		Percentage	0.0%	0.0%	20.7%	72.4%	6.9%	
	Sharjah	Frequency	0	2	7	15	4	
		Percentage	0.0%	7.1%	25.0%	53.6%	14.3%	
	Umm al-Quwain	Frequency	0	0	4	5	2	
		Percentage	0.0%	0.0%	36.4%	45.5%	18.2%	
Years of operation	Less than 1 year	Frequency	1	2	1	4	1	.027
		Percent	11.1%	22.2%	11.1%	44.4%	11.1%	
	1 Year	Frequency	0	2	9	9	2	
		Percent	0.0%	9.1%	40.9%	40.9%	9.1%	
	2 Years	Frequency	2	4	10	5	3	
		Percent	8.3%	16.7%	41.7%	20.8%	12.5%	
	3 Years	Frequency	1	2	6	21	0	
		Percent	3.3%	6.7%	20.0%	70.0%	0.0%	
	4 Years	Frequency	1	1	15	20	8	
		Percent	2.2%	2.2%	33.3%	44.4%	17.8%	
	5 Years	Frequency	0	6	17	25	5	
		Percent	0.0%	11.3%	32.1%	47.2%	9.4%	
	6-10 Years	Frequency	0	3	6	15	3	
		Percent	0.0%	11.1%	22.2%	55.6%	11.1%	
	11-20 Years	Frequency	2	1	3	1	1	
		Percent	25.0%	12.5%	37.5%	12.5%	12.5%	
	More than 20 Years	Frequency	0	0	3	2	2	
		Percent	0.0%	0.0%	42.9%	28.6%	28.6%	

4.3.11.3.7 Taking decisions on regulation and tax issues

It is found out from the chi-square test results shown in Table 4.38 that there is a significant association between business capabilities of SMEs mainly taking decision on regulation and tax issues and variables like status of company (*p*-value .017), sector of business (*p*-value .006), and location of the business (*p*-value .046). With greater *p*-values than or equal to .005 ($p \geq .005$), the H3: the UAE SMEs have the capabilities of taking decision on regulation and tax issues to meet the challenge of VAT and grow their businesses is accepted with type II error.

On the other hand, there is no statistical significance between the business capabilities especially taking decisions on regulation and tax issues and variables such as size of the business (*p*-value .081), number of sites (*p*-value .010). Since the p-values are less than .005 ($p < .005$), the H3: the UAE SMEs have the capabilities to take decisions on regulation and tax issues is rejected with type I error.

Table 4.38: Taking decisions on regulation and tax issues

								p-value
Variables			very poor	poor	average	strong	very strong	
Size of the business	1-9 Employees	Frequency	6	7	31	22	12	.003
		Percentage	7.7%	9.0%	39.7%	28.2%	15.4%	
	10-49 employees	Frequency	2	11	18	56	19	
		Percentage	1.9%	10.4%	17.0%	52.8%	17.9%	
	50-249 employees	Frequency	1	1	12	23	4	
		Percentage	2.4%	2.4%	29.3%	56.1%	9.8%	
Number of Sites	1	Frequency	3	4	21	16	8	.000
		Percentage	5.8%	7.7%	40.4%	30.8%	15.4%	
	2	Frequency	1	5	13	14	4	
		Percentage	2.7%	13.5%	35.1%	37.8%	10.8%	
	3	Frequency	0	4	17	21	11	
		Percentage	0.0%	7.5%	32.1%	39.6%	20.8%	
	4	Frequency	1	4	7	34	10	
		Percentage	1.8%	7.1%	12.5%	60.7%	17.9%	
	5	Frequency	1	2	0	14	2	
		Percentage	5.3%	10.5%	0.0%	73.7%	10.5%	
Status of a company	Sole partnership	Frequency	4	2	13	11	10	.017
		Percentage	10.0%	5.0%	32.5%	27.5%	25.0%	
	Civil company	Frequency	1	0	8	7	6	
		Percentage	4.5%	0.0%	36.4%	31.8%	27.3%	
	Limited Liability Company	Frequency	3	8	18	24	5	
		Percentage	5.2%	13.8%	31.0%	41.4%	8.6%	
	Partnership	Frequency	0	4	7	27	6	
		Percentage	0.0%	9.1%	15.9%	61.4%	13.6%	
	Private Share Holding Company	Frequency	1	0	5	17	6	
		Percentage	3.4%	0.0%	17.2%	58.6%	20.7%	
	Public Share Holding Company	Frequency	0	3	3	9	2	
		Percentage	0.0%	17.6%	17.6%	52.9%	11.8%	
	Franchise	Frequency	0	2	2	4	0	
		Percentage	0.0%	25.0%	25.0%	50.0%	0.0%	
Sector of Business	Retail/Logistics	Frequency	3	3	8	6	4	.006
		Percentage	12.5%	12.5%	33.3%	25.0%	16.7%	
	Marketing and Advertising	Frequency	0	5	3	6	1	
		Percentage	0.0%	33.3%	20.0%	40.0%	6.7%	
	Media Entertainment	Frequency	0	4	8	9	3	
		Percentage	0.0%	16.7%	33.3%	37.5%	12.5%	
	Engineering	Frequency	1	4	9	29	3	
		Percentage	2.2%	8.7%	19.6%	63.0%	6.5%	
	Construction and Real Estate	Frequency	3	0	9	20	9	
		Percentage	7.3%	0.0%	22.0%	48.8%	22.0%	
	Oil and Gas	Frequency	0	2	5	13	9	
		Percentage	0.0%	6.9%	17.2%	44.8%	31.0%	
	Product/Manufacturing	Frequency	1	1	5	10	2	
		Percentage	5.3%	5.3%	26.3%	52.6%	10.5%	
	Automotive and Ancillary	Frequency	0	0	6	3	2	
		Percentage	0.0%	0.0%	54.5%	27.3%	18.2%	
Location of the Business	Abu Dhabi	Frequency	7	5	21	20	12	.046
		Percentage	10.8%	7.7%	32.3%	30.8%	18.5%	
	Ajman	Frequency	0	2	9	7	1	
		Percentage	0.0%	10.5%	47.4%	36.8%	5.3%	
	Dubai	Frequency	1	2	6	10	5	
		Percentage	4.2%	8.3%	25.0%	41.7%	20.8%	
	Fujairah	Frequency	0	7	9	29	4	
		Percentage	0.0%	14.3%	18.4%	59.2%	8.2%	
	Ras Al-Khaimah	Frequency	1	2	4	17	5	
		Percentage	3.4%	6.9%	13.8%	58.6%	17.2%	
	Sharjah	Frequency	0	1	7	15	5	
		Percentage	0.0%	3.6%	25.0%	53.6%	17.9%	
	Umm al-Quwain	Frequency	0	0	5	3	3	
		Percentage	0.0%	0.0%	45.5%	27.3%	27.3%	
Years of operation	Less than 1 year	Frequency	0	1	4	3	1	.002
		Percent	0.0%	11.1%	44.4%	33.3%	11.1%	
	1 Year	Frequency	0	3	9	7	3	
		Percent	0.0%	13.6%	40.9%	31.8%	13.6%	

	2 Years	Frequency	3	3	6	8	4
		Percent	12.5%	12.5%	25.0%	33.3%	16.7%
	3 Years	Frequency	1	3	8	15	3
		Percent	3.3%	10.0%	26.7%	50.0%	10.0%
	4 Years	Frequency	0	1	6	29	9
		Percent	0.0%	2.2%	13.3%	64.4%	20.0%
	5 Years	Frequency	0	7	14	26	6
		Percent	0.0%	13.2%	26.4%	49.1%	11.3%
	6-10 Years	Frequency	2	1	9	10	5
		Percent	7.4%	3.7%	33.3%	37.0%	18.5%
	11-20 Years	Frequency	3	0	2	2	1
		Percent	37.5%	0.0%	25.0%	25.0%	12.5%
	More than 20 Years	Frequency	0	0	3	1	3
		Percent	0.0%	0.0%	42.9%	14.3%	42.9%

4.4 Part D: Gap Analysis of the Budget from FY 2017 to FY 2020 and VAT between FY 2018 and FY 2019

4.4.1 Analysis of the Five-Year Federal Budget 2017–2021

4.4.1.1 Background of the Five-Year Federal Budget (2017–2021)

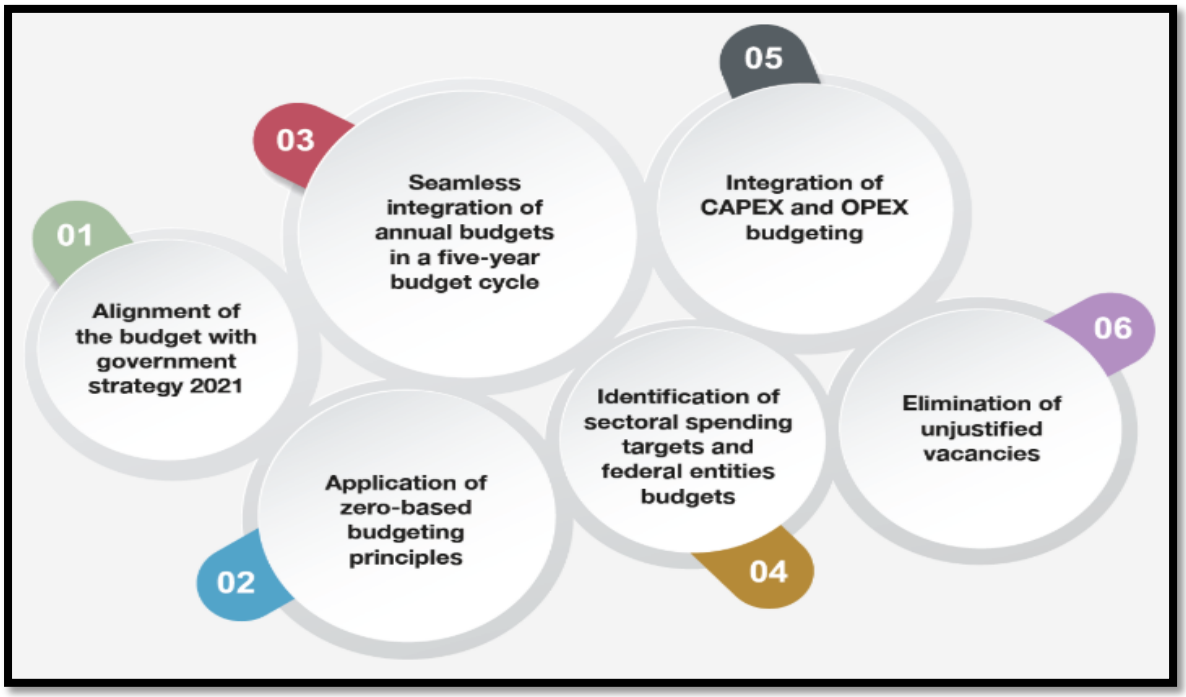
The draft of the federal budget for 2017–2021 had been approved by the UAE cabinet in October 2016, when spending of AED 247.3 billion was determined for the five-year period (Ministry of Finance, 2018a). This marked the UAE as the very first among Arab countries to formulate a draft of a five-year budget. Following the directions of the Vice President, the Prime Minister and the Ruler of Dubai, the draft of the five-year budget was prepared for the purpose of improving social services and upgrading government services in line with improving customer satisfaction regarding service delivery (Vision2021.ae, 2020). The government hoped to thereby augment the welfare, security, happiness and prosperity of people living in different communities so that UAE Vision 2021 would be achieved.

4.4.1.2 Aims and Objectives of the Five-Year Federal Budget

The UAE five-year federal budget was formulated explicitly to realise UAE Vision 2021. The aim of this five-year budget is to make available all the resources and capabilities needed to achieve all the prerequisites of the national vision – that is, of making the UAE government one of the best in the world by ensuring the finest use of resources (Ministry of Finance, 2018a). The government sought to improve the service delivery system so that citizens could get their required services in the easiest possible way.

However, there are six major components that are considered when estimating a budget. These six major components are (1) the alignment of the budget with government strategy for 2021; (2) the application of zero-based budgeting principles; (3) the seamless integration of annual budgets in a five-year budget cycle; (4) the identification of sectoral spending targets and federal entity budgets; (5) the integration of capital expenditure (CAPEX) and operational expenditure (OPEX) budgeting; and (6) the elimination of unjustified vacancies (see Figure 4.62).

Figure 4.62: Six Major Components of Budget Estimation



Source: Ministry of Finance (2018a)

1. **Alignment of the budget with government strategy for 2021:** Annual budgets need to be aligned with the government's strategic vision. The five-year federal budget is particularly focused on achieving UAE Vision 2021 (Ministry of Finance, 2018a). Therefore, all the strategic goals of UAE Vision 2021 are aligned with this five-year plan.
2. **Application of zero-based budgeting principles:** Zero-based budgeting can be defined as a structured budgeting method in which justification of every single expense needs to be clarified for each new period (Hilton, 2005). This method of budgeting makes sure that the exact funds for expenses and the exact amount of required resources are determined, thereby creating a functional tie between annual budget and overall strategic objectives. Across a five-year budget, the spending of each year's budget is clearly justified and it is, therefore, possible to apply zero-based budgeting principles.
3. **Seamless integration of annual budgets in a five-year budget cycle:** The five-year budget is a cyclical budget, and the government of the UAE has made extraordinary efforts to achieve the vision of the future according to its leaders' directives (Hilton, 2005). The annual budgets for the years 2017, 2018 and 2019 were implemented smoothly within these five-year budgetary frameworks; this clearly demonstrates seamless integration of annual budgets in a five-year budget cycle.

4. **Identification of sectoral spending targets and federal entity budgets:** During budget estimation, sectoral spending targets are determined, since social development of a community depends greatly on thoughtful sectoral spending targets (Eltony, 2002). Alongside this, the budgets for federal entities are also determined. Federal entities are very important stakeholders, so the government needs to cooperate with them to make sure all plans and programmes are developed in line with the government's strategic objectives.
5. **Integration of CAPEX and OPEX budgeting:** While estimating a budget, CAPEX and OPEX need to be integrated so that the prepared budget can reflect the overall goals of the government in the long run (Hilton, 2005).
6. **Elimination of unjustified vacancies:** The budget requires a justifiable amount of funds and resources to ensure improved levels of social services. Unjustified expenses enlarge the size of the budget; therefore, unjustified funds and resources need to be eliminated during budget estimation.

4.4.1.3 Funding Budget in Six Main Sectors

Budgeting is a particularly well-planned estimation of revenue and expenses. A structured and well-planned budget is very important for the development of a country. Therefore, the government of the UAE places utmost importance in preparing a long-term budget to meet their UAE Vision 2021. The UAE's five-year budget plays an important role in six sectors: (1) social development; (2) government affairs; (3) social benefits; (4) infrastructure and economic resources; (5) financial assets and investments; and (6) other federal expenses (see Figure 4.63). A brief discussion of the six sectors follows.

1. **Social Development:** Ensuring the wellbeing of every citizen in society is the core message for social development in a country. The UAE's government has put utmost emphasis on social development in every annual budget. For example, AED 26.3 billion out of AED 54.1 billion was allocated in the social development and social benefit sectors in 2018, which was 51.16% of the total budget. In 2020, the budget allocation for social development is AED 21.90 billion, which is 31.13% of the total budget – the highest among all sectoral allocations (Ministry of Finance, 2020). It can thus be seen that social development is always a top priority for the UAE's government; this ensures the highest standard of living for their citizens.
2. **Government Affairs:** The UAE government considers policy programmes to build a rapport with other nations, an improved judicial system to ensure justice and modern

infrastructure to all be government affairs. Through government affairs, the UAE government accelerates governmental functions; therefore, they give proper emphasis to this sector. AED 22.1 billion out of AED 54.1 billion was allocated to this sector in 2018, which was 40.85% of the total budget. In 2020, AED 22.95 billion has been allocated, which is 32.61% of the total budget (Ministry of Finance, 2020). Therefore, the government gives highest importance to this sector for accelerating the wheels of development in the country.

3. **Social Benefits:** Ensuring social benefits is one of the prioritised agendas of the UAE government. As part of social responsibility, the government allots a significant portion of its budget to the social benefits sector to ensure the highest living standards. In the fiscal year 2020, 6.49% of the total budget is allocated in the social benefits sector, so that the social safety of the country can be strengthened (Ministry of Finance, 2020).
4. **Infrastructure and Economic Resources:**

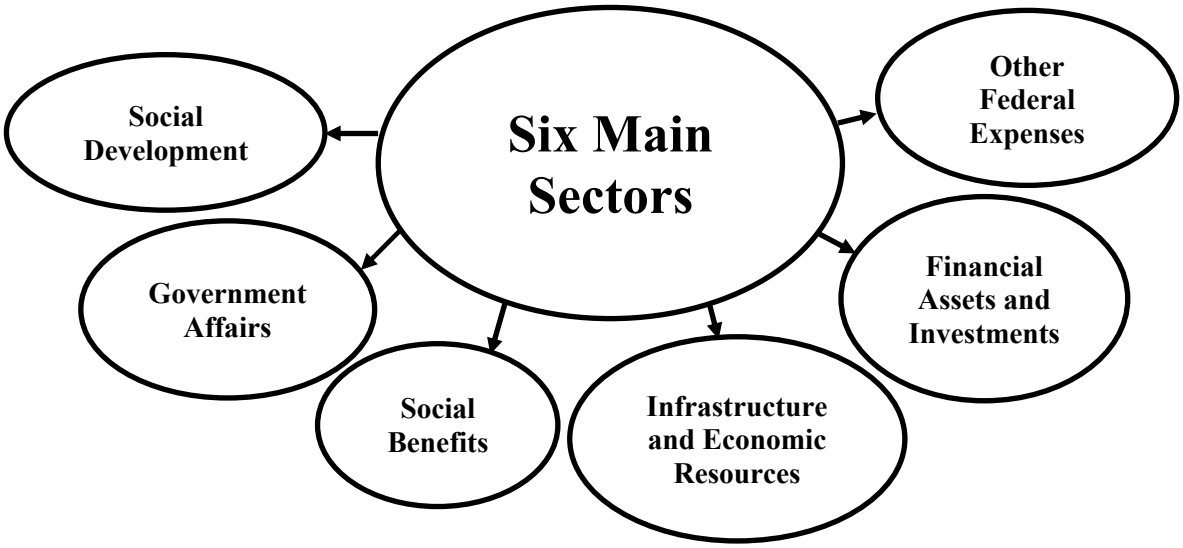
   The government of the UAE would like to put great emphasis on budget allocation for the infrastructure and economic resources sector, in order to bolster infrastructural and economic development. As infrastructural development shows the country's economic strength, and sustainable development depends largely on optimal utilisation of economic resources, the government gives huge importance to this sector. For instance, the budget for this sector was AED 8.9 billion out of AED 54.1 billion in 2018, which was 16.45% of the total budget. Following this trend, the government has allotted AED 9.85 billion in this sector for FY 2020, which is 14.00% of the total budget (Ministry of Finance, 2020).
5. **Financial Assets and Investments:**

   The government's financial performance rests largely on adequate financial assets and in-house and foreign investments. Therefore, the government would like to utilise their financial assets in the best possible way and encourage investments so that development objectives can be achieved in the best feasible manner. The government allocated 3.74% of the total budget in FY 2020 to strengthen the financial sector; this reflects the government's vision of utilising financial assets and thereby strengthening the country's economic development (Ministry of Finance, 2020).
6. **Other Federal Expenses:**

   Governments have to meet federal expenses in order to run smoothly, so a portion of the budget is allocated to this important sector. In 2018, the size of the budget slice for meeting federal expense was AED 3.5 billion out of AED 54.1 billion – 6.46% of the total budget (Ministry of Finance, 2020a). But, in 2020, the size of the slice has increased to AED 8.46 billion, which is 58.62% larger than that of 2018; this indicates that the size of federal

expense is increasing day by day, and, in order to meet this increased expense, the government has allocated more funds.

Figure 4.63: Funding Budget Six Main Sectors



Source: Ministry of Finance (2020a)

4.4.2 Analysis of Federal Government Budget

4.4.2.1 Budget for 2017

With the aim of evading over-expenditure or unwanted spending of public funds, the UAE's government followed zero-based budget principles to prepare the budget for FY 2017. Another important aim of this budget was to monitor the financial performance of the government to meet development objectives. In line with these aims, the government planned a strategy for the welfare of its citizens. The total budgeted amount was AED 48.7 billion. This budget was allocated in the name of two important government headings. The largest portion of the budget was allotted to social development and benefits, where the allocated amount was AED 25.2 billion – 47.2% of the entire budget (Ministry of Finance, 2020c). In this budgeted amount, AED 10.2 billion was allocated to the public and higher education sector, representing 20.5% of the estimated budget; AED 4.2 billion was allotted to the healthcare and protection of society sector, representing 8.6% of the estimated budget; AED 4.00 billion was allocated to pensions for government employees, representing 8.2% of the budgeted amount; AED 3.2 billion was for community development, representing 6.6% of the estimated budget; AED 1.6 billion was allocated to the housing sector, which represents 3.3% of the estimated budget for social development and social benefits (Ministry of Finance, 2020c).

Another AED 20.7 billion was allocated to the government affairs sector in 2017, which represents 42.50% of the entire budget (Ministry of Finance, 2020c). From this budgeted amount, AED 2.1 billion was allocated for policies and programmes to maintain sound relations with global partners; AED 824 million was for the development of the country's judiciary sector; AED 3.3 billion was allocated for federal ministry projects, Sheikh Zayed Housing Projects, the Federal Electricity and Water Authority and police and defence centres; AED 2.00 billion was allocated for government innovation projects (Ministry of Finance, 2020c).

4.4.2.2 Budget for 2018

The budget for 2018 was the second federal budget of the five-year budget (2017–2021) and was declared at the start of November 2017. The total budgeted amount for FY 2018 was AED 51.4 billion, which was an increase of 5.6% from that of the 2017 budget (Ministry of Finance 2020d). This allocated budget was further allotted to three key sectors of the UAE. AED 26.3 billion was allocated to the social development and social benefits sector (43.5% of the entire budget); AED 22.1 billion was allocated for the government affairs sector; AED 3.5 billion was allocated for federal projects (Ministry of Finance, 2020d).

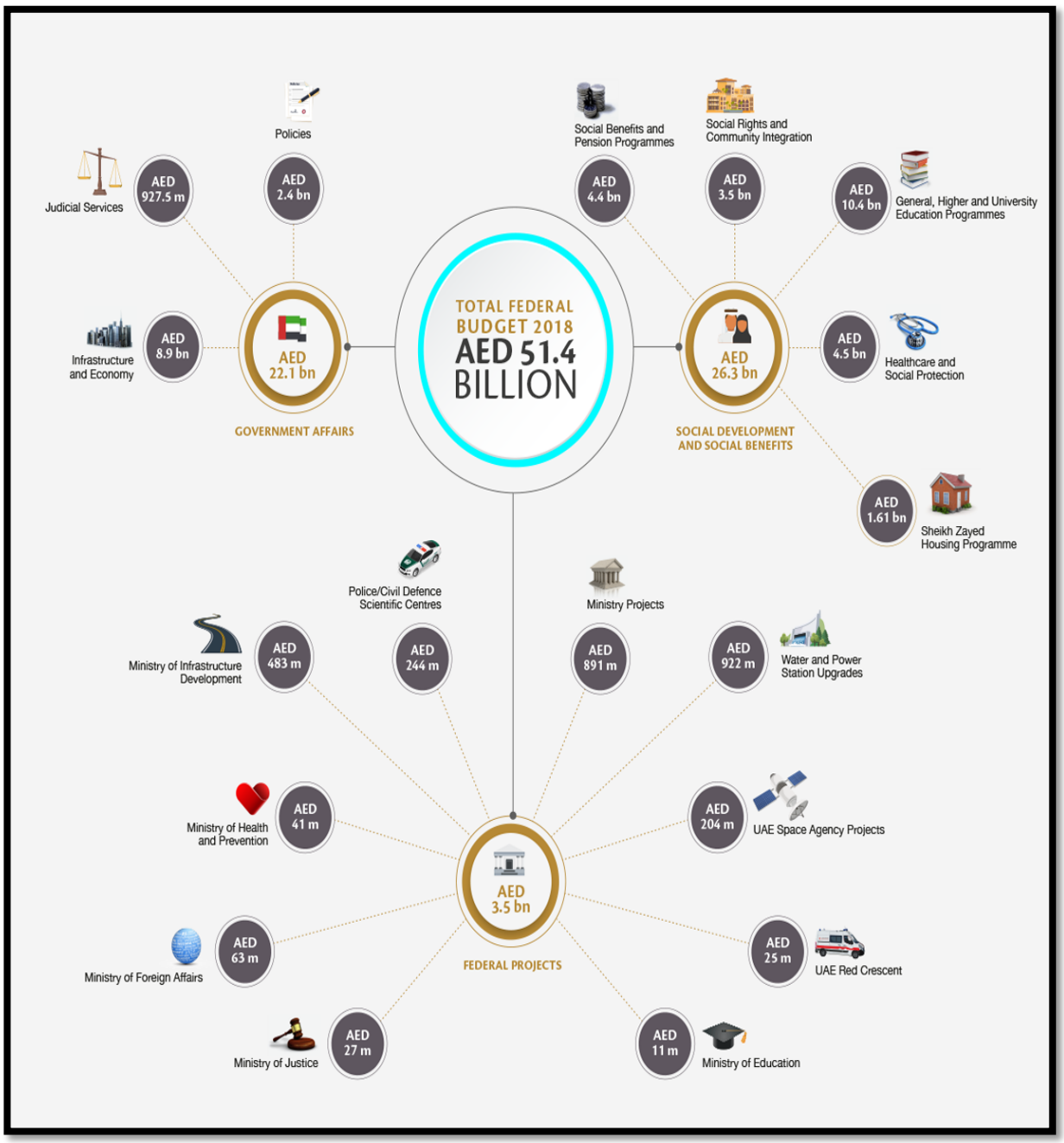
Under the heading of social development and social benefits, AED 4.4 billion was allocated for social benefits and pension programmes, AED 3.5 billion for social rights and community integration, AED 10.4 billion for general, higher and university education programmes, AED 4.5 billion for healthcare and social protection, and AED 1.61 billion for Sheikh Zayed Housing Projects.

In the government affairs sector, AED 2.4 billion was allocated for policies and programmes, AED 927.5 million for judiciary services and AED 8.9 billion for infrastructure and economic development, amounting to 40.27% of the estimated budget for this sector (Ministry of Finance, 2020d).

In the federal project sector, the budget was allocated for police, civil defence, scientific centres, upgrades for water and power stations, UAE space agency projects and various ministry projects.

It is clear from the analysis of the budgets for 2017 and 2018's federal budget was the more segregated and thoughtful (Ministry of Finance, 2020d). A breakdown of 2018's federal budget is shown in Figure 4.64.

Figure 4.64: Breakdown of Federal Budget 2018



Source: Ministry of Finance (2020d)

4.4.2.3 Budget for 2019

UAE's federal budget for 2019 is one of the most discussed budgets in the UAE, because the government allocated the highest budget in the history of the UAE – around AED 60.3 billion

– with zero deficits. The budgets for FY 2018 and FY 2019 were AED 51.3 billion and 60.3 billion respectively, which means the 2019 budget represents a 17.3% increase from 2018. The Vice President and Prime Minister of the UAE and Ruler of Dubai, HH Sheikh Mohammed bin Rashid Al Maktoum, stressed that this unprecedented budget allocation was to ensure UAE citizens' prosperity, health, education and security (Ministry of Finance, UAE Federal Budget 2019). One of the core reasons for large budget allocation is strategically assisting the UAE government and ministries to achieve UAE Vision 2021.

It has been found that AED 22.6 billion, 37.5% of the total budget, was assigned to government affairs sector; AED 25.4 billion, or 42.2% of the total budget, was allocated for social development and social benefits; and the rest – AED 12.3 billion, or 20.3% of the total budget – was earmarked for federal projects.

Of AED 22.6 billion, AED 2.4 billion was allocated to policy programmes; AED 944 million to the judicial system; AED 1.6 billion to infrastructure and economic development; and AED 20.9 billion to social development. Of AED 25.4 billion, AED 5,213 million was allocated to healthcare; AED 10,233 million to social protection; AED 1,626.7 million to entertainment, culture and religion; AED 10,146.8 million to education; and AED 1,147.2 million to housing programmes.

The allocation for federal projects includes AED 1.5 billion for housing programmes, AED 171 million for the space agency, AED 4 million for the Ministry of Education, AED 251 million for the Ministry of the Interior, AED 10 million for the Ministry of Health and Community Protection, AED 66.5 million for the Ministry of Foreign Affairs and International Cooperation, AED 5 million for the Ministry of Justice and AED 497 million for the Ministry of Infrastructure Development. Following Figure 4.65 shows a breakdown of the budget for 2019.

Figure 4.65: Breakdown of the Budget for 2019



Source: Ministry of Finance (2020e)

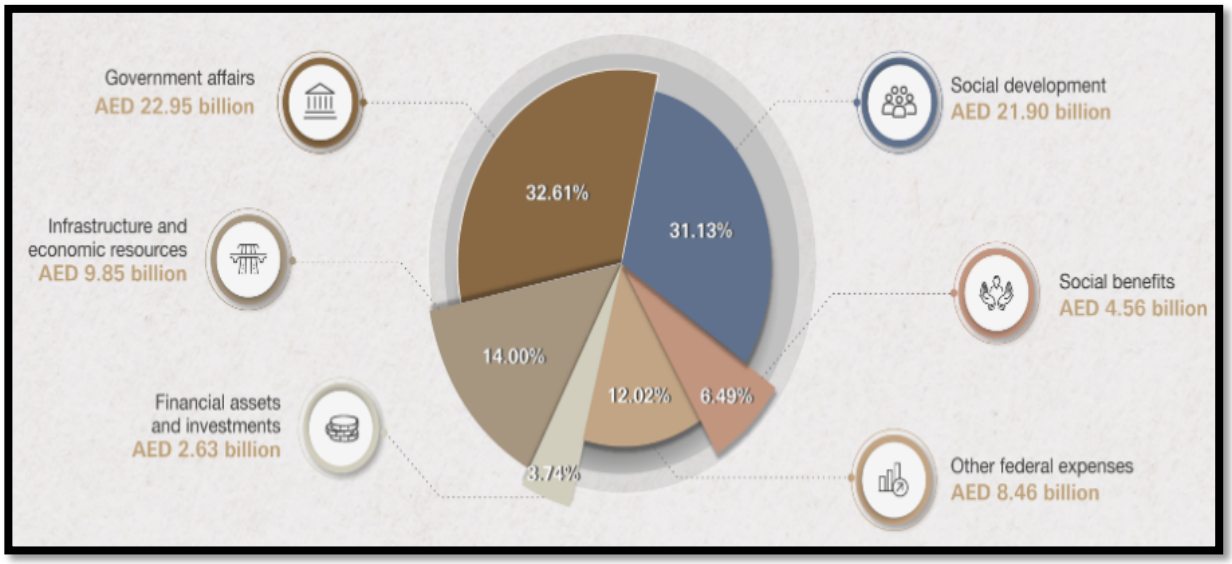
4.4.2.4 Budget for 2020

With a slight increase (1.06 billion or approximately 2% compared to the previous financial year), the 2020 budget is considered the largest budget in the history of the UAE. It is

considered to be a zero-deficit federal budget of AED 60.35 billion, which shows the strengths of the UAE's national economy.

From the total budget of 61.35 billion for FY 2020, AED 22.95 billion (approximately 32.61%) was for government affairs; AED 21.90 billion (approximately 31.13%) for social development; AED 9.85 billion (around 14%) for infrastructure and economic resources; AED 4.56 billion (approximately 6.49%) for social benefits; AED 2.63 billion (around 8.74%) for financial assets and investments; and AED 8.46 billion (nearly 12.02%) for other federal expenses. A breakdown of the budget is shown in Figure 4.66.

Figure 4.66: Breakdown of the Budget 2020

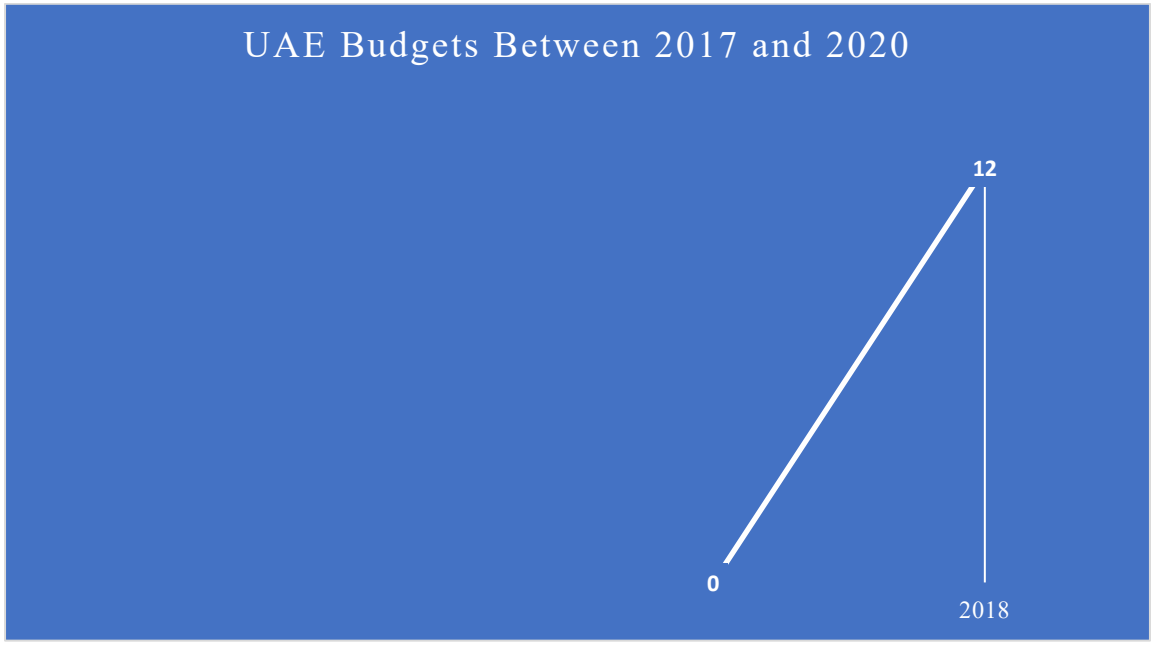


Source: Ministry of Finance (2020f)

4.4.2.5 Gap Analysis of UAE Budgets Between 2017 and 2020

It has been mentioned that the draft of the federal budget for 2017–2021 was approved by the UAE Cabinet in October 2016, when spending of AED 247.3 billion was determined for the following five years (Ministry of Finance, 2020b). From the analysis of the budgets between 2017 and 2020, it appears that UAE government approved a total of AED 221.75 billion (AED 48.7 billion for FY 2017, AED 51.4 billion for FY 2018, AED 60.3 billion for FY 2019 and AED 61.35 billion for FY 2020). Figure 4.67 shows the budgets from FY 2017 to FY 2020.

Figure 4.67: UAE Budgets Between 2017 and 2020



4.4.3 Analysis of VAT Collection in the Financial Year 2018 in the UAE

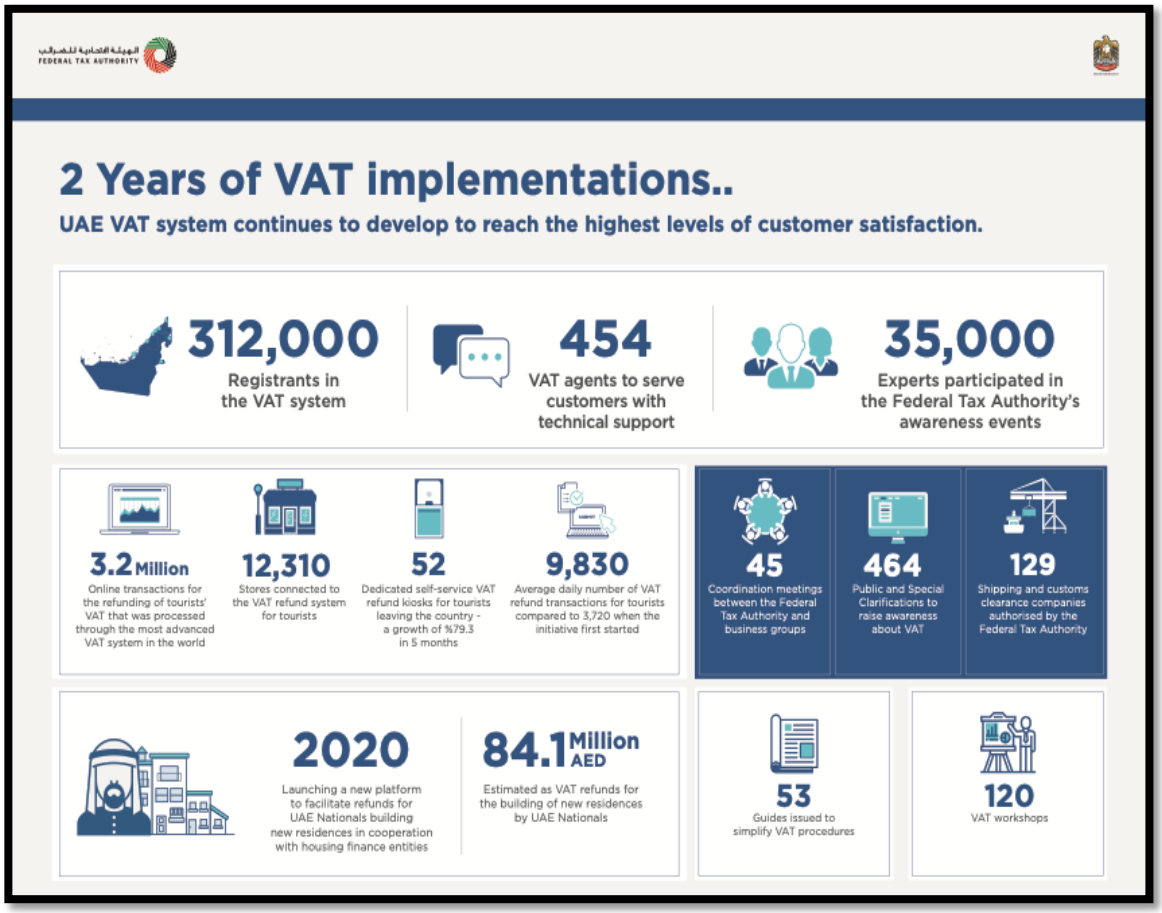
4.4.3.1 Current State of VAT in the UAE

The UAE VAT system was introduced on 1 January 2018. Since then, the FTA has made unbroken development efforts with a view to maintain the uppermost level of quality in delivering FTA services (Ministry of Finance, 2020a). Over their short time providing FTA services, the FTA has made efforts to collaborate with competent and experienced authorities to launch the first ever Integrated Electronic Tax System in the UAE, as part of the government's vision for the future. In 2019, the FTA published a 'Professional Standards for Tax Agents' guide on their official website that offers a detailed explanation of terms and conditions for tax professionals to follow. According to FTA authorities, a total of 312,000 businesses around the UAE have registered in the VAT system (including both individuals and groups) (Albawaba, 2020). In order to have the best tax system, the FTA is trying to create a comprehensive legislative environment that will evidently stipulate all mutual obligations in between taxpayers and the FTA. As for simplifying VAT procedures, 53 guides have been issued by the FTA. In addition to this, 13 e-learning programmes, infographic newsletters and short films were released over these two years with the aim of simplifying tax procedures (Ministry of Finance, 2020a). In line with the FTA's tireless efforts to simplify VAT procedures, 19 public clarifications have been issued and 464 tax clarifications have been given, in order to raise public awareness and encourage people in voluntary tax compliance.

The FTA deploys 454 VAT agents around the country to serve clients with technical support. In addition to this, 35,000 experienced and knowledgeable stakeholders are engaged in the FTA's awareness campaign, and 120 VAT workshops have already been conducted to make people conscious about the entire VAT system – from registration to the payment system. This has helped around 35,000 specialists become informed about VAT collection procedures (Albawaba, 2020). The FTA has facilitated the Tax Clinic Campaign's augmenting of parallel communication with businesses across the UAE. The Tax Clinic Campaign helps find out the obstacles associated with collecting tax. In order to accelerate the VAT collection system and make strategic partnerships with associated groups in the country (like the banking sector, the insurance sector, exporters, importers, humanitarian organisations, tourist agencies, hotels, the education sector and health and real estate companies), 45 coordination meetings have been conducted. The UAE's government has undertaken further initiatives, like 464 public and special clarification campaigns, to make people aware of the VAT system (Abbas, 2019a). In addition to this, the FTA authorised 129 shipping and customs clearance companies to make business groups aware of the VAT system.

Over two years, 3.2 million online transactions have been done to refund tourists' VAT that was processed using the UAE's VAT system. 12,310 stores are connected through an online system especially for the purpose of tourists' refunds. There have been 52 dedicated VAT refund kiosks set up for self-service VAT refunds, resulting in a growth of 79.3% within five months (Albawaba, 2020). According to the Federal Tax Authority (2020), the average number of VAT refund transactions for tourists per day has increased from 3,720 to 9,830 – 164% higher than the previous year.

Figure 4.68: Current state of VAT



Source: Federal Tax Authority (2020)

4.4.3.2 Reasons for VAT Collection

VAT collection has some positive aspects in some noteworthy sectors of the UAE. Some of the positive aspects of the VAT system are analysed in the following section:

Higher compliance: The existing VAT system of the UAE definitely ensures higher tax compliance because of the direct business tax system: the business of a country cannot report much higher sales as well as costs associated with the firms. Therefore, replacing business tax with VAT encourages businesses to report considerably higher sales and associated costs in order to offset their extreme tax liability (Eltony, 2002). Therefore, the existing VAT system surely encourages businesses to comply with the tax rules and regulations.

Faster GDP growth: The economic growth of the UAE in the recent past has largely depended on revenue generated from oil- and hydrocarbon-related areas. VAT can be a potential source of revenue and help the government of the UAE to reduce dependency on oil-based income. By raising revenues through VAT, the government can strengthen its revenue base. As the

UAE has a huge demand for development expenditures for implementing projects in the arenas of health, education and infrastructural, the government can, by means of the new VAT system, use the collected revenues to meet various expenditures for the country's development projects, thereby avoiding the need for borrowing externally. These developments expenditures for development projects are an essential segment of the country's GDP (Bird and Gendron, 2007). VAT, therefore, has a very positive role in boosting the GDP of the UAE.

Increased tourist numbers: The revenues earned from VAT refunds from tourists can be refunded again in the development of the tourism industry. The tourism industry will then have a much higher development budget (Bird and Gendron, 2007). As a result of this encouraging of tourism through optimal use of funds collected from the VAT system, tourists will have better facilities than they did before. If all the required amenities can be ensured, tourists will be able to visit various locations comfortably. In this manner, the number of tourists will be increased.

Re-evaluation by companies: The UAE's VAT system definitely helps the re-evaluation in the method of implementing VAT procedures to ensure the success of the tax collection system (Eltony, 2002). As of 2019, the provision of imposing VAT on transition contract is no longer valid; business organisations are re-evaluating their positions on implementing the VAT system.

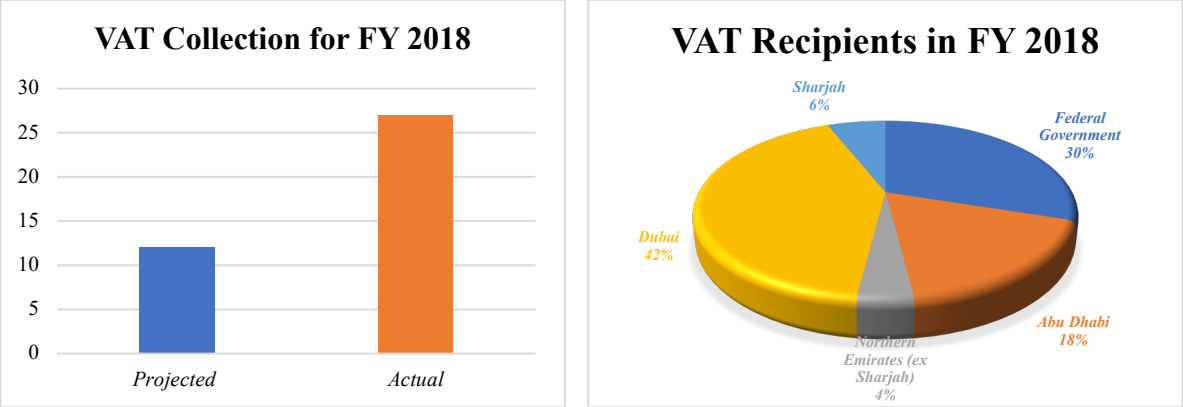
4.4.3.3 VAT collection in FY 2018

The FTA selected all seven emirates for implementing the legislative framework of the VAT system. Among the seven emirates, Dubai collected the largest portion of VAT, amounting to AED 11.34 billion (42% of total VAT collection). The collection by the Federal Government was AED 8.10 billon, representing 30% of the share, and was the second highest portion of VAT collected. Abu Dhabi collected AED 4.85 billion in VAT, or 18% of total collection; Sharjah collected AED 1.61 billion, or 6% of total collection; and the northern emirates collected AED 1.1 billion, or 4% of the total. The total collection of VAT in 2018 amounted to AED 27 billion, representing 1.7% of GDP growth in the UAE (Abbas, 2019b; Moody's, 2019).

With the aim of increasing revenues and reducing economic dependency on hydrocarbons, the FTA levied a 5% VAT, particularly on some designated goods and services. According to Moody's (2019) report, the FTA has made their mark by collecting a total of AED 27 billion

in FY 2018, which was 125% higher than the expected VAT collection. This collection of VAT surpassed the year's target (AED 12 billion) and even the target of 2019 (AED 20 billion). This achievement was unprecedented but was a credit-positive result for the country. The most interesting related fact is that the populations of Abu Dhabi and Dubai are almost the same size, but Dubai is far wealthier because of its advantages of greater tourism spending and greater numbers of daytime workers commuting there from other emirates. This additional VAT collection must help the UAE make good the losses that occurred because of the government's reduction of service fees.

Figure 4.69: VAT Collection for FY 2018



Source: Abbas, 2019c; Moody's, 2019; Saudi Gazette, 2019

4.4.3.4 VAT Recipients

The UAE continuously emphasises the importance of collecting VAT from the seven emirates. In 2018, the collection of VAT from the emirates was 125% of the year's target, making the country's economy stronger and reducing dependency on oil-based economic growth. The reasons behind the increase in VAT collection were effective awareness programmes undertaken by the FTA, the government's strict attitude towards compliance issues, a sophisticated IT base for collecting VAT and simplified procedures for VAT payments. The government expects that people are already informed about the VAT system, and this culture of VAT payment is developed across the country and will be developed further as an ongoing process. In the following section, the collection of VAT from the seven emirates of the UAE is addressed.

Among the seven emirates, Dubai's VAT collection was AED 11.34 billion, or 42% of the share. That is why Dubai is considered to be the largest beneficiary of VAT collection in FY 2018 (Abbas, 2019c). The reason behind the higher VAT collection is Dubai's tourism

industry, which helps the government to get higher tourism spending from tourists, as well as the number of daytime commuters coming from other emirates to facilitate tourism services.

The collection from the Federal Government was AED 8.10 billon, or 30% of the total; this was the second-highest collection of VAT in 2018 (Ministry of Finance, 2020a). The Federal Government's VAT collection is a big part of their own-source income and helps them to rely less on grants from other emirates.

Abu Dhabi made its mark by collecting the third-highest amount of VAT in 2018: AED 4.85 billion, or 15% of the total share (Abbas, 2019c). This VAT collection was not very significant for an emirate like Abu Dhabi, due to its central focus of revenue collection on hydrocarbons and investment revenue from autonomous wealth funds.

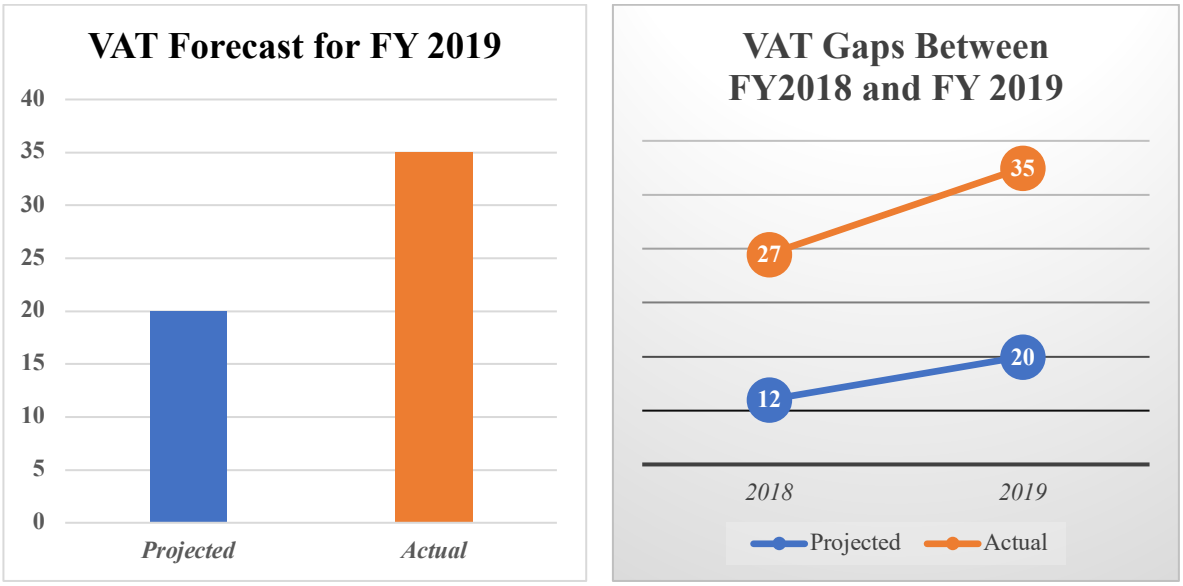
Sharjah collected AED 1.61 billion, represents of the total share. But, the trend of collection shows Sharjah has the potentiality to collect more tax in future.

Other emirates collected 1.10 billion – 4% of the share. In the northern emirates, people think VAT on good and services is a kind of unfair burden, so they are reluctant to pay VAT on their final consumption of goods and services.

4.4.3.5 VAT Forecast for FY 2019

Following the trend of VAT collection in 2018, it was expected that VAT revenues would easily be AED 35 billion-plus in FY 2019 is an increase of 30% from the previous financial year stated by Jomon K. George, chairman of the Institute of Chartered Accountants of India's South Region (Abbas, 2019b). The manner in which Expo 2020 is being promoted in Dubai that will also increase consumption and spending patterns. So, VAT collection would easily be AED 35 billion in 2019. There are two different ways by which VAT is collected. First one is output tax payable that denotes VAT on supplies of goods and services and other is input tax that denotes VAT charged on purchases of goods and services. In addition of this, supply of commercial property is subject to 5% VAT whether its sale or rent. But, the supplies of materials for residential building for first three years of its accomplishment is subject to zero tax rate.

Figure 4.70: VAT Forecast for FY 2019 and Gaps between FY 2018 and FY 2019



Source: Augustine, 2019; Moody's, 2019

4.5 Part E: Triangulating Results

4.5.1 Demographic Information of Participants

There were *n*10 policymakers of which 8 males and 2 females participated in phase 1 of stage 2 of this study. Among the participants, 7 policymakers from the MoF and 3 from the FTA and held various positions ranging from director to executive officer in various sector. The mean of the participants' age is 48 years 1 month and the highest experience of the policymakers recorded as long as 30 years and the lowest experience was 2 years. Most of the policymakers were well qualified as 5 hold master's degrees, 4 PhD degree, and 1 bachelor's degree.

There were *n*10 stakeholders of which 8 males and 2 females participated in phase 1 of stage 2 of this study. Businessmen, business professionals such as accountant and business banker, business researcher, business media reporter, and employees are some of the key stakeholders participated in this research study. The mean of the stakeholders' age is 49 years old. The highest experience of stakeholders in the UAE SMEs was 20 years above and the lowest experience was 4-5 years. The majority of stakeholders held postgraduate degrees, 4 Masters and 3 PhD, while the rest held undergraduate degree, 2 Bachelors, and 1 diploma qualification.

*n*265 registered SMEs participated in this quantitative study. Majority of the respondent 231 (87.2%) were owners of the business and 34 (12.8%) were not owners of the business but they held different positions in the SMEs in the UAE participated on behalf of their businesses. Among the participated SMEs, most of the businesses around 114 (44.2%) employed 10-49 employees whereas 100 (37.7%) had 1-9 employees and 48 (18.1%) companies employed 50-249 employees in their businesses. The majority of the company, 25.3 per cent, participated in this study were Limited Liability Companies and the minority, 2.6 per cent companies, held other categories.

4.5.2 Taxation Awareness in the UAE

According to the policymakers, followed by a Unified VAT Agreement at a rate of 5%, Ministry of Finance of the Government of the UAE established The Federal Tax Authority in the UAE under the Federal Law by Decree No. 13 of 2016. The Federal Decree-Law No. (8) was proclaimed in 2017 by the MoF to regulate the local agreement of UAE. Under the Federal Law by Decree, the VAT in the UAE was imposed on 1st January 2020. The policymakers further added that the current provision of VAT is 5%. In the beginning, the government of the UAE introduced 5% VAT to encourage businesses to register and pay Tax.

According to FTA (2020), there were 35,000 experts participated in the FTA's awareness events (see Figure 4.68).

On the other hand, it has found out that the stakeholders are aware of the inception of 5% VAT on goods and services in the UAE. The VAT was imposed and has been regulated by the government of UAE which is in effect from 1st January 2018. There are some exceptions for a certain sector in place. For example, the real estate industry is an exception in the VAT registration and payment. Moreover, a business must comply with the VAT regulation if their supplies and imports exceed AED 375,000 per annum. It is voluntary for a business to register for a VAT if its supply and imports are over AED187,500 per annum.

From the SMEs' viewpoints, the majority of SMEs, *n*208, are aware of 5% VAT implementation where an only small number of SMEs, *n*56, confirmed that they are not aware of 5% VAT implementation in the UAE. The majority of participant SMEs, n112, were not VAT registered where *n*99 SMEs were VAT registered. *n*53 SMEs were unwilling to answer the question – whether they are VAT registered or not.

4.5.3 Reasons for VAT Adoption in the UAE

The policymakers identified reducing dependency on the natural resources of the UAE and to promote economic diversification are some of the core reasons for VAT adoption in the UAE.

Baffes et al. (2015) found out that the dramatic decline in oil prices since June 2014 is an important but not unprecedented event. The six incidents of oil prices fall were (1) January 1986 and July 1986; (2) October 1990 and April 1991; (3) October 1997 and April 1998; (4) May 2001 and November 2001; (5) June 2008 and December 2008; and (6) July 2014 and January 2015. Additionally, there is an ongoing oil price decline due to the Saudi-Russian oil war and COVID-19 pandemic.

On the other hand, the stakeholders mentioned some of the core reasons for VAT adoption in the UAE are (1) Contribute to the national economy; (2) revenue collection; (3) economic diversifications; (4) reducing dependency on natural resources; and (5) achieving vision 2030.

4.5.4 Factors Impacting VAT Adoption in the UAE

According to the policymakers, the regional agreement among Gulf Cooperation Council (GCC) reached an agreement for the unified VAT Agreement for the Cooperation Council for the Arab States of the Gulf at its 36th meeting in Riyadh on 9-10 December 2015.

Stakeholders stated factors such as globalisation, pollical and economic contributed to adopting modern taxation system such as VAT in the UAE.

From the SMEs' perspectives, some of the factors the influence SMEs to be compliant are (i) law (*n*113), (ii) interests or extra charges on late payment (*n*111), (iii) having goods seized by the FTA for failure to pay tax (*n*107), (iv) following others (n91); (v) personal belief (*n*105) and (vi) contrition to the public services (*n*104)

4.5.5 VAT Expectations

With the 5% VAT, the expectations were met as it was clarified "quite satisfying" by policymakers. Some of the core reasons for the VAT implementation were to reduce dependency on the natural resources of the UAE and to promote economic diversification.

According to stakeholders, VAT has huge impacts on individuals and business as well as daily life as it incurs costs. They, however, added that they are supportive to the provision of 5% VAT imposition since the revenue-generating from the VAT would be well utilised by the government for public welfare to improve the quality of government sectors and influence the lifestyle of mass people.

Moody's (2019) report, the FTA has made their mark by collecting a total of AED 27 billion in FY 2018, which was 125% higher than the expected VAT collection.

4.4.6 Challenges in VAT Implementation in the UAE

The policymakers highlighted some challenges in the VAT implementation in the UAE and they are transactional challenges, adaptation with the VAT system for entrepreneurs and capitalists, increased living costs which had been impacting individuals and businesses.

As per the policymakers, the challenges in the successful VAT implementation were met by setting up regulations and an administrative system and creating awareness among businesses and individuals in the UAE.

According to FTA (2020), there were 454 VAT agents available to serve customers with technical support and 312,000 businesses registered throughout the current system (see Figure 4.68).

Stakeholders raised their concerns and mentioned that the supports and services provided by the government to grow business in the UAE were not enough as the government is not

providing any information system for day to day VAT management. However, stakeholders were content with the online VAT registration process.

From SMEs' perspectives, the highest number of SMEs, *n*141, confirmed that taxation is one of the biggest challenges to the success of SMEs followed by regulation (*n*135), recruiting [skilled] employees (*n*109), availability of suitable premises (*n*94) and cash flow (*n*90). One of the major challenges facing a small number of businesses (*n*56) was to recover VAT in foreign countries.

4.5.7 VAT Impacts on SMEs

According to the policymakers, it was very tough for the SMEs in the UAE to cope with the modern VAT culture at the beginning, with the VAT regulation SMEs in the UAE perceived VAT very well.

Additionally, there is no impact on impact on the SMEs structure due to 5% VAT was being imposed. However, employee size and ownership would not be affected but VAT must be paid if the supplies and import exceed 375000 AED per year. Not all SMEs will be affected by the new VAT provision as the annual turnover of SMEs are well below this line normally.

Stakeholders showed their greatest concerns about the impact of VAT on SMEs. They further categorised the impacts into two categories such as direct impact and indirect impacts of VAT. Direct impacts of VAT on the SMEs include the cost incurred by the administration such as day to day account management, filling tax, tax return, invoicing, and VAT itself. Indirect impacts of VAT on SMEs are influx cash flow, changes in daily lifestyle, reducing resident's buying capabilities could impact on the annual turnover of the business.

In addition to the above, the stakeholders mentioned that VAT impact SMEs in the UAE unequally as small businesses in Abu Dhabi, Dubai and Sharjah perform better than those of Fujairah, Ajman, Ras Al Khaimah and Umm Al Quwain. Finally, they also found out that the VAT is unfairly impacted small enterprises in the UAE.

From the SMEs' perspectives, the majority of the SMEs believed that VAT impacts on the profitability and cash flow of the SMEs. For example, cost involving (i) understanding legislation (*n*81), (ii) procedural requirements (*n*100), (iii) the compliance costs (*n*100), (iv) administrative costs (*n*119), (v) direct costs (*n*100), and (vi) cash flow management (*n*102).

Majority of the SMEs (*n*136) believed that there is a negative impact of VAT on their business where *n*75 mentioned VAT has negative impacts on their businesses.

4.6 Summary of the Chapter

This chapter analysed the primary data received from the filed study. This also studied the secondary data on the revenue collected from VAT in FY 2018 and VAT forecasted for FY 2019. It has been found from quantitative data received from policymakers of the Ministry of Finance and the Federal Tax Authority that the return from VAT implementation is a very satisfactory one. It is evident from stakeholders' perspectives that there is huge support for the 5% VAT implementation. Supporting 5% VAT by SMEs also reflects on VAT collection where 27 billion UAE dirhams collected in FY 2018 is 125% higher than expected. However, it is supported by both qualitative and quantitative data that there is a huge impact on the profitability as well as growth of SMEs as direct and indirect costs incurred by the maintenance of VAT. Therefore, some pragmatic suggestion provided by the policymakers and stakeholders to limit the impact of VAT on SMEs in the UAE.

Chapter 5: Key Findings and Discussion

5.0 Introduction

This chapter is designed to offer a detailed understanding and explanation of the importance of the key results from this study, accounting what was already established about the research problem being studied and defining any new contribution to the scientific knowledge gaps derived as an outcome of the analysis of the problems.

5.1 Explanation of the Significance of the Key Results from this Study

The significance of the key results from this study has remained fundamental to this research study. Key results have been derived from multiple sources to achieve the research aims and research objectives (ROs) of this study. RO1 is to critically review the taxation philosophy and the factors impacting a successful implementation of VAT in the UAE; RO2 is to evaluate the current fiscal policies and implication of VAT and its impacts on the UAE SMEs; RO3 is to document the concerns of different stakeholders of SMEs associated with the introduction of VAT in the UAE; RO4 is to study whether imposing VAT has an impact on SMEs in the UAE. These objectives have been achieved through literature review, a qualitative study with policymakers, a qualitative study with stakeholders, and a survey-based study with SMEs in the UAE, respectively. With the key findings and discussion, RO5 (which is to recommend strategic measures that could be useful to the UAE government's VAT implementation) will be achieved.

The significance of this research study is enormous, as it contributes substantially to the fulfilment of the gap in the scientific knowledge as well as benefits a number of actors such as relevant government entities (Ministry of Finance, and Ministry of Economy) in the UAE, SMEs in the UAE, stakeholders of the UAE SMEs, and residents of the UAE.

5.3 Key Results from this Study

5.3.1 Achieving RO1 of the Study

5.3.1.1 Problem Context and Gaps in the Scientific Knowledge

It mentioned in the Chapter 1 of this thesis that one of the core problems in this study was that. although taxation has remained heart of the states' operation and one of the principal tools for building up a relationship between states and citizens (O'Neil and Orr, 2018), and is currently practiced by 165 countries (OECD, 2017), a modern tax system is a new phenomenon for the Arab states, including the UAE, and has yet to be developed. Researchers such as Iwin-

Garzynska (2018), O'Neill and Orr (2018) and Smith (2015) emphasised that revenues generated throughout taxation are significant for building infrastructure of a country, including building and maintaining roads and highways, schools, colleges and universities, the courts, defence, as well as public services welfare, assistance to the poor and elderly, healthcare and education. However, the impact of imposing VAT on business and individuals cannot be ignored (Adams and Webley, 2001; OECD, 2012; Zafarullah (2018).

This study, however, attempted to critically review the taxation philosophy and the factors impacting a successful implementation of VAT in the UAE. It has been found that cultural, political, and economic factors impact VAT adoption and implementation in the Arab region. From the cultural viewpoint, as per researchers Askari et al. (2013), Lee et al. (2013), Moeinadin et al. (2014), in the Arab states of the Gulf, although taxation is years old and has taken different shapes and different forms, Islamic taxation mostly has two tax structures: one for Muslims and the other for non-Muslims. Examples include *Zakat* (the principal tax for Muslims only); *Ushr* and *Kharaj* (land taxes for both Muslims and Non-Muslims); and *Jizyah* (a poll tax for non-Muslims). From political perspectives, the modern tax system is a new phenomenon for the Arab states and has yet to flourish, due to the nature of their political system (O'Neill and Orr, 2018; Oordt, 2016). Beblawi (1987) introduced a theory called 'rentier states' based on the oil-producing Arab countries, where Freer (2018:13) explained the theory that the Arab states are rentier states, meaning the states have 'no taxation, no representation' principles. From economic perspectives, researchers such as Adegbie et al. (2016) and Shojaee (2016) revealed that most of the Arab nations, including the UAE, rely heavily on natural resources – especially oil – which has made them rentier states: no taxation, no representation.

The rationale for studying SMEs in the UAE in this study is that SMEs are considered one of the fundamental contributors and backbone of the UAE national economy (Dubai SME, 2013). The Ministry of Economy (2019b) and Trade Arabia (2017) confirmed that there are 350,000 SMEs in the UAE accounts 94% of the total business, employing around 3.4 million employees – over 86% of the workforce of the private sector. Government of Dubai (2019) reported that there are estimated 151,875 SMEs in Dubai accounting 9% CAGR since 2008. As per the Dubai SME Report (2013), SMEs in Dubai represent 95% of all establishments in the UAE and count 42% of the total workforce and contribute 40% to the total value generated in Dubai's economy.

With the inception of 5% VAT in the UAE on 1 January 2018, the impacts of imposing 5% VAT especially on SMEs are yet to be known. Therefore, this research study has seized the opportunity to fill the gap in the scientific knowledge.

5.3.2 Achieving RO2 of the Study

5.3.2.1 Demographics of the Participants

This research study ensured the quality of the data based on the demographics of the participants, as policymakers are the key informants. According to Sevgi et al. (2007, p. 19), 'key informants are hand-picked to perform a specific role based on their position, knowledge, skill set, and connection'. There were *n*10 policymakers, eight males and two females, participating in this research study. Among the participants, it has been found that the highest age was 60-65 years old and the lowest age was 30 years old. There were *n*5 MBA, *n*4 PhD, and *n*1 bachelor's degree holder. *n*7 policymakers from Ministry of Finance and *n*3 executives from the Federal Tax Authority participated in the study. The characteristics of participants, the policymakers, are shown in table 5.1.

Table 5.1: Demographic Information of the Participants

SL	Gender	Age	Qualification	Position	Organisation	Sector	Length of Services	Experience
PM1	Male	50-55	PhD	Director	FTA	Tax Collection	04	30
PM2	Male	48	BBA	Director	MoF	Finance and Administrative Affairs	03	20
PM3	Male	55-60	PhD	Under Secretary	MoF	Support Service	10	30
PM4	Male	60	PhD	Under Secretary	MoF	International Financial Relationship	20	30
PM5	Male	60-65	MBA	Under Secretary	MoF	Resources and Budget	20	20
PM6	Female	51	PhD	Deputy Director	MoF	Strategy and Future	05	25
PM7	Male	45-50	MBA	Director	MoF	General Budget Department	10	15
PM8	Male	30	MBA	Senior Assistant Manager	FTA	Communication Management	01	02
PM9	Female	32	MBA	General Manager	FTA	Risk Management	01	03
PM10	Male	30	MBA	Senior Executive Officer	MoF	Corporate Finance	01	03

Please note PM = Policy Maker, FTA = Federal Tax Authority, BBA = Bachelor of Business Administration

Considering the age, qualifications, knowledge in the industry, and years of experience, it is believed that policymakers provided quality data throughout the interview process.

5.3.2.2 Formulating Fiscal Policy and Collecting VAT in the UAE

From the qualitative interviews with policymakers, it is revealed that the responsible ministry for formulating fiscal policy is the Ministry of Finance where Federal Tax Authority is responsible for collecting VAT in the UAE.

Ministry of Finance: It has been found from the qualitative data, majority of the policymakers, *n*9 interviewees, confirmed that Ministry of Finance was established in 1971 where PM5 confirmed the UAE Ministry of Finance is responsible to implement all monetary, fiscal and industrial policies that are connected to the UAE's economic expansion. The ministry went through a massive reform between 2013 and 2017 and first reform was in 2013 where second reform took place on October 20, 2017 is stated by policymakers PM2, PM3 and PM7.

The vision of the FTA is to lead the financial sector globally in the line with the vision of the UAE. The mission of the FTA is the mission of the MoF is to utilise the financial capital in an efficient and proactive manner through operative fiscal policies.

Some of the core duties and responsibilities of the MoF are (i) to promote the fiscal planning; (ii) improve sustainability; (iii) to promote investment opportunities; (iv) improving the efficiencies of the budget; and (v) endorsing the fiscal planning of the federal government worldwide.

The FTA: From the qualitative data, FTA was formed under the Federal Law by Decree No. 13 of 2016 in 2016 and headquarter is in the emirate of Abu Dhabi. One of the key responsibilities of FTA is the management and collection of tax. The current strategy of the organisation is followed by a five-year plan for the period between 2017 and 2022.

Some of the duties and responsibilities of FTA are (i) excise goods price; (ii) listing good classification; (iii) review price; (iv) set up a policy for periodically reviewing price as a market condition; (v) ensuring the validity of the price list; (vi) updating Tax where necessary examining the retail sector developments regarding selective goods For Tax Collection; (v) Collecting Tax through Tax Agents who are FTA registered; (vi) providing high quality service; (vii) increasing the volume of tax revenue; and (viii) improving services to maintain the transformation of global standards.

5.3.2.3 History of Taxation in the UAE

Current Provision for Tax: All policymakers confirmed that current provision for VAT is '5%'. Additionally, 100% tax on Tobacco products and energy drink, and 50% tax on soft drinks imposed is mentioned by PM1. Rationales for selecting as low as the 5% VAT provision is because there was a huge chance of the country's people would go against the system if the rate is higher.

Expectation: All *n*10 policymakers confirmed that the expectation on the 5% VAT was very satisfactory. PM1 precisely described that with 312,000 VAT registered businesses since the inception of VAT on 1 January 2018 the expectation was quite satisfying. In terms of tax collection, PM7 confirmed that tax collection met the expectation in the UAE.

Major challenges in 5% VAT implementation: from the analysis of the qualitative data, some major challenges in 5% VAT implementation are as follows:

1. Setting up a strong revenue administrative system;
2. Identifying the products and services to be levied;
3. Getting used to the VAT system for businessmen;
4. Transitional challenge such as building awareness and coping with VAT implementation;
5. Raising the living cost;
6. Some people are yet unhappy with the imposing 5% VAT rate

Overcoming the Challenges: Policymakers confirmed a number of measures were taken to overcome the challenges and they are in the following:

1. Setting up a best possible administrative system to make VAT more effective.
    a. Setting up an easy electronic portal where people can register their business.
2. Setting up some of the regulations for VAT agents who can help SMEs to file their quarterly and annual returns.
3. Creating awareness among individuals and businesses.

5.3.2.4 Rationale for Imposing VAT in the UAE

All *n*10 policymakers confirmed that rationale for the imposing 5% VAT is for economic diversification and reducing the dependency on natural resources. From the qualitative data analysis, followings are some rationales found for imposing VAT in the UAE:

1. Due to decrease of the oil price in global market, the national revenue has been significantly decreased;
2. Economic diversification;
3. Providing inducement to buyers to buy lesser imported foreign products and focus more on national brands;
4. Increasing the accountability rate of SMEs and increase the transparency level in government;
5. Increase the level of transparency in government;
6. Imposing VAT on non-essential consumer goods to ensure that the consumers feel less stimulated to purchase foreign items;

***Organisational Involvement**:* From the interview analysis, all *n*10 policymakers confirmed that the Ministry of Finance is directly involve in VAT policy and implementation whereas the Federal Tax Authority involved in VAT administration.

Changes made to adjust VAT in the UAE: All *n*10 interviewees emphasised that establishing the Federal Tax Authority under the Federal Law by Decree No. 13 of 2016 is one of the key changes to adjust VAT in the UAE.

Regional agreement: All *n*10 policymakers confirmed that GCC have directly associated to impose a VAT in the GCC countries. It has been found that GCC reached an agreement for the unified VAT agreement for the Cooperation Council for the Arab States of the Gulf at its 36th meeting in Riyadh in 9-10 December 2015.

5.3.2.5 SMEs Culture Receptivity to VAT

All *n*10 policymakers confirmed that SMEs in the UAE are not receptive to the traditional VAT system. According to policymakers such as PM1, PM2, PM3, PM4, PM5, PM6 and PM7, although VAT was not well perceived by SMEs but gradually SMEs' culture started to adapt with the system.

5.3.2.6 Institutionalising VAT

All *n*10 interviewees confirmed, to institutionalise VAT, firstly, the MoF and FTA recognised the need of information required by SMEs as well as individuals to adapt with 5% VAT. Secondly, to deliver VAT effectively, the MoF and FTA set up a system that provides all the information require by SMEs as well as individuals. The information regarding a business must register for VAT if its taxable supplies and imports exceed AED 375,000 per annum. The UAE

SMEs can voluntarily register for VAT if their supplies and imports exceed AED 187,500. The system can also facilitate VAT registration process and so on

Recognising professional bodies*:* Majority policymakers, *n*9 interviewees, stated that the FTA regulates agents so that agents can help SMEs in registration as well as tax return.

Beliefs on VAT: *n*2 policymakers confirmed that they believed on VAT as VAT changes the business pattern and increasing cost in SME sector. At the same time, increase in VAT means a change in government revenue, increases business efficiency and uplifts the economy.

Role of VAT in SMEs*: n*8 policymakers confirmed that the role of VAT in SMEs is to make businesses able to contribute to the national economy, ensure more accountability, and strengths national economy of the UAE.

Overall assessment of VAT on SMEs*:* It has been found from the analysis that all *n*10 policymakers confirmed that VAT has a positive impact on SMEs in the UAE. Some of the positive impacts of VAT on SMEs as well as in the country mentioned by policymakers are in the following:

1. Contribute to the national economy;
2. Development of the country;
3. Improve support and services in the country;
4. Uplift lifestyle of the citizens;
5. Improve conditions of SMEs;

5.3.2.7 VAT impacts on the structure of SMEs

VAT Effects on SMEs' Structure: From qualitative data analysis, it has been found that VAT has a little impact on the structure of SMEs in the UAE. According to policymakers, there is no impact of VAT on SME structure including number of employment and ownership considering the business turnover exceeds AED 3,75,000 and unless a higher rate of VAT than 5% is being imposed. PM9 stated that VAT is making many positive changes in the of business that amplify the economy and betters the lifestyle of the whole nation. PM10 mentioned that implementation of 5% VAT in the UAE has a mixed impact on SMEs structure including employee size, ownership, and annual turnover. The policymaker confirmed that a negative impact of VAT is that it incurs extra costs, direct and indirect, to the business and positive

impact is it creates opportunities to make investment, which create more SMEs as well as employments.

Establishing Relationships between MoF, FTA, and SMEs (Coordination): From the qualitative analysis, it has been found that there are some visible relationships between MoF, FTA and SMEs, and they are in the following:

1. Responsibilities to national development;
2. Transparency in doing business in the UAE trustworthiness;
3. Building trust among MoF, FTA, and SMEs by collaboration.

5.3.2.8 Impact on the Accountability and Management System

Ensuring VAT management: it has been found from quantitative analysis that there is a strong VAT management as well as accountability in place in the UAE. According to policymakers, VAT accountabilities and management are ensured by a number of ways, which are:

First, by the registered agents. For the registration, a legal person in business must register for VAT if the taxable suppliers made by that person exceed AED 375,000 or over the previous 12 months;

Second, by self-service registration. Visiting FTA website, www.tax.gov.ae, and select e-service to create an account by clicking sign up. Once the email has been verified, log in and register your business.

Third, for the product registration, visit the FTA website Select e-Services Request to add a product Upload the necessary documents to register the product.

Finally, for VAT return, there are four stages to submit a VAT Return Login to the FTA eServices portal Complete the Form Submit the Form Settle the Payable VAT.

Ease of VAT management: From qualitative analysis, all *n*10 participants confirmed that VAT management, from VAT registration to VAT return, is made easy for SMEs in the UAE. However, there is always a room for the development.

Mechanism to ensure accountability: From the qualitative analysis it has been found that there are some mechanisms, such as regulation, penalties, audit and continuous monitoring, in place to ensure accountability in VAT in the UAE.

Measuring VAT performance: It has revealed from the qualitative data analysis that SMEs have measured VAT performance by monitoring, throughout the VAT management system, focusing transparency of the businesses, auditing, and accountability. A detailed explanation is in the following.

Using information for internal affairs: From the qualitative analysis, it is found that information provided by SMEs are utilised for reviewing policy and procedures, for finding out inconsistency, find out any discrepancy, and audit purpose.

Communication channel: From the qualitative data analysis, there are three communication channels such as (1) by physical administration such as in person; (2) by online services such as via e-mail; (3) by postal service such as mail; (4) by telecommunication such as telephone, mobile and text.

Impact on SMEs' daily accountability: It has also revealed that interviewees believed that the support and services provided by the MoF and the FTA help SMEs in VAT registration, generate tax invoice, and return annual tax.

System used to provide supports and deliver services: From the qualitative data analysis, it has been found that Ministry of Finance and the Federal Tax Authority supports SMEs by agent and online to provide supports and services.

5.3.2.9 Impact on VAT Process, Efficiencies and Daily Business and Work

VAT Administrative System: From the qualitative data analysis, it has revealed that policymakers believe VAT administrative system is very easy, fast, time-efficient, and acceptable.

Satisfaction with the Response: It has been found that the satisfaction with the response received from SMEs is positive.

Any Changes Required to Achieve Efficiencies: It has been found from the qualitative data analysis that updating the system time to time and develop system to meet the need of SMEs.

5.3.2.10 VAT Impacts on Profitability of SMEs

Direct and Indirect Cost: From the qualitative data analysis, all the interviews confirmed that they are aware of VAT's impacts on profitability of SMEs in the UAE.

Limiting VAT Impacts on SMEs: From the qualitative interview, it has revealed that MoF has been consistently working towards limiting VAT's impact on SMEs.

5.3.2.11 Suggestions

Suggestions to the Ministry of Finance and the Federal Tax Authority: From the analysis, some of the suggestions are in the following:

1. Providing More Financial Support;
2. Lowering VAT Rate; and
3. Helping Start-up.

Suggestions to SMEs: Form the qualitative data analysis, it has revealed that some of the suggestions were made by the policymakers to SMEs are as follows:

1. Allocating right skilled people for right jobs;
2. Trustworthiness;
3. Train and develop employees;
4. Being compliant with VAT regulations;
5. Developing a unique recording system; and
6. Updating recording system.

5.3.3 Achieving RO3 of the Study

5.3.3.1 Demographic Information Analysis

*n*10 stakeholders participated in this study, among them n8 participants were male and *n*2 participants were females. Concerning the age of stakeholders, the majority of the stakeholders, *n*5, were in the 46-55 years age groups. N2 stakeholders were in the 36-45 years old and the rest of each participant was in 55-65, 26-35, and 18-25 years age groups. Regarding the location of the stakeholders, each *n*2 stakeholders were from Abu Dhabi and Dubai. Among the rest of n6 participants, each *n*1 participant was from Ajman, Fujairah, Ras Al Khaimah, Sharjah, Umm Al Quwain. In regards to the highest qualifications of the stakeholders, the highest number of participants, *n*4 participants, have Master's degree, *n*3 participants have PhD degree, *n*2 participants have Bachelor's degree, and *n*1 participant has a Diploma.

It has been found that each stakeholder holds a significant position in SMEs. There were *n*3 businessmen, *n*2 business professionals (one accountant and one business banker). Rest of the *n*5 stakeholders were *n*1 academic (business administration), *n*1 researcher (business and

investment), *n*1 media person (business reporter), *n*1 buyer, and *n*1 working for SMEs in the UAE. All the stakeholders were of Emirati nationality background.

Observing the experiences of the stakeholders in SMEs in the UAE, it is found that the majority of the participants, *n*4 stakeholders, have experiences between ten and 15 years. *n*3 participants have experiences from 15 to 20 years where *n*2 stakeholders have above 20 years of experiences. *n*1 stakeholder confirmed that he has experience from four to five years. Demographics information of the stakeholders are shown in Table 5.2.

Table 5.2: Demographic Information of the Stakeholders

SL	Gender	Age	Location	Qualification	Position	Nationality	Experience
SH1	Male	46-55	Abu Dhabi	Master	Businessman	Emirati	15-20 years
SH2	Male	55-65	Umm Al Quwain	Bachelor	Businessmen	Emirati	20 years above
SH3	Male	46-55	Sharjah	Master	Business Professional (Accountant)	Emirati	15-20 years
SH4	Male	36-45	Abu Dhabi	Master	Media Person (Business Reporter)	Emirati	10-15 years
SH5	Male	46-55	Dubai	PhD	Academic (Business Administration)	Emirati	15-20 years
SH6	Female	26-35	Ras Al Khaimah	Master	Buyer	Emirati	10-15 years
SH7	Male	18-25	Fujairah	Bachelor	Working for SMEs	Emirati	4-5 years
SH8	Female	36-45	Dubai	PhD	Business Professional (Business Banker)	Emirati	10-15 years
SH9	Male	46-55	Sharjah	PhD	Researcher (Business and Investment)	Emirati	10-15 years
SH10	Male	46-55	Ajman	Diploma	Businessmen	Emirati	20 years above

Please note, SH meaning stakeholder.

5.3.3.2 Understanding Taxation Policy, VAT in the UAE:

Awareness: From the qualitative data analysis, it has been found that all stakeholders were aware of the introduction of VAT in the UAE.

Current Provision of VAT: Form the qualitative analysis it has revealed that all participants were aware of current VAT provisions in the UAE.

Exception in VAT: From the qualitative data analysis, it has revealed that there are some exceptions in some of the sectors such as real estate.

5.3.3.3 Factors Impacting the Adoption of VAT in the UAE

Globalisation: It has revealed from the analysis that globalisation is one of the key factors contribute to VAT's adoption in the UAE. Nine out of ten stakeholders provided the rationale why globalisation factor is one of the key factors contributing to impose VAT in the UAE.

Political: Half of the stakeholders, 4 out of 10, confirmed that there is a political factor contributes substantially to the adoption of VAT in the UAE. It is believed by the stakeholders, such as SH7, SH8, SH9 and SH10, that the agreement with the GCC, a unified VAT is applied in the UAE.

Economic: From the qualitative analysis it has been found that *n*6 participant think economic factor is one of the prime contributions in VAT's introduction in the UAE. Some of the justifications behind economic factor for VAT being imposed are as follows:

1. Economic diversifications;
2. GDP growth;
3. New source of revenue;
4. Reducing the dependency on oil.

5.3.3.4 Rationale for Imposing a VAT on SMEs in the UAE

From the qualitative data, it has identified some of the core reasons for the UAE government to impose 5% VAT in the UAE and they are in the following:

5. Contribute to the national economy;
6. Revenue collection;
7. Economic diversifications;
8. Reducing dependency on natural resources; and
9. Achieving UAE Vision 2030.

5.3.3.5 Supporting 5% VAT Introduction

From the qualitative data analysis, it has revealed that all 9 participants supported 5% VAT introduction in the UAE. Only SH6 abstain from providing information regarding the support of 5% VAT introduction.

5.3.3.6 Opposing the Introducing VAT

Only reference from SH6 found who stated that imposing VAT on SMEs can increase control as well as burden on business.

5.3.3.7 Justifications of 5% VAT Introduction

Stakeholders interviewees rationalised imposing 5% VAT in the UAE as the rate is balanced and affordable, 'neither high nor low' (SH1, SH3, SH4, SH6 and SH10). 5% VAT in the UAE seems low compared to the VAT rate in Western countries, but it is worth noting individuals in the UAE pay Islamic way of paying *Zakat* every year, which is 2.5% of their total wealth. With the 5% VAT in the UAE plus 2.5% *Zakat* accumulates 7.5%, which is justified at the beginning of VAT introduction (SH7, SH8, SH9 and SH10). Also, some stakeholders believe that they contribute to the national development by paying 5% VAT in the UAE (SH2 and SH7).

5.3.3.8 VAT impacts on SMEs

Extent to which VAT Impacts SMEs: From qualitative data analysis, it has been found that VAT impacts SMEs a great deal. Some greatest impacts on SMEs are 'non-monetary impact' (SH1, SH3), 'financial impact' (SH2, SH3, SH4, SH5, SH6), which will affect in 'annual turnover', 'profitability' (SH9) as well as 'growth of the business' (SH7). According to SH10, levying 5% VAT impacts daily life in the emirates as well as businesses.

Direct Impact of VAT on SMEs: It has been revealed from the analysis that there is a direct impact of VAT on SMEs in the UAE. Direct impacts of VAT on SMEs include 'losing some money as the 5% VAT' (SH1, SH2, SH4, SH6). Stakeholders such as SH7, SH8, SH9 and SH10 clarified that some of the direct impacts caused by the administration such as day to day account management, filling tax, tax return, invoicing, and VAT itself.

All *n*10 stakeholders confirmed that despite of the direct impact of 5% VAT on SMEs, individuals and businesses are happy to contribute in the development of the economy as well as the growth of the UAE.

Indirect Impacts of VAT on SMEs: From the qualitative data analysis, it has been found that there are some indirect impacts of VAT on SMEs. Some indirect impacts of the 5% VAT are (1) ensuring transparency between SMEs and the government (SH1, SH2, SH3, SH4, SH5, SH6); (2) building relationships between SMEs and the government.

On the other hand, some indirect impact on SMEs would be (1) Influx cashflow (SH6); (2) changes in daily lifestyle (SH6, SH7, S8, and SH9), (3) Reducing resident's buying capabilities could impact on the annual turnover of the business.

5.3.3.9 VAT Impact SMEs in the UAE Unequally

It has explored from the qualitative data that VAT impact SMEs in the UAE unequally because businesses in all emirates are not the same. For instance, small businesses in Abu Dhabi, Dubai and Sharjah perform better than those of Fujairah, Ajman, Ras Al Khaimah and Umm Al Quwain.

All *n*10 stakeholders mentioned that VAT impacts SMEs in the UAE 'unequally'. Some stakeholders, such as SH1, SH2, SH3, SH4, SH5, SH6 and SH7, found that the generalisation of 5% VAT to all emirates is unfair, since SMEs in emirates such as Ajman and Sharjah, with relatively lower income, still pay the same VAT rate as SMEs in the emirates with higher income, such as Dubai and Abu Dhabi. SH8 stated that inequality occurs because large organisation may take cost advantage where SH9 clarified that since 5% VAT is applicable to any business whose annual turnover is higher than AED 375000, SMEs at the lower end will suffer from the cost incurred by direct and indirect cost. SH10 further added that VAT will impact SMEs in the UAE unequally. This is because direct and indirect costs for large corporations and small businesses are same.

5.3.3.10 VAT Unfairly Impacts Small Enterprises

It has been found from the analysis that VAT is unfairly impact small enterprises in the UAE. According to stakeholders such as SH1, imposing 5% VAT in the UAE has huge impacts on small enterprises.

To limit the adverse impacts of 5% VAT on the small enterprises, government can provide with certain help and supports, and they are:

1. A public fund can help small enterprises in the UAE (SH1):
2. One to two years VAT exemptions for two years (SH1, SH2, SH3, SH4, SH5, SH6, SH7);

5.3.3.11 Support and Services Provided by the UAE Government

From the analysis it has revealed that support and services provided by the government to grow business in the UAE was not adequate. According to all *n*10 stakeholders, the UAE government

offers some non-monetary supports and services, which are available through online and are not enough for SMEs to grow their businesses. Therefore, some stakeholders emphasised on the following supports and services and think government can do more to help SMEs in the UAE, and these include:

1. Providing SMEs with financial help sometimes (SH1), in case of emergency (SH4);
2. SMEs need more consultancy to turn out in better form (SH1, SH5, SH6);
3. Helping with better infrastructure building (SH5);
4. Ease to access into the government support and services (SH6, SH7);
5. Providing enough information (SH10).

5.3.3.12 Happy with the VAT Registration Process

It has revealed from the analysis that stakeholders are happy with the VAT registration process because it is easy, flexible, time and cost-efficient. For example, stakeholders such SH1, SH2, SH3, SH8 mentioned that VAT registration is quite easy and SH4 and SH5 found as a simple process. SH4, SH7, SH9 and SH10 stated they are happy with the VAT registration process. The process includes opening an e-service account, filling up a form with personal and business details, apply for a VAT registration, registering products and services, and paying tax.

5.3.3.13 Government provide a VAT management system to SMEs

In terms of Government supporting with VAT management to SMEs, there is no such system for VAT management offers by the Ministry of Finance or Federal Tax Authority (SH1, SH2, SH4, SH6 and SH8). However, despite the lack of VAT management systems, the government provides adequate guidelines and information about VAT management on their website is mentioned by SH10.

5.3.3.14 Government Agencies help SMEs to be Compliant

Stakeholders showed a mixed reaction about the government agencies help SMEs to be VAT compliant. Majority of the respondents, six out of ten stakeholders, responded that government agencies help SMEs to be VAT compliant (SH1, SH2, SH3, SH4, SH5 and SH6) whereas three out of ten stakeholders mentioned that government agencies make SME to be VAT complaint by penalising them accordingly (SH8, SH9 and SH10). Two stakeholders (SH5 and SH6) hope to received relevant support system soon.

5.3.3.15 SMEs Need More Supports and Services from the Government

All ten stakeholders agreed that government should provide more financial support to grow SMEs with VAT implementation in the UAE.

5.3.3.16 Recommendations

Followings are some of the recommendations by stakeholders of the UAE SMEs:

1. Creating friendly environment
2. Creating more advisor firms
3. Creating a positive impression
4. Ease of accessing the fund
5. Educate entrepreneur
6. Rewarding small enterprise
7. Providing with detailed information regarding the use of revenue from VAT
8. Providing with system for day to day account management
9. Reducing burden of penalties

5.3.4 Achieving RO4 of the Study

5.3.4.1 Business Demographic

Ownership of Business: Total *n*265 (100%) respondents participated in this research study. Among the participants the majority of the respondents, *n*231 (87.2%), are the owner of the business, and small number of respondents, *n*34 (12.8%), are not owner of the business but they hold different positions in the business.

Size of the Business: Most of the businesses, around *n*114 (44.2%), employed 10-49 employees whereas *n*100 (37.7%) had 1-9 employees. Additionally, *n*48 (18.1%) companies employed 50-249 employees in their businesses.

Number of Business Sites: Approximately *n*67 (25.3%) businesses had only one business site, around *n*62 (23.4%) respondents had three business sites, and almost *n*59 (22.3 %) respondent organisations had four business sites. Only *n*8 (3%) businesses had more than five sites including their head office in the UAE while around *n*47 (17.7%) businesses had two sites and *n*22 (8.3%) businesses had five sites.

Company Status: Among the status of the companies, around *n*67 (25.3%) companies are Limited Liability Company (LLC); almost *n*58 (21.9%) companies are Sole Proprietorship;

approximately *n*51 (19.2%) companies are Partnerships; about *n*31 (11.7%) companies are Private Share Holding Company; almost *n*24 (9.1%) companies are Civil Company; around *n*19 (7.2%) are Public Share Holding Company; nearly *n*8 (3%) companies are Franchise; and *n*7 (2.6%) companies are belonged to Others categories.

Business Sectors: Most of the respondents around *n*48 (18.1%) businesses operate engineering business, and nearly *n*47 (17.7%) business are in construction and real estate sector. Around *n*36 (13.6%) respondents operate retail/trade/logistics business, and almost *n*32 (12.1%) respondents operate their businesses in oil and gas sector. The rest of the respondents, nearly *n*25 (9.4%) businesses are in media and entertainment business, almost *n*23 (8.7%) are in production/manufacturing business, around *n*17 (6.4%) respondents are in marketing and advertising sector, about *n*14 (5.3%) businesses are in the automotive and ancillary sector; and *n*22 (8.3%) are in other types of business.

Prime Location of Business: Among the respondents, about *n*96 (36.2%) respondents are based in Abu Dhabi, and nearly *n*50 (18.9%) respondents are based in Fujairah. Rest of the respondents ensured that their prime locations of business are Ras al-Khaimah *n*31 (11.7 %), Sharjah *n*30 (11.3%), Dubai *n*25 (9.4%), Ajman *n*21 (7.9%), and Umm al-Quwain *n*11 (4.2%).

Years of Business Operations: The highest number of business around *n*57 (21.5%) operated business for five years whereas the lowest number of businesses nearly *n*10 (3.8%) run their operation for more than 20 years. Second highest respondents about *n*46 (17.4%) businesses operated their businesses for four years. Among the rest of the respondents, *n*33 (12.5%) each responded that they are operating their business for three years and six to ten years, *n*30 (11.3%) businesses for two years, *n*29 (10.9%) businesses for one year, *n*13 (4.9%) each for less than one year and 11–20 years.

5.3.4.2 Biggest Obstacle to the Success of Business

It has been found from the quantitative data analysis that, majority of the business around *n*141 (53.2%) identified taxation is the biggest obstacle where the lowest number of respondents around *n*8 (3%) found they do not face any obstacles to be successful in the business. Following table 5.3 shows the ranks of the biggest obstacles to business from respondents' perspectives.

Table 5.3: The Biggest Obstacle to the Success of Business of Respondents

Rank	Obstacles	Frequency	Percentage
01	*Taxation, VAT*	141	53.2
02	*Regulations*	135	50.9
03	*Recruiting employees*	109	41.1
04	*Availability/cost of suitable premises*	94	35.5
05	*Cash flow*	90	34.0
06	*Competition in the market*	81	30.6
07	*Late payment*	76	28.7
08	*Not being able to increase prices/fees*	57	21.5
09	*Shortage of skills generally*	51	19.2
10	*Obtaining finances*	49	18.5
11	*The economy*	45	17.0
12	*Shortage of managerial skills/expertise*	44	16.6
13	*Pensions*	41	15.5
14	*Red tape*	35	13.2
15	*other obstacles*	9	3.4
16	*No obstacle*	8	3.0

5.3.4.3 VAT and Legal Form

Awareness on 5% VAT Implementation: Majority of the respondents about *n*208 (78.5%) are aware of the implementation 5% of VAT in the UAE whereas nearly *n*56 (21.1%) respondents responded that they are not aware of the implementation.

Business Turnover: Most of the respondents *n*89 (33.6%) stated that the nature of turnover was below AED 375,000 per annum but above AED 187,500. About *n*63 (23.8%) businesses responded that their nature of turnover was above AED 375,000 per annum and only *n*34 (12.8%) respondents 'refused' to provide their business turnover in the past 12 months. While *n*78 (29.4%) businesses responded that they don't know about actual turnover of their businesses.

5.3.4.4 VAT and Business Success

VAT Registered Business: The majority of respondents (*n*112 (42.4%)) said that their business were not VAT-registered; *n*99 (37.4%) of respondent's business were VAT registered. Around *n*53 (20%) of respondents were unwilling to answer the question 'Is your business VAT registered?'.

Ease of VAT Registration Process: The highest number of respondents, almost *n*43 (43.9%), found that VAT registration was neither easy nor difficult; the lowest number of respondents, nearly *n*2 (2%), found VAT registration process was very difficult. About *n*19 (19.4%) and *n*28

(28.6%) respondents found that VAT registration was very easy and easy, respectively; *n*6 (6.1%) respondents found that VAT registration process was difficult.

Imposing 5% VAT is an Obstacle to the Success of Your Business: The majority of the respondents, approximately *n*142 (53.6%), found that imposing 5% VAT is not an obstacle to the success of SMEs; *n*58 (21.9%) respondents revealed that imposing VAT is a challenge to the success of their business. About *n*54 (20.4%) respondents were not sure whether imposing 5% VAT is an obstacle to the success of their business or not.

5.3.4.5 The impact of VAT on the Companies' Profitability and Cash Flow

The majority of the respondents said costs involved in understanding legislation (exclusions, exemptions, deductions, good/service distinctions etc.) had an impact on their company's profitability and cash flow to a great extent *n*81 (30.6%) and to moderate extent *n*81 (30.6%). About *n*56 (21.1%) of the respondents stated that costs involved in understanding legislation (exclusions, exemptions, deductions, good/service distinctions etc.) have impact on the companies' profitability and cash flow to a to some extent and *n*25 (9.4%) said to a small extent while *n*12 (4.5%) said there is no impact.

Respondents said that procedural requirements (such as supporting evidences for VAT registrations, accounting records, bookkeeping for tax return, and accounting record for VAT return) involve additional workforce and, hence, increase in expenditure on wages and salaries to moderate extent *n*100 (37.7%), to some extent *n*67 (25.3%) and to a great extent *n*51 (19.2%). Rest of the respondents said procedural requirements (such as supporting evidences for VAT registrations, accounting records, bookkeeping for tax return, and accounting record for VAT return) involve additional workforce and, hence, increase in expenditure on wages and salaries impact on the companies' profitability and cash flow to a small extent *n*30 (11.3%) and no impact *n*6 (2.3%).

It has been recorded that respondents said the compliance costs are significantly higher when businesses are involved in cross border trade has impact on the companies' profitability and cash flow to a moderate extent *n*100 (37.7%), to some extent *n*60 (22.6%), and to a great extent *n*46 (17.4%). Rest of the respondents said it has impact on the companies' profitability and cash flow to a small extent *n*36 (13.6%), and *n*10 (3.8%) mentioned it has no impact.

The majority of the respondents *n*119 (44.9%) stated other administrative costs related to VAT claim, missing deadline, and others has impact on the companies' profitability and cash flow

to some extent. According to *n*65 (24.5%) respondents other administrative costs related to VAT claim, missing deadline, and others has impact on the companies' profitability and cash flow to moderate extent, *n*23 (8.7%) responded it has impact to a great extent and *n*38 (13.6%) replied it has impact to a small extent while only *n*10 (3.8%) stated it has no impact.

'The company falls within the scope of the payment of VAT incurs a direct cost on the company's profitability' has impact on the companies' profitability and cash flow to a moderate extent *n*100 (37.7%), to some extent *n*60 (22.6%), and to a great extent *n*41 (15.5%). Around *n*38 (14.3%) respondents said it has impact to a small extent and *n*10 (3.8%) stated it has no impact.

About *n*37 (36.6%) respondents believed that VAT adversely affects companies' profitability to some extent, nearly *n*86 (32.5%) respondents thought VAT adversely affects companies' profitability to a moderate extent and approximately *n*27 (10.2%) believed it has impact to a great extent. Only *n*13 (4.9%) replied that VAT has no impact on companies' profitability and *n*29 (10.9%) stated it has impact to a small extent.

About *n*102 (38.5%) stated that costs related to cash flow management has impact on company's profitability and cash flow to a moderate extent, *n*78 (29.4%) replied it has impact to some extent, and *n*34 (12.8%) mentioned it has impact to a great extent. Only *n*8 (3%) respondents believed that costs related to cash flow management has no impact, and *n*28 (10.6%) respondents believed it has impact on company's profitability and cash flow to a small extent.

Overall impact of VAT on business: The majority of the respondents *n*136 (50.6%) replied that there is negative impact of VAT on their business. Only *n*75 (27.5%) respondents confirmed about the positive impact while *n*53 (19.2%) respondents affirmed that they are not sure about the overall impact of VAT on business.

5.3.4.6 Factors that Influence Compliance

Around *n*113 (42.6%) respondents have been influenced in a greater extent to pay VAT by thinking that it is a law whereas each *n*12 (4.5%) respondents mentioned that they have 'little influence' or 'no influence'.

Approximately *n*111 (41.9%) of respondents showed their great concerns at having to pay interest charges for late payment of tax, which bound them to pay VAT. Each *n*14 (5.3%) respondents confirmed that they have 'little influence' or 'no influence'.

Nearly *n*107 (40.4%) respondents stated that having goods seized by the Federal Tax Authority for failure to pay tax has great influence on making them bound to pay VAT whereas *n*19 (7.2%) stated it has little influence, and *n*15 (5.7%) said it has no influence.

Almost *n*91 (34.3%) relieved that other taxpayers are declaring and paying honestly has great influence on respondents to pay VAT while *n*15 (5.7%) said it has no influence.

Most of the respondents, almost *n*106 (40.0%), identified 'Concern that a third party (e.g. a bank), owing money to you, will be ordered to pay that money over to the Federal Tax Authority' has great influence on them to make them bound to pay VAT. Only *n*18 (6.8%) said it has no influence on them to pay VAT.

Nearly *n*106 (40.0%) respondents mentioned that the fact the Federal Tax Authority presumes that they have been honest in dealings with them influence greatly them to pay VAT. Only *n*14 (5.3%) said it has no influence on them paying VAT.

Almost *n*93 (35.1%) respondents confirmed that 'concern that the Federal Tax Authority will obtain a court judgement against them for failure to pay tax and publish details of that judgement' has great influence on them paying VAT. Only *n*14 (5.3%) respondents replied that it has no influence on them.

It was found during the survey that *n*105 (39.6%) respondents mentioned that their personal belief that they should do the 'right thing' influenced them greatly to pay VAT. Only *n*12 (4.5%) respondents mentioned that it has no influence on them.

About *n*107 (40.4%) respondents mentioned that 'Concern that they will be audited by the Federal Tax Authority' influenced them greatly to pay VAT. Only *n*12 (4.5%) stated that it has no influence.

Majority of the respondents *n*121 (45.7%) said that 'Concern that their name will be published on the Federal Tax Authority's Quarterly List of Defaulters' influenced them greatly to pay VAT. Only *n*16 (6%) respondent think that it has no influence on them.

Around *n*117 (44.2%) confirmed that knowing that the FTA has the power to receive certain information about them from third parties (e.g. payments, rental income, interest, dividends), they have been influenced greatly where only *n*12 (4.5%) stated that this has no influence on them paying VAT.

Approximately *n*105 (39.6%) respondents think that they have been influenced greatly to pay VAT because the FTA makes it easy to pay taxes where *n*13 (4.9%) stated they have no influence.

Nearly *n*104 (39.2%) mentioned that they have been influenced greatly to pay VAT because tax payments are used to fund public services where only *n*16 (6%) confirmed they have no influence.

5.3.4.7 Business Experience with Foreign VAT

Business incurred costs in foreign countries: From the quantitative data, majority of the respondents 177 (67.05%) ensured that their business incurred costs in foreign countries. On the other hand, 87 (32.95%) respondents replied that their businesses do not incur any costs in foreign countries.

Business incurred expenditure in Foreign Country: Since 177 (67.05%) respondents confirmed their businesses incurred costs in foreign countries, it has been revealed that 124 (47%) respondents have business incurred expenditure in more than one country (GCC), 31 (11.7%) respondents have business incurred expenditure in more than one country (including non-GCC) while 22 (8.3%) respondents have business incurred expenditure in only one country.

Business Incurred Expenditure by Region: Among total respondents, 177 respondents who replied their business incurred costs in foreign countries. From 177 respondents, most of the respondents mentioned that their business incurred expenditure in the regions such as Europe 101(38.1%), South America 88 (33.2%) and North America 82 (30.9%). Rest of the respondent's business incurred regions are Russia 74 (27.9%), Asia 62 (23.4%), Africa 59 (22.3%), and Middle East 26 (9.8%).

5.3.4.8 Responses on Foreign VAT and business

VAT incurred on the Foreign Business Expenditure: Survey questionnaire attempted to investigate whether VAT incurred on the foreign business expenditure or not and it has revealed that only 74 (27.9%) respondents confirmed that they can incur VAT on foreign

business expenditure whereas large number of respondents 117 (44.2%) confirmed that their businesses do not incur VAT on the foreign business expenditure. Among the respondents, 49 (18.5%) respondents replied that they 'don't know' whether their businesses incur VAT on the foreign business expenditure or not.

Business Ability to Recover VAT: Majority of the respondents 124 (46.8%) confirmed that their businesses have ability to recover foreign VAT where few of the respondents 56 (21.1%) stated that their business have the ability to recover any of the foreign VAT. Around 60 (22.7%) respondents confirmed that they do not know whether their business has the ability to recover any of the foreign VAT or not.

If yes, in many countries have your business recovered VAT: Since 124 people responded yes to their business has ability to recover the foreign VAT, majority of the respondents 74 (28.03%) confirmed they have the ability to recover VAT from some of the countries, 24 (9.09%) respondents affirmed that they can recover VAT from all of the countries, and 26 (9.84%) participants replied that they can recover VAT from one country.

5.3.4.9 Causes of not recovering VAT

From Table 5.4, it is found that *n*59 (22.3%) respondents identified not having reciprocity arrangement between the two countries as the cause of not recovering VAT by their business. About 49 (18.5%) respondents affirmed that as the costs of recovery are too high they cannot recover the VAT. 45 (17%) respondents claimed that they cannot recover VAT because the amounts involved are too small, while 41 (15.5%) responded that they cannot recover VAT because the tax authorities will not refund VAT to a foreign business. Rest of the respondents identified 'The tax authorities make claiming refunds too difficult'34 (12.8%), 'It would need to register for VAT'36 (13.6%), 'The tax authorities will not allow a foreign business to register and recover VAT without having a taxable activity in the country' 21 (7.9%), 'The accounting system does not identify the VAT incurred abroad' 15 (5.7%) and Some other reasons 12 (4.5%) as the causes of not recovering VAT by their business.

Table 5.4: Causes of Not Recovering VAT

Rank	In some cases, why can't your business recover VAT?	Frequency	Percent
01	There is no reciprocity arrangement between the two countries	59	22.3
02	The costs of recovery are too high	49	18.5
03	The amounts involved are too small	45	17.0
04	The tax authorities will not refund VAT to a foreign business	41	15.5
05	It would need to register for VAT	36	13.6
06	The tax authorities make claiming refunds too difficult	34	12.8
07	The tax authorities will not allow a foreign business to register and recover VAT without having a taxable activity in the country	25	9.4
08	The tax authorities will not allow a foreign business to register and recover VAT without creating a branch or another establishment in the country	21	7.9
09	The accounting system does not identify VAT incurred abroad	15	5.7
10	Some other reasons	12	4.5

5.3.4.10 Business Support

Financial Support from Government to Grow Business: Majority of the respondents, approximately 58.1%, confirmed that they get financial support from government to grow their business whereas 35% respondents confirmed they do not get financial support from government to grow their businesses.

Ease to Find Financial Support from Government to Grow Business: Most of the respondents *n*89 (33.6%) mentioned that this is neither easy nor difficult to find financial support from government. Approximately *n*29 (10.9%) respondents stated that they found it easy to find financial support from government to grow business where *n*12 (4.5%) said it is very easy to find financial support. Nearly *n*15 (5.7 %) respondents find it difficult and almost *n*10 (3.8%) respondents find it very difficult to get financial support from government to grow business.

Receiving Financial Support from a Bank to Grow Business: Less than half of the respondents *n*122 (46%) receive financial support from a bank or other financial institutions to grow your business where *n*112 (42.3%) confirmed they do not receive any financial support from a bank or financial institutions to grow their businesses.

Seeking External Advice: Approximately *n*59 (21.9%) respondents found it was easy to receive financial support from a bank or other financial institutions to grow their business, while only *n*9 (3.4%) found it very easy to receive financial support. The rest of the respondents said this was neither easy nor difficult (*n*43 (16.2%)), difficult (*n*9 (3.4%)) or very difficult (*n*5 (1.9%)) to receive financial support from a bank or other financial institutions to grow their business.

Source of Information: Most of the respondents, n124 (46.8%), mentioned that they received information from business colleagues, peer groups or networks, where *n*115 business representation organisation/trade association/Chamber of Commerce. Following Table 5.5 shows the rank of the source of information about government support to small business.

Table 5.5: Sources of Information about Government Support for Small Businesses

Rank	Sources of Information	Frequency	Percent
01	*Business colleagues/peer groups/networks*	124	46.8
02	*Business representation organisation/trade association/Chamber of Commerce*	115	43.4
03	*Bank manager/advisor*	102	38.5
04	*Accountant*	97	36.6
05	*Consultant*	85	32.1
06	*Local Authority*	72	27.2
07	*Google/internet search*	60	22.6
08	*Magazines*	54	20.4
09	*Federal Tax Authority website*	51	19.2
10	*eGovernment Portal*	48	18.1
11	*A natural or legal person in business*	32	12.1
12	*Radio*	30	11.3
13	*Mentor* Newspapers	14	5.3
14	*If other, please specify*	10	3.8

Seeking External Advice: Majority of the respondents, *n*170 (64.2%), ensured that in the last 12 months they had asked for external advice or information on matters affecting their business, whereas *n*60 (22.6%) respondents confirmed that they have not sought any external advice or information on matters affecting their business.

Finding the Support Useful for their Business or Not: Majority of the respondents *n*113 (42.6%) mentioned that the assistance or support that they received was for the Strategic advice to help induce a stepped change to grow their business in terms of profitability or numbers employed, or to increase productivity. About *n*27 (10.2%) respondents mentioned the Information they used was related to the day to day running of their business. Around *n*24 (9.1%) respondents confirmed that the assistance or support that they used was for both of the above purposes while only *n*10 (3.8%) replied that the assistance or support that they used was for neither of these purposes. Around *n*5 (1.9%) respondents affirmed that they do not know whether the information they received were useful for them or not.

Reasons for Seeking Strategic Advice: Most of the respondents *n*85 (32.1%) sought strategic advice because they wanted to better understand how to develop and grow the business or exploit a business opportunity. From the survey results, *n*40 (15.1%) respondents stated that

they sought strategic advice because the information or advice was available, there was no pressing need and *n*28 (10.6%) respondents confirmed they were concerned about the continued operation of the business or an obstacle encountered.

Strategic advice: A majority of the respondents – *n*70 (26.4%) – stated that finding a strategy was not very easy, whereas *n*48 (18.1%) said that it was not at all easy. Few of the respondents found the strategic advice fairly easy (*n*31 (11.7%)) or very easy (*n*10 (3.8%)).

Business performance: A majority of the respondents – *n*150 (56.6%) – reported that human resources had increased in the last 12 months (2018–2019). Only *n*41 (15.5%) respondents expected employment growth in the business in the next 12 months (2019–2020); *n*113 (42.6%) respondents did not expect growth and *n*50 (18.9) respondents were not sure about it; *n*106 (40%) respondents witnessed an increase in business turnover in the last fiscal year (2018–2019), and *n*96 (36.2%) respondents did not witness an increase in business turnover.

About *n*66 (24.9%) expected an increase in their business turnover in this fiscal year (2019–2020) and *n*100 (37.7%) did not; *n*38 (14.3%) were not sure. Around *n*102 (38.5%) responded that their company had made a profit in the last fiscal year (2018–2019); *n*85 (32.1%) said their company had not made a profit in that time; *n*60 (22.6%) respondents expected that their company would make profit in this fiscal year (2019–2020); *n*91 (34.3%) respondents did not expect this and *n*52 (19.6%) were not sure.

5.3.4.11 Business Growth Along With VAT

*Aim of growing business: n*101 (38.1%) respondents had the aim of growing their business over the next two to three years. Slightly more of the respondents – around *n*109 (41.1%) – did not have any aim of growing their business over the next two to three years, and *n*15 (5.7%) respondents were not sure about their aim.

*Response to approaching external finance providers to help fund this growth: n*25 (9.4%) respondents replied that they would very likely approach external finance providers to help fund this growth, and *n*54 (20.4%) respondents confirmed that they were fairly likely to do so. Around *n*74 (27.9%) respondents replied that they were not very likely to do so, and *n*56 (21.1%) respondents said they were not at all likely to do so. Also, a small number of respondents – *n*16 (6%) – did not know whether they would approach external finance providers to help fund and grow their businesses or not.

Business plan over the next two to three years: Around *n*128 (48.3%) respondents had a plan to develop and launch new products or services over the next two to three years. About *n*122 (46%) respondents had a plan for capital investment (in premises, machinery, etc.); *n*111 (41.9%) had a plan to increase the leadership capability of their managers; *n*109 (41.1%) had a plan to increase the skills of their workforce. Few of the respondents – around *n*44 (16.6%) – had a plan to increase turnover by exploiting new markets, and *n*39 (14.7%) respondents had no plan for the next two to three years. A small number of the participants – about *n*10 (3.8%) – responded that they did not know anything about their plans.

5.3.4.12 Business Capability

*People management: n*83 (31.3%) respondents stated that their business had strong people management capabilities, and *n*76 (28.7%) respondents said their business had very strong capabilities in this area. Around *n*31 (11.7%) opined that their business was average in terms of people management, and *n*26 (9.8%) stated their business was poor in terms of people management. Around *n*9 (3.4%) replied their business was very poor at this task.

*Developing and implementing a business plan and strategy: n*101 (38.1%) respondents confirmed that their business was strong in development and implementation of business plans and strategies; *n*32 (12.1%) stated that their business was very strong in this area; *n*68 (25.7%) confirmed that their business was average in this area. About *n*20 (7.2%) said that their business was poor, and *n*5 (1.9%) very poor, in this area.

Entering new markets: About *n*99 (37.4%) participants responded that their businesses were strong in terms of entering into new markets, and *n*34 (12.8%) said very strong; *n*56 (21.1%) confirmed that their business was average for entering into new markets; only *n*20 (7.5%) replied that their business was poor, and *n*16 (6%) very poor, in this area.

Developing and introducing new products and services: About *n*104 (39.2%) participants responded that their business was strong, and *n*23 (8.7%) very strong, in developing and introducing new products and services. Nearly *n*61 (23%) respondents said that their business was average for developing and introducing new products and services; around *n*28 (10.6%) rated their business as poor, and *n*9 (3.4%) as very poor, in this area.

Accessing external finances: Nearly *n*109 (41.1%) respondents claimed that their business was strong, and *n*26 (9.8%) very strong, in this area. Approximately *n*48 (18.1%) respondents said

their business was average for accessing external finance, with *n*26 (8.7%) respondents saying that their business was poor and *n*19 (7.2%) rating theirs as very poor.

Operational improvement, e.g. adopting industry best practices: Around *n*102 (38.5%) respondents mentioned that their business was strong, and *n*25 (9.4%) affirmed that their business was very strong. About *n*70 (26.4%) called their business average, and nearly *n*21 (7.9%) responded that their business was poor; only *n*7 (2.6%) said their business was very poor.

Making decisions on regulation and tax issues: About *n*101 (38.1%) respondents claimed that their business was strong, *n*35 (13.2%) replied that their business was very strong, and *n*61 (23%) claimed their business was average when making decisions on regulation and tax issues. About *n*19 (7.2%) said that their business was poor, and *n*9 (3.4%) replied that their business was very poor when making decisions on regulation and tax issues.

5.3.5 Testing Research Hypotheses

5.3.5.1 H1: VAT's Impact on SMEs in the UAE

Table 5.6 summarises the chi-square results derived from the quantitative data analysis. These results help this study test its research hypotheses and determine statistical significance between the factors and variables influencing the impact of VAT on SMEs in the UAE. As mentioned in Chapter 1, H1 comprises a number of items, such as costs involved in understanding legislation; procedural requirements; compliance costs and other administrative costs; direct costs; profitability of the business; and costs related to cashflow management. Relevant variables include business size, number of sites, company status, business sector, business location and years of operation. The test results are given in the following table 5.6.

Table 5.6: The Impact of VAT on Companies' Profitability and Cash Flow

	Items	Impacted Variables	*p*-value	*Significance*
The Impact of VAT on Companies' Profitability and Cash Flow	*Costs involved in understanding legislation (exclusions, exemptions, deductions, good/service distinctions, etc.)*	Size of the Business	0.007	*Significant*
		Number of Sites	0.025	*Significant*
		Status of the Company	0.037	*Significant*
		Sector of the Business	0.000	*Not Significant*
		Location of the Business	0.000	*Not Significant*
		Years of Operation	0.002	*Not Significant*
	Procedural requirements (such as supporting evidence for VAT registrations, accounting records, bookkeeping for tax returns and accounting records for VAT returns) involve additional workforce and, therefore, increase expenditure on wages and salaries	Size of the Business	0.283	*Significant*
		Number of Sites	0.065	*Significant*
		Status of a Company	0.184	*Significant*
		Sector of the Business	0.011	*Significant*
		Location of the Business	0.001	*Not Significant*
		Years of Operation	0.013	*Significant*
	The compliance costs are significantly higher when businesses are involved in cross border trade	Size of the Business	0.002	*Not Significant*
		Number of Sites	0.000	*Not Significant*
		Status of a Company	0.310	*Significant*
		Sector of the Business	0.001	*Not Significant*
		Location of the Business	0.000	*Not Significant*
		Years of Operation	0.008	*Significant*
	Other administrative costs related to VAT claims, missing deadlines, etc.	Size of the Business	0.642	*Significant*
		Number of Sites	0.243	*Significant*
		Status of a Company	0.415	*Significant*
		Sector of the Business	0.054	*Significant*
		Location of the Business	0.011	*Significant*
		Years of Operation	0.132	*Significant*
	The company falling within the scope of the payment of VAT incurs a direct cost on the company's profitability	Size of the Business	0.052	*Significant*
		Number of Sites	0.177	*Significant*
		Status of a Company	0.666	*Significant*
		Sector of the Business	0.025	*Significant*
		Location of the Business	0.014	*Significant*
		Years of Operation	0.202	*Significant*
	VAT adversely affects companies' profitability	Size of the Business	0.011	*Significant*
		Number of Sites	0.132	*Significant*
		Status of a Company	0.013	*Significant*
		Sector of the Business	0.114	*Significant*
		Location of the Business	0.001	*Not Significant*
		Years of Operation	0.000	*Not Significant*
	Costs related to cash flow management	Size of the Business	0.331	*Significant*
		Number of Sites	0.011	*Significant*
		Status of a Company	0.121	*Significant*
		Sector of the Business	0.005	*Significant*
		Location of the Business	0.001	*Not Significant*
		Years of Operation	0.000	*Not Significant*

H1a: The impact of VAT on companies' profitability and cash flow – costs involved in understanding legislation (exclusions, exemptions, deductions, good/service distinctions, etc.)

Table 5.6 shows that variables like business size, number of sites and company status are impacted by the 5% VAT imposed in the UAE, as their *p*-values are 0.007, 0.25 and 0.37, respectively. Since the *p*-values are greater than 5 ($p>0.5$), a type II error occurs: the hypothesis, H1a, may be confirmed when it should be rejected.

On the other hand, there is no significant impact on variables such as business sector, business location, and years of operation, as their *p*-values are.000,.000, and.002 respectively. Because the *p*-values are less than 0.05 ($p<0.05$) and 0.02 ($p<0.02$), a type I error emerges: the null hypothesis, H1a, may be rejected when it should be confirmed.

H1b: Procedural requirements (such as supporting evidence for VAT registrations, accounting records, bookkeeping for tax returns and accounting records for VAT returns) involve additional workforce and, therefore, increase expenditure on wages and salaries

Procedural requirements, such as supporting evidence for VAT registrations, accounting records, bookkeeping for tax returns and accounting records for VAT returns, have a significant impact: they involve additional workforce and, therefore, an increase in expenditure on wages and salaries. This affects variables such as business size, number of sites, company status, business sector and year of operation: their *p*-values are 0.283, 0.63, 0.184, 0.11 and 0.013, respectively. Because $p>0.005$, the null hypothesis is rejected: VAT has an impact on procedural requirements for SMEs in the UAE.

By contrast, no significant relationship was revealed between procedural requirements and business location, as its *p*-value is 0.001. Because the *p*-value is less than 0.005, H1b is rejected for the business location variable.

H1c: Compliance costs are significantly higher when businesses are involved in cross border trade

Variables such as the status of a company and its years of operation are impacted by compliance costs, as their *p*-values are 0.310 and 0.008, respectively. Since the *p*-values surpass 0.005, there is a high chance of confirming H1c: VAT has an impact on high compliance costs for SMEs in the UAE.

On the other hand, there is no impact concerning high compliance costs on variables such as business size, number of sites, the sector of the business or its location: their *p*-values are 0.002, 0.000, 0.001 and 0.000, respectively. Because the *p*-values are less than 0.005 ($p<0.005$), there is a high chance of rejecting the null hypothesis. VAT does have an impact on high compliance costs for SMEs in the UAE.

H1d: Other administrative costs related to VAT claims, missing deadlines, etc.

All six variables – size of the business, number of sites, status of company, sector of business, location of the business and years of operation – are impacted by other administrative costs related to VAT claims, as their *p*-values are 0.642, 0.243, 0.415, 0.054, 0.011 and 0.132, respectively. With greater *p*-values than 0.005, this study accepts the null hypothesis with a type II error: these administrative costs do have an impact on UAE SMEs.

H1e: The company falling within the scope of the payment of VAT incurs a direct cost on the company's profitability

All six variables are impacted by VAT implementation in the UAE. The *p*-values of business size, number of sites, status of company, sector of business, location of the business and years of operation are 0.052, 0.177, 0.666, 0.025, 0.014, and 0.202, respectively. Since the *p*-values exceeded 0.005, there is a high chance of confirming H1e: VAT has an impact on the direct costs of SMEs in the UAE.

H1f: VAT adversely affects companies' profitability

Size of business, number of sites, status of company and sector of business are impacted by VAT implementation in the UAE, as their *p*-values are 0.011, 0.132, 0.013 and 0.114, respectively. A *p*-value greater than 0.005 clearly indicates that there is a high chance of confirming H1f with a type II error: VAT adversely affects the profitability of SMEs in the UAE.

By contrast, variables such as business location and years of operation have no impact on VAT implementation, as their *p*-values are 0.001 and 0.000 respectively ($p<0.005$). It is worth mentioning that with the lesser *p*-value, a null hypothesis for H1f is rejected with a type II error.

H1g: Costs related to cash flow management

Variables such as size of the business, number of sites, status of company, and sector of business are impacted by VAT implementation, especially costs related to the cash flow that management incurs. However, the *p*-values are 0.331 for size of the business, 0.011 for the number of sites, 0.121 for the status of the company and 0.005 the sector of the business. With $p\geq0.005$, the null hypothesis for H1g – VAT has an impact on SMEs in the UAE from costs related to cash flow management perspectives – is confirmed with a type II error.

By contrast, variables such as location of the business and years of operation have no impacts on VAT implementation in the UAE from costs related to cash flow management perspectives, as their *p*-values are 0.0001 and 0.000, respectively. With *p*-values less than 0.005 ($p<0.005$), the null hypothesis for H1g is rejected with a type I error.

***H2:* Factors such as compliance, penalties, belief, financial burden, honesty, prosecutions, deformation, ease of making payment through tax, and contributions to the national economy that make UAE SMEs VAT-compliant;**

Table 5.7 summarises chi-square results derived from the quantitative data analysis. The results help this study to test the research hypothesis H2 and find a statistical significance between the factors and variables impacting VAT on SMEs in the UAE. As mentioned in Chapter 1, H2 comprises a number of factors, such as compliance, penalties, belief, financial burden, honesty, prosecutions, deformation, ease of making payment through tax and contributions to the national economy; all of these make UAE SMEs VAT-compliant and impact variables such as business size, number of sites, company status, business sector, business location and years in operation. The test results are explained below.

Table 5.7 Factors that Influence Compliance

	Items for Perceived Usefulness	Impacted Variables	*p*-value	Significance
Factors that Influence Compliance	*Because it is a law*	Size of the Business	0.114	*Significant*
		Number of Sites	0.080	*Significant*
		Status of the Company	0.449	*Significant*
		Sector of Business	0.002	*Not Significant*
		Location of the Business	0.010	*Significant*
		Years of Operation	0.123	*Significant*
	Concerns about having to pay interest charges for late payment of tax	Size of the Business	0.003	*Not Significant*
		Number of Sites	0.025	*Significant*
		Status of the Company	0.016	*Significant*
		Sector of Business	0.000	*Not Significant*
		Location of the Business	0.000	*Not Significant*
		Years of Operation	0.054	*Significant*
	Concerns about having goods seized by the Federal Tax Authority for failure to pay tax	Size of the Business	0.011	*Significant*
		Number of Sites	0.028	*Significant*
		Status of the Company	0.064	*Significant*
		Sector of Business	0.000	*Not Significant*
		Location of the Business	0.000	*Not Significant*
		Years of Operation	0.007	*Significant*
	Belief that other taxpayers are declaring and paying honestly	Size of the Business	0.210	*Significant*
		Number of Sites	0.088	*Significant*
		Status of the Company	0.627	*Significant*
		Sector of Business	0.021	*Significant*
		Location of the Business	0.006	*Significant*
		Years of Operation	0.039	*Significant*
	Concerns that a third party (e.g. a bank), owing money to you, will be ordered to pay that money over to the Federal Tax Authority	Size of the Business	0.181	*Significant*
		Number of Sites	0.041	*Significant*
		Status of the Company	0.203	*Significant*
		Sector of Business	0.009	*Significant*
		Location of the Business	0.000	*Not Significant*
		Years of Operation	0.020	*Significant*
	That fact that the Federal Tax Authority presumes that you have been honest in your dealings with them	Size of the Business	0.010	*Significant*
		Number of Sites	0.014	*Significant*
		Status of the Company	0.267	*Significant*
		Sector of Business	0.018	*Significant*
		Location of the Business	0.001	*Not Significant*
		Years of Operation	0.186	*Significant*
	Concerns that the Federal Tax Authority will obtain a court judgement against you for failure to pay tax and publish details of that judgement	Size of the Business	0.071	*Significant*
		Number of Sites	0.215	*Significant*
		Status of the Company	0.040	*Significant*
		Sector of Business	0.058	*Significant*
		Location of the Business	0.000	*Not Significant*
		Years of Operation	0.000	*Not Significant*
	Your personal belief that you should do the 'right thing'	Size of the Business	0.048	*Significant*
		Number of Sites	0.000	*Significant*

		Status of the Company	0.003	*Not Significant*
		Sector of Business	0.003	*Not Significant*
		Location of the Business	0.000	*Not Significant*
		Years of Operation	0.000	*Not Significant*
	Concerns that you will be audited by the Federal Tax Authority	Size of the Business	0.001	*Not Significant*
		Number of Sites	0.001	*Not Significant*
		Status of the Company	0.012	*Significant*
		Sector of Business	0.000	*Not Significant*
		Location of the Business	0.000	*Not Significant*
		Years of Operation	0.012	*Significant*
	Concerns that your name will be published on the Federal Tax Authority's Quarterly List of Defaulters	Size of the Business	0.033	*Significant*
		Number of Sites	0.005	*Significant*
		Status of the Company	0.008	*Significant*
		Sector of Business	0.000	*Not Significant*
		Location of the Business	0.000	*Not Significant*
		Years of Operation	0.000	*Not Significant*
	Knowing that the Federal Tax Authority has the power to receive certain information about you from third parties (e.g. payments, rental income, interest, dividends)	Size of the Business	0.005	*Significant*
		Number of Sites	0.000	*Not Significant*
		Status of the Company	0.014	*Significant*
		Sector of Business	0.000	*Not Significant*
		Location of the Business	0.000	*Not Significant*
		Years of Operation	0.006	*Significant*
	Because the Federal Tax Authority makes it easy to pay taxes	Size of the Business	0.320	*Significant*
		Number of Sites	0.001	*Not Significant*
		Status of the Company	0.056	*Significant*
		Sector of Business	0.008	*Significant*
		Location of the Business	0.000	*Not Significant*
		Years of Operation	0.006	*Significant*
	Because tax payments are used to fund public services	Size of the Business	0.041	*Significant*
		Number of Sites	0.000	*Not Significant*
		Status of the Company	0.075	*Significant*
		Sector of Business	0.001	*Not Significant*
		Location of the Business	0.000	*Not Significant*
		Years of Operation	0.000	*Not Significant*

***H2a:* Because it is a law**

Five variables of SMEs – all except sector of business – are significantly influenced by the factor of obedience to the law: *p*-values are 0.114 for size of the business, 0.080 for number of sites, 0.449 status of company, 0.002 for sector of business, 0.010 for location of the business and 0.123 for years of operation. Because $p \geq .005$, H2a is accepted.

On the other hand, variables such as section of organisation are not influenced by these factors: the *p*-value is 0.002, which is less than 0.005 ($p < .005$). Since the *p*-value is less than 0.005, H2a is rejected with a type I error.

***H2b:* Concerns about having to pay interest charges for late payment of tax**

There is a statistical significance between variables such as number of sites (*p*-value.025), status of company (*p*-value.016), and years of operation (*p*-value.054) and the factor 'concerns about having to pay interest charges for late payment of tax'. Since the *p*-values are higher than.005 (($p \geq .005$), the H2b: Factor such as concerning at having to pay interest charges for late payment of tax is accepted with a type II error.

By contrast, there is no statistical significance between variables such as size of the business (*p*-value 0.003), sector of business (*p*-value 0.000) and location of the business (*p*-value 0.000) and factors such as 'concerns about having to pay interest charges for late payment of tax'. Because the *p*-values are less than 0.005, H2b is rejected with a type I error.

***H2c:* Concerns about having goods seized by the Federal Tax Authority for failure to pay tax**

There is a significant relationship between variables such as size of the business (*p*-value 0.011), number of sites (*p*-value 0.028), status of company (*p*-value 0.064) and years of operation (*p*-value 0.007) and the factor 'concerns about having goods seized by the Federal Tax Authority for failure to pay tax'. Since the *p*-values are higher than 0.005 ((*p*≥.005), H2c is accepted with a type II error.

By contrast, there is no relationship between the variables such as sector of business (*p*-value 0.000) and the location of the business (*p*-value 0.000) and factors such as 'concerns about having goods seized by the Federal Tax Authority for failure to pay tax'. Because the *p*-values are less than 0.005, H2c is rejected with a type I error.

***H2d:* Belief that other taxpayers are declaring and paying honestly**

It has been revealed by chi-square tests that there is a significant relationship between variables such as size of the business (*p*-value 0.210), number of sites (*p*-value 0.088), status of company (*p*-value 0.627), sector of business (*p*-value 0.021), location of the business (*p*-value 0.006) and years of operation (*p*-value 0.039) and the factor 'belief that other taxpayers are declaring and paying honestly'. Since the *p*-values are higher than 0.005 (*p*≥.005), H2d is accepted with a type II error.

***H2e*: Concerns that a third party (e.g. a bank), owing money to you, will be ordered to pay that money over to the Federal Tax Authority**

There is a significant influence between variables such as size of the business (*p*-value 0.181), number of sites (*p*-value 0.041), status of company (*p*-value 0.203), sector of business (*p*-value 0.009), and years of operation (*p*-value 0.20) and the factor 'concerns that a third party (e.g. a bank), owing money to you, will be ordered to pay that money over to the Federal Tax Authority'. Because *p*≥.005, H2e is accepted with a type II error.

By contrast, there is no significant influence on this factor from variables such as location of the business (*p*-value 0.000). Because the *p*-value is less than 0.005, H2e is rejected with type I error.

***H2f*: The fact that the Federal Tax Authority presumes that you have been honest in your dealings with them**

There is a significant influence between variables such as size of the business (*p*-value 0.010), number of sites (*p*-value.014), status of company (*p*-value 0.267), sector of business (*p*-value 0.018), and years of operation (*p*-value 0.186) and the factor 'the fact that the Federal Tax Authority presumes that you have been honest in your dealings with them'. Because of high *p*-values ($p \geq .005$), H2f is accepted with type II error.

By contrast, there is no significant influence on this factor from variables such as location of the business, with a *p*-value of 0.001. Because the *p*-value is less than 0.005 H2f is rejected with a type I error.

***H2g:* Concerns that the Federal Tax Authority will obtain a court judgement against you for failure to pay tax and publish details of that judgement**

From the chi-square test results, it has been found that that there is a significant influence between variables such as size of the business (*p*-value 0.071), number of sites (*p*-value 0.215), status of company (*p*-value 0.040) and sector of business (*p*-value 0.058) and the factor 'concerns that the Federal Tax Authority will obtain a court judgement against you for failure to pay tax and publish details of that judgement'. Because of high *p*-values (($p \geq .005$), H2g is accepted with a type II error.

By contrast, with a *p*-value of 0.000, variables such as location of the business and years of operation have no influence on the factor. Since the *p*-values are less than 0.005, H2g is rejected with a type I error.

***H2h:* Your personal belief that you should do the 'right thing'**

There is a significant influence between variable such as size of the business (*p*-value 0.048) and the factor 'your personal belief that you should do the "right thing"'. Because of high *p*-values ($p \geq 0.005$), H2h is accepted with a type II error.

By contrast, there is no significant influence between variables such as number of sites (*p*-value 0.000), status of a company (*p*-value 0.003), sector of business (*p*-value 0.003), location of

business (*p*-value 0.000) and years of operation (*p*-value 0.000) and this factor. Due to the fact that the *p*-values are less than 0.005, H2h is rejected with a type I error.

***H2i*: Concerns that you will be audited by the Federal Tax Authority**

There is a significant influence between variables such as status of a company (*p*-value 0.012) and years of operation (*p*-value 0.12) and the factor 'concerns that you will be audited by the Federal Tax Authority'. Due to high *p*-values ($p \geq 0.005$), H2i is accepted with a type II error.

By contrast, there is no significant influence between variables such as size of the business (*p*-value 0.001), number of sites (*p*-value 0.001), sector of business (*p*-value 0.000), and location of business (*p*-value 0.000) and this factor. Because $p < 0.005$, H2i is rejected with a type I error.

***H2j*: Concerns that your name will be published on the Federal Tax Authority's Quarterly List of Defaulters**

It has been found out from the chi-square test results that there is a significant influence between variables such as size of the business (*p*-value 0.033), number of sites (*p*-value 0.005) and status of a company (*p*-value 0.008) and the factor 'concerns that your name will be published on the Federal Tax Authority's Quarterly List of Defaulters'. Due to the fact that $p \geq 0.005$, H2j is accepted with a type II error.

On the other hand, there is no significant influence between the variables such as sector of business (*p*-value 0.000), location of business (*p*-value 0.000) and years of operation (*p*-value 0.000) and this factor. Because the *p*-values are less than 0.005, H2j is rejected with a type I error.

***H2k*: Knowing that the Federal Tax Authority has the power to receive certain information about you from third parties (e.g. payments, rental income, interest, dividends)**

From the chi-square test results, it has been revealed that there is a significant influence between variables such as size of the business (*p*-value 0.005), status of a company (*p*-value 0.014) and years of operation (*p*-value 0.006) and the factor 'knowing that the Federal Tax Authority has the power to receive certain information about you from third parties (e.g. payments, rental income, interest, dividends)'. Because the *p*-values are greater than 0.005, H2k is accepted with a type II error.

By contrast, there is no significant influence between the variables like number of sites (*p*-value 0.000), sector of business (*p*-value 0.000) and location of business (*p*-value 0.000) and this. Since the *p*-values are less than 0.005, H2k is rejected with a type I error.

***H2l*: Because the Federal Tax Authority makes it easy to pay taxes**

According to the chi-square test results, there is a significant influence between variables such as size of the business (*p*-value 0.320), status of the company (*p*-value 0.056), sector of business (*p*-value 0.008) and years of operation (*p*-value 0.006) and the factor 'because the Federal Tax Authority makes it easy to pay taxes'. Due to the high *p*-values ($p \geq 0.005$), H2l is accepted with a type II error.

On the other hand, there is no significant influence between the variables such as number of sites (*p*-value 0.001) and location of business (*p*-value 0.006) and this factor. Due to the fact that the *p*-values are less than 0.005 ($p < .005$), H2l is rejected with a type I error.

***H2m:* Because tax payments are used to fund public services**

According to the chi-square test results, it has been revealed that there is a significant influence between variables such as size of the business (*p*-value 0.041) and status of a company (*p*-value 0.075) and the factor 'because tax payments are used to fund public services'. The *p*-values are greater than 0.005 ($p \geq 0.005$), which confirms H2m; it is accepted with a type II error.

By contrast, there is no significant influence between variables such as number of sites (*p*-value 0.000), sector of business (*p*-value 0.001), location of business (*p*-value 0.000), and years of operations (*p*-value 0.000) and this factor. Because the *p*-values are less than 0.005, H2m is rejected with a type I error.

***H3:* UAE SMEs have the ability to meet the challenge of VAT and grow their businesses.**

This research study considered the ability of SMEs in the UAE to grow their businesses. Business capabilities include people management; developing and implementing a business plan and strategy; entering new markets; developing and introducing new products and services; accessing external finances; operational improvement, e.g. adopting industry best practices; and making decisions on regulation and tax issues. The results derived from the filed study have been analysed with a chi-square test. Table 5.8 summarises the chi-square test results and tests the research hypotheses for statistical significance.

Table 5.8: Business Capabilities

	Items	Impacted Variables	*p*-value	*Significance*
Business Capabilities	*People management*	Size of the Business	0.007	*Significant*
		Number of Sites	0.000	*Not Significant*
		Status of the Company	0.207	*Significant*
		Sector of Business	0.001	*Not Significant*
		Location of the Business	0.001	*Not Significant*
		Years of Operation	0.371	*Significant*
	Developing and implementing a business plan and strategy	Size of the Business	0.081	*Significant*
		Number of Sites	0.010	*Significant*
		Status of the Company	0.076	*Significant*
		Sector of Business	0.141	*Significant*
		Location of the Business	0.072	*Significant*
		Years of Operation	0.371	*Significant*
	Entering new markets	Size of the Business	0.015	*Significant*
		Number of Sites	0.005	*Significant*
		Status of the Company	0.152	*Significant*
		Sector of Business	0.050	*Significant*
		Location of the Business	0.015	*Significant*
		Years of Operation	0.162	*Significant*
	Developing and introducing new products and services	Size of the Business	0.330	*Significant*
		Number of Sites	0.000	*Not Significant*
		Status of the Company	0.608	*Significant*
		Sector of Business	0.796	*Significant*
		Location of the Business	0.038	*Significant*
		Years of Operation	0.078	*Significant*
	Accessing external finance	Size of the Business	0.001	*Not Significant*
		Number of Sites	0.001	*Not Significant*
		Status of the Company	0.000	*Not Significant*
		Sector of Business	0.002	*Not Significant*
		Location of the Business	0.001	*Not Significant*
		Years of Operation	0.001	*Not Significant*
	Operational improvements, e.g. adopting industry best practices	Size of the Business	0.038	*Significant*
		Number of Sites	0.000	*Not Significant*
		Status of the Company	0.392	*Significant*
		Sector of Business	0.111	*Significant*
		Location of the Business	0.175	*Significant*
		Years of Operation	0.027	*Significant*
	Making decisions on regulation and tax issues	Size of the Business	0.003	*Not Significant*
		Number of Sites	0.000	*Not Significant*
		Status of the Company	0.017	*Significant*
		Sector of Business	0.006	*Significant*
		Location of the Business	0.046	*Significant*
		Years of Operation	0.002	*Not Significant*

H3a: Capability of the business in regard to people management in performing a range of tasks

It has been revealed in the chi-square test that there is a significant relationship between the business capability of people management and variables such as size of the business (p-value 0.007), status of a company (p-value 0.207) and years of operation (p-value 0.371). Because $p \geq 0.005$, H3a is accepted with a type II error.

On the other hand, there is no significant relationship between people management and variables such number of sites (p-value 0.000), sector of business (p-value 0.001) and location of the business (p-value 0.001). Since $p < 0.005$, H3a is rejected with a type I error.

H3b: **Developing and implementing a business plan and strategy**

According to the chi-square test, there is a significant association between developing and implementing a business plan and strategy and variables like size of the business (*p*-value 0.081), number of sites (*p*-value 0.010), status of company (*p*-value 0.076), sector of business (*p*-value 0.141), location of the business (*p*-value 0.072) and years of operation (*p*-value 0.371). Due to the fact that there are greater *p*-values than 0.005, H3b is accepted with a type II error.

H3c: **Entering new markets**

It has been found in the chi-square test that there is a significant association between the capabilities of SMEs to enter new markets and variables such as size of the business (*p*-value 0.015), number of sites (*p*-value 0.005), status of company (*p*-value 0.152), sector of business (*p*-value 0.050), location of the business (*p*-value 0.015) and years of operation (*p*-value 0.162). A *p*-value greater than or equal to 0.005 certainly means accepting H3c with a type II error.

H3d: **Developing and introducing new products and services**

It has been found out using the chi-square test that SMEs have the business capabilities to develop and introduce new products and services in the UAE. In detailed analysis, there are significant capabilities for SMEs in the UAE regarding the size of the business (*p*-value 0.330), status of company (*p*-value 0.608), sector of business (*p*-value 0.796), location of the business (*p*-value 0.038) and years of operation (*p*-value 0.078). With high *p*-values ($p \geq 0.005$), H3d is accepted with a type II error.

By contrast, there is no statistical significance between the business capability of developing and introducing new products and services and variables such as number of sites (*p*-value 0.000). With the *p*-value is less than 0.005, H3d is rejected with a type I error.

H3e: **Accessing external finance**

There is no statistical significance between accessing external finance and variables such as size of the business (*p*-value 0.001), number of sites (*p*-value 0.001), status of company (*p*-value 0.000), sector of business (*p*-value 0.002), location of the business (*p*-value 0.001) and years of operation (*p*-value 0.001). Due to *p*-values being less than 0.005, H3e is rejected with a type I error.

***H3f:* Operational Improvement, e.g. adopting industry best practices**

From the chi-square test it can be seen that there is a relationship between operational improvement capability (e.g. adopting industry best practices) and variables such as size of the business (*p*-value 0.038), status of company (*p*-value 0.392), sector of business (*p*-value 0.111), location of the business (*p*-value 0.175) and years of operation (*p*-value 0.027). Since the *p*-values are higher than or equal to 0.005, H3f of this study is accepted with a type II error.

It has been revealed that there is no significant relationship between this capability and variables such as number of sites (*p*-value 0.000). With a low *p*-value ($p<0.005$), H3f is rejected with a type I error.

***H3g:* Making decisions on regulation and tax issues**

As has been found out from the chi-square test results, there is a significant association between making decisions on regulation and tax issues and variables like status of company (*p*-value 0.017), sector of business (*p*-value 0.006) and location of the business (*p*-value 0.046). With $p\geq0.005$, H3g is accepted with a type II error.

On the other hand, there is no statistical significance between this capability and variables such as size of the business (*p*-value 0.081) and number of sites (*p*-value 0.010). Since the *p*-values are less than 0.005, H3g is rejected with a type I error.

5.4 Summary of the Chapter

This chapter has not only summarised the context of the problem and gaps in scientific knowledge, but also highlighted the contributions of this research study. One of the core issues in this study was to investigate the adoption, implementation and successes of the modern taxation system in the UAE starting on 1 January 2018, along with its impacts on SMEs. The gap in scientific knowledge is characterised by the fact that not a single study was found that analysed VAT adoption and its impact on SMEs. With qualitative results received from policymakers and SME stakeholders in the UAE and quantitative results from SMEs, it is believed that this study answers the research problem thoroughly and plugs the gap in scientific knowledge.

Chapter 6: Conclusion and Recommendations

6.0 Introduction

The chapter is designed to draw a conclusion and provide strategically sound recommendations resulting from the outcomes of this research study.

6.1 Conclusion

From a comprehensive literature review, it has been found that the dramatic decline in oil prices since June 2014 is an important but not unprecedented event (Baffes et al. (2015). The decline in the oil price is ongoing due to the Saudi-Russian oil war and COVID-19 pandemic (Brower et al., 2020). In this scenario, the UAE's economic diversification policy, including the imposition of VAT in Emirates, is more justified than ever before. This will certainly remove the UAE from the list of alleged 'rentier state' (Beblawi, 1987; Freer, 2018, p.3) and rescue the country from the oil curse (Soto and Haouas, 2012).

VAT, however, has a huge impact on SMEs, including SMEs in the UAE. According to White (2017), SMEs act as tax collectors or 'collective agents' – collecting consumer tax on behalf of the government. There are indirect costs involved in being compliant that certainly affect several parts of the business, including pricing, cashflow, financial reporting, tax accounting, supply chain and compliance processes; the cost of non-compliance could be even greater, with multiple penalties potentially costing 25% of turnover. Researchers such as Samaduzzaman et al. (2015) and OECD (2012) revealed that VAT increase has an impact on consumers' consumption habits. As per Zafarullah (2018), a sudden change to the free tax system of the UAE is bound to have an impact not only on the economy, but on the ways business was and is now done. This has assisted this study in accomplishing RO1.

From phase 1 of this study, qualitative research, this study explored the idea from the policymakers of the UAE that the government – especially the MoF – should form the FTA, a regulatory body in the UAE, in 2016 under Federal Law Decree No. 13. By overcoming some challenges in VAT implementation, policymakers confirmed that the expectations of 5% VAT had been very satisfactory. According to Ministry of Finance (2020), there have been 312,000 SMEs registered in the VAT system since it was introduced on 1 January 2018 (mof.gov.ae, 2020). Moreover, economic diversification was one of the core rationales for imposing VAT in the UAE. According to Abbas (2019c), AED 27 billion from VAT in FY 2019 accounted for 1.7% of the UAE's nominal GDP in 2018. This certainly shows that the government's

ambition for economic diversification through VAT collection has been achieved. Furthermore, despite the fact that VAT was not well perceived by SMEs, SMEs' culture gradually started to adapt to the system. Moreover, policymakers believe that there is a positive impact of VAT on SMEs in the UAE, as the revenue generated from VAT contributes substantially to the national economy as well as the development of the UAE. However, there are some impacts of VAT on the profitability of SMEs, since it incurs some direct and indirect costs. Policymakers provided some suggestions for the government and it has provided financial support, lowered VAT rates, and helped new business. Some suggestions for SMEs are allocating people with the right skills to the right jobs; trustworthiness; training and developing employees; being compliant with VAT regulations; developing a unique recording system; and updating the recording system regularly. It has been found that the government has 454 VAT agents disseminated throughout the UAE to service customers with technical support (mof.gov.ae., 2020). This has helped this research study to achieve RO2.

From stakeholders' viewpoints, phase 2 of this study, they were well aware of the inception of 5% VAT in the UAE. They confirmed that factors such as globalisation, politics and economic play significantly influenced the imposition of VAT in the UAE. Moreover, contribution to the national economy, revenue collection, economic diversification, reducing dependency on natural resources, and achieving UAE Vision 2030 are some of the core justifications for imposing VAT in the emirates. With AED 27 billion collected from VAT in FY 2018, which was 125% higher than expected, the imposition of 5% VAT has been justified. Additionally, it is also forecast by Moody (2019) that there will be AED 35 billion collected from VAT in FY 2019. This certainly justifies the UAE government's initiative of introducing VAT in the UAE as well as acceptance by the business including SMEs.

Furthermore, nine out of ten stakeholders supported 5% VAT introduction, where only one stakeholder thinks that imposing VAT on SMEs can increase control as well as burden on SMEs. Additionally, stakeholders believe that 5% VAT is justified, as it is not high nor low. They are also against the VAT rate rising higher than 5%, as individuals in the UAE Islamic *Zakat* every year, which is 2.5% of their total wealth. Paying 5% VAT plus 2.5% *Zakat* amounts to 7.5%. Also, stakeholders are concerned that levying 5% VAT could impact annual turnover, profitability and growth of the business; VAT has direct and indirect costs. Besides, stakeholders stated that VAT impacts SMEs in the UAE unequally, because small businesses in Abu Dhabi, Dubai and Sharjah perform better than those of Fujairah, Ajman, Ras Al Khaimah and Umm Al Quwain. Furthermore, although there are some non-monetary support

and services available, SMEs need more findings to grow their business along with VAT. This has helped this study to accomplish RO3.

From SMEs' perspective, phase 3 of this study, *n*265 SMEs participated in this research study; among them, *n*114 (44.2%) employed 10-49 employees and *n*100 (37.7%) had 1-9 employees. Additionally, *n*48 (18.1%) companies employed 50-249 employees in their businesses. One of the biggest challenges faced by SMEs was taxation, as found by 53.2% of SMEs, followed by regulations (50.9%) and recruiting employees (41.1%). Although the majority of SMEs – nearly 78.5% – are aware of 5% VAT implementation, there is a still need for awareness among 21.1% of SMEs. SME awareness may be because, according to the MoF, there were 35,000 experts participating in the Federal Tax Authority's awareness events (mof.gov.ae, 2020). The majority of the respondents found that imposing VAT was not an obstacle to the success of SMEs, but 21.9% found that imposing VAT was a challenge to their business. It has been revealed that 30.6% of SMEs mentioned that VAT impacts their businesses' profitability and cash flow to a great or moderate extent, whereas about 4.5% of SMEs mentioned there was no impact from 5% VAT on their business. Around 67.05% of SMEs confirmed that their business incurred costs in foreign countries, of which nearly 46.8% had the ability to recover VAT from the foreign countries. About 22.3% of respondents confirmed that not having a reciprocity arrangement between the two countries was the major cause of their businesses not recovering VAT.

About 58% of SMEs confirmed that they get financial supports from the government to grow their business, and approximately 35% of respondents stated that they do not get financial support from the government to grow their business. Although 33.6% of SMEs found support from the government neither easy nor difficult to obtain, about 5.7% and 3.8% found accessing government support difficult and very difficult, respectively.

From the chi-square tests, the research hypotheses are mostly accepted by some variables and occasionally rejected by others. For example, H1 (VAT has an impact on SMEs in the UAE) has a statistical significance on variables such as business size, number of sites and company status, meaning the hypothesis is accepted. The findings are supported by White (2017), who points that SMEs act as 'collective agents' or tax collectors – collecting consumer tax on behalf of the government. There are indirect costs involved in being compliant that certainly affect several parts of the business, including pricing, cashflow, financial reporting, tax accounting

and supply chain and compliance processes; the cost of non-compliance could be even greater, with multiple penalties potentially costing 25% of turnover.

Similarly, H2 (factors such as compliance, penalties, beliefs, financial burden, honesty, prosecutions, deformation, ease of making payment through tax and contributions to the national economy make UAE SMEs VAT-compliant) has a statistical significance on variables such as size of the business, number of sites, status of company, sector of business, location of business and years of operation, meaning the hypothesis is accepted. This finding is similar to the study carried out by Adams and Webley (2001), which revealed that small business owners' attitudes to VAT compliance in the UK showed a number of similarities with attitudes to income tax compliance: factors such as equity and sanctions emerged in the psychological phenomenon of mental accounting. The research added that some hold the view that their VAT monies are paid to the growth of their business, whereas others think that money is paid to HMRC (Adams and Webley, 2001).

Additionally, H3 (UAE SMEs have the capability to meet the challenges of VAT and grow their businesses) has statistical significance for the size of the business, status of a company and years of operation. With these results, RO4 has been accomplished.

With the achievement of the research objectives, strategically sound recommendations are provided as follows.

6.2 Recommendations

6.2.1 Suggestions for Government

6.2.1.1 Creating Awareness

Carter (2013) emphasised growing awareness about VAT among SMEs. From the qualitative results, all stakeholders confirmed that they were aware of the 5% VAT implementation in the UAE. It has been found from the quantitative study that approximately 78.5% of SMEs in the UAE confirmed that they were aware of VAT implementation in the UAE and 21.1% of SMEs stated that they were not aware of it. Therefore, creating awareness among all SMEs in the UAE has remained a challenge for the MoF as well as the FTA.

However, it has been found out from policymakers that government entities use different media to propagate awareness of 5% VAT in the UAE among individuals and businesses, including SMEs. It has also been found out from secondary research that there were 35,000 experts

participating in the FTA's awareness events (mof.gov.ae, 2020). Deloitte (2017) studied key issues regarding compliance costs for businesses in SME schemes in the European Union (EU) and found out that SMEs rely on professionals for all fiscal obligations, as they have little or no awareness of legislation.

Therefore, although the UAE government has initiatives to utilise experts to build up awareness among SMEs, it is highly recommended that the government should take some measures to create awareness for all SMEs in the UAE. The awareness may include

1. Facilitating some induction programming;
2. Encouraging business associations to create awareness among SMEs
3. Engaging SMEs through various awareness programmes
4. Providing sufficient information by the use of different channels

6.2.1.2 Reducing the Impacts of VAT on Business

From the exploratory study, it has been revealed that policymakers are well aware of the impact of implementing VAT on the profitability of SMEs. Stakeholders also raised concerns about the impact of VAT on SMEs profitability, as it incurs direct and indirect costs. They further added that the financial impacts of VAT on SMEs are great. It has been found out from quantitative research that nearly 50.6% of SMEs have negative impacts from VAT on their businesses; 27.5% SMEs confirmed VAT has a positive impact on their business and 19.2% SMEs did not know whether VAT had any impact on their business or not. From the chi-square test results, this study accepted H1 of this study (VAT has an impact on SMEs' profitability in the UAE, as there are some direct and indirect cost involved in VAT maintenance).

Although policymakers at the MoF and FTA confirmed that they are working towards limiting the impact incurred by the imposing 5% VAT on SMEs, this study suggests taking some steps toward limiting the impacts:

Step 1: simplifying the VAT management system;

Step 2: reducing penalties;

Step 3: providing more support and services;

Step 4: increasing financial support

6.2.1.3 Making More Funding Available to SMEs

From the qualitative research, stakeholders confirmed that, although some non-financial support (such as online registration and VAT management and services) was available, there was a little opportunity to obtain public funding to grow their businesses. From the quantitative results, 58.1% of SMEs confirmed that they receive financial support from the government to grow their businesses; nearly 35% of SMEs said they do not receive any financial support from the government. Therefore, it is highly recommended that the government should provide adequate financial support for all SMEs to develop their businesses. A study carried out by Cecere et al. (2016) on European SMEs also suggested that government should fund SMEs to grow their businesses.

Both policymakers and stakeholders suggested that the government should provide more financial support to SMEs to grow their businesses. This research study recommends that the government should provide emergency support during economic challenges faced by SMEs. Additionally, stakeholders have suggested that the government could launch an initiative to ease access to the public funds of the UAE.

6.2.1.4 Providing a System for VAT Management

It is highly recommended that SMEs be provided with a system for VAT management. It has been found out from the exploratory study that, although the government introduced an electronic system for VAT management, there is still ample opportunity to improve ease of access in system and this needed for SMEs to grow their businesses. Stakeholders also suggested that the government should provide an information system or software that can help SMEs manage their day-to-day business activities. This can not only reduce the indirect costs on SMEs, but also reduce the burden of paperwork produced by day-to-day account management.

An example can be taken from VAT returns in the UK, where the government made some software for businesses to use for VAT returns, payroll management and other activities in the process of making a tax digital solution (HMRC, 2020). The UAE government, especially the MoF and the FTA, should provide some tax digital solutions to UAE SMEs or recognise some digital VAT solutions to help SMEs cost-efficiently.

6.2.1.5 Reduce Inequality in VAT Management

This study found that VAT impacts SMEs in the UAE unequally: SMEs in Abu Dhabi and Dubai have more advantages than SMEs in Ajman and Sharjah. Although there is a minimum

revenue generation threshold of AED 375,000 in place for all SMEs in the UAE, it is suggested that the government should provide some extra support and services to SMEs in the least developed emirates of the UAE to alleviate the inequality among SMEs. Government support and services for SMEs in the least developed areas can help development of those areas as well as generating revenue for the government.

6.2.1.6 Investment for Research and Development

In the age of the fourth industrial revolution (4IR)[9], it is highly recommended that the UAE government should invest more in research and development and fund innovative organisation. This will not only help to achieve UAE Vision 2021, but also increase its competitiveness in the global arena. It is worth mentioning that UAE Vision 2021 aims to make the UAE among the best countries in the world by the Golden Jubilee of the Union (Vision 2021, n.d.).

6.2.2 Suggestions for SMEs

6.2.2.1 Be VAT Compliant to Reduce Indirect Costs

SMEs can register their business in time if they fall into the category of minimum income thresholds (AED 375,000). Besides this, SMEs must file their tax returns within the specific time frame to avoid penalties imposed based on the provisions of Cabinet Resolution No. 40 of 2017.

6.2.2.2 SMEs Must Avoid and Fraudulent Activities

Alkhatib et al. (2018) found that tax evasion remains a critical challenge facing most policymakers worldwide. Lejeune (2016) says that fraudulent activities such as tax evasion involve deliberate misrepresentation of a business's or individual's financial affairs to the tax authorities in order to reduce tax liabilities. Tax evasion can cause significant indirect costs to SMEs in the UAE. Therefore, it is highly recommended that SMEs should avoid any fraudulent activities including tax evasion to reduce any impact on them.

6.2.3 Suggestions for Stakeholders

It is highly recommended that stakeholders such as business bankers, accountants and VAT agents take firm responsibility to build up VAT awareness among SMEs in the UAE. Accountants and VAT agents can provide professional, and occasionally generous, help and

[9] Schwab and Davis (2018, p. 1) defined the fourth industrial revolution as 'a set of ongoing and impending transformation in the systems that surround us, and which most of us take for granted every day'.

advice to SMEs so that they can comply with VAT registration as well tax returns. Business bankers can help SMEs by providing required funding as well as development of the business.

6.2.4 Research Contributions

A brief explanation of the beneficiaries of this study follows.

6.2.4.1 Conceptual

This study will have huge impacts on theoretical development, as there is a huge scientific knowledge gap in the study of VAT's impacts on SMEs in the UAE. Additionally, the study carries out a critical literature review on VAT studies, including the factors affecting successful VAT implementation from theoretical and contextual perspectives, which can contribute to the field of VAT study.

6.2.4.2 Instrumental

The primary and secondary research used in the study could be instrumental for the stakeholders of SMEs in the UAE. As the study aims to design an implementation framework, various stakeholders – including government agencies – will benefit from the outcome of the study.

6.2.4.3 Capacity Building

The resources, both primary and secondary, used in this study can be used for capacity building at various levels.

6.2.4.4 Contribution to the Public Policy Level

The outcome of the study can help the UAE's government to review fiscal policy regarding the adopted VAT and take steps to limit its negative impacts, if any, on UAE SMEs.

6.2.4.5 Contribution to the Business Level

SMEs will be benefited directly from the outcome of the study. They will know the positive and negative impact of VAT on their business and be able to make a strategic plan to limit any negative impacts.

6.2.4.6 Awareness

The study certainly creates awareness among the stakeholders of SMEs regarding VAT, which may help them to limit any negative VAT impacts on their business. This awareness may increase confidence in the government's fiscal policy and benefit the national economy.

6.2.5 Limitations of the Study

This research study is limited to a study of 5% VAT implementation in the UAE and its impacts on SMEs in the UAE. This study considered SMEs according to the definitions of SMEs offered by the MoE: 'SMEs are classified into three sectors: trade, industry and services. Each sector is divided into three categories: micro, small and medium, all of which vary in the number of employees and annual returns.' Therefore, any business that did not meet the provided definition was excluded from this study.

This research study is limited to the 475 registered SMEs with the National Program for Small and Medium Enterprises and Projects 2018. Therefore, the results from this study can be distorted, as there are 350,000 SMEs in the UAE (Trade Arabia, 2017).

This research study was limited to SMEs with an annual turnover of AED 375,000 or more and excludes any SMEs below this revenue threshold.

6.2.6 Further Development of the Study

Further development of this study might examine how artificial intelligence can be used by the UAE government to collect VAT from SMEs and reduce impacts on SMEs.

References:

Abbas, W. (2019a) 'Dubai biggest beneficiary of VAT revenue', *Khaleej Times*, 1st July. Available at: https://www.khaleejtimes.com/business/vat-in-uae/dubai-biggest-beneficiary-of-vat-revenue-12 (Accessed: 30 January 2020).

Abbas, W. (2019b) 'UAE VAT collection set to grow 30% to Dh35 billion in 2019', *Khaleej Times*, 29th July. Available at: https://www.khaleejtimes.com/business/local/uae-vat-collection-set-to-grow-30-to-dh35-billion-in-2019- (Accessed: 30 January 2020).

Abbas, W. (2019c) UAE's VAT collections exceeds expectations by a wide margin in 2018, *Khaleej Times*, 3rd June. Available at: https://www.khaleejtimes.com/business/vat-in-uae/uaes-vat-collection-exceeds-expectations (Accessed: 30 January 2020).

Acosta-Ormaechea, S., Sola, S. and Yoo, J. (2019) 'Tax composition and growth: a broad cross-country perspective', *German Economic Review*, 20(4), pp. 70-106.

Adam, S. (2011) *Tax by Design The Mirrlees Review*. Oxford: Oxford University Press.

Adams, C. and Webley, P. (2001) 'Small business owners' attitudes on VAT compliance in the UK', *Journal of Economic Psychology*, 22(2), pp.195-216.

Adegbie, F., Olajumoke, J. and Kwarbai, J. (2016) 'Assessment of value added tax on the growth and development of Nigeria economy: Imperative for reform', *Accounting and Finance Research*, 5(4), pp. 163-178.

Ahmed, A. (2015) 'The role of diversification strategies in the economic development for oil-depended countries: the case of UAE', *International Journal of Business and Economic Development (IJBED)*, 3(1), pp.47-57.

Aizenman, J. and Jinjarak, Y. (2008) 'The collection efficiency of the Value Added Tax: Theory and international evidence', *Journal of International Trade and Economic Development*, 17(3), pp.391-410.

Alavuotunki, K., Haapanen, M. and Pirttila, J. (2019) The effects of the Value-Added Tax on Revenue and Ineqality, *The Journal of Development Studies*, 55(4), pp. 490-508.

Albawaba (2013) 'UAE maintains position as second largest Arab economy', *Albawaba Business*, 11th March. Available at: https://www.albawaba.com/business/uae-economy--476291 (Accessed: 22 November 2018).

Albawaba (2020) 'Federal Tax Authority Highlights Success of 2-Year VAT Implementation Journey', Albawaba Business, 5th January. Available at: https://www.albawaba.com/business/pr/federal-tax-authority-highlights-success-2-year-vat-implementation-journey-1330878 (Accessed: 5 February 2020).

Alefari, M., Almanei, M. and Salonitis, K. (2020) 'Lean manufacturing, leadership and employees: the case of UAE SME manufacturing companies', *Production & Manufacturing Research*, 8(1), pp.222-243.

Alesina, A. and Angeletos, G. (2005) 'Fairness and redistribution', *American economic review*, 95(4), pp.960-980.

Al-Ali, J. (2008) 'Emiratisation: drawing UAE nationals into their surging economy', *International Journal of Sociology and Social Policy*, 28(9), pp. 365-379.

Ali, M. and Alam, S. (2014) *Indirect Taxes for B.Com*. New Delhi: VK Global Publications PVT. Ltd.

Aliyu, A., Bello, M., Kasim, R. and Martin, D. (2014) 'Positivist and Non-positivist Paradigm in Social Science Research Conflicting Paradigms or Perfect Partners?', *Journal of Management and Sustainability,* 4(3), pp.79-95.

Alizadeh, M. and Motallabi, M. (2016) 'Studying the effect of value added tax on the size of current government and construction government', *Procedia Economics and Finance*, 36(16), pp.336-344.

Al Jandaly, B. (2013) 'Large gap between perks of UAE public and private sector'*, Gulf News,* 16 March. Available at: https://gulfnews.com/uae/large-gap-between-perks-of-uae-public-and-private-sector-1.1158913 (Accessed: 23 November 2018).

Alkhatib, A., Abdul-Jabbar, H. and Marimuthu, M. (2018) 'The effects of deterrence factors on income tax evasion among Palestinian SMEs', *International Journal of Academic Research in Accounting, Finance and Management Sciences*, 8(4), pp.144-152.

Alsharari, N., Al-Shboul, M. and Alteneiji, S. (2020) 'Implementation of cloud ERP in the SME: evidence from UAE', *Journal of Small Business and Enterprise Development*.

Ambrose, J. (2020). 'Oil prices dip below zero as producers forced to pay to dispose of excess', *The Guardian*, 20th April. Available at: https://www.theguardian.com/world/2020/apr/20/oil-prices-sink-to-20-year-low-as-un-sounds-alarm-on-to-covid-19-relief-fund (Accessed: 29th July 2020).

Aral, S. and Douglas, J. (2007) *Behavioural interventions for prevention and control of sexually transmitted diseases*. New York: Springer Science+Business Media.

Arezki, R. and Blanchard, J. (2014) Seven questions about the recent oil price slump. *Oxford Centre for the Analysis of Resource Rich Economics Policy Paper 27*. Oxford: University of Oxford. Available from https://www.economics.ox.ac.uk/images/Documents/OxCarre_Policy_Papers/OxCarrePP201527.pdf

Arezki, R. Jakab, Z., Laxton, D. Matsumoto, A., Nurbekyan, A., Wang, H. and Yao, J. (2017) *IMF Working Paper: Oil Prices and the Global Economy*. International Monetary Fund.

Arzaghi, M. and Balthrop, A. (2018) 'No taxation, no representation: An investigation of the relationship between natural resources and fiscal decentralization', *Environment and Planning C: Politics and Space*, 36(7), pp.1234-1255.

Ashrafi, R., & Murtaza, M. (2008). Use and impact of ICT on SMEs in Oman. Information Systems, 11(3), 125–138.

Askari, H., Cummings, J. and Glover, M. (2013) *Taxation and Tax Policies in the Middle East: Butterworths Studies in International Political Economy*. Elsevier.

Asmuni, S., Yusoff, S. and Mohd Ses, N. (2017) 'Acceptance towards Goods and Services Tax (GST) among local business communities', *Journal of Emerging Economies & Islamic Research*, 5(4), pp.1-11.

Atieno, O. (2009) 'An Analysis of the Strengths and Limitation of Qualitative and Quantitative Research Paradigms', *Problems of Education in the 21th Century,* 13(1). Pp. 13-18.

Augustine, B. (2019) 'Small and medium exterprises account for 99.2% of businesses in Dubai', *Gulf News Business*. 12 December. Available at: https://gulfnews.com/business/small-and-medium-enterprises-account-for-992-of-businesses-in-dubai-1.68441294 (Accessed: 25th July 2020).

Augustine, B. (2019) 'High VAT revenues fortify UAE government finances – Moody's: Collections exceeded estimates on the back of strong compliance', *Gulf News Business*, 25th June. Available at: https://gulfnews.com/business/high-vat-revenues-fortify-uae-government-finances--moodys-1.64834236 (Accessed: 20 February 2020).

Australian Productivity Commission (2011) *Identifying and evaluating regulation reforms*. Canberra: Productivity Commission.

Azmi, A., Sapiei, N., Mustapha, M. and Abdullah, M. (2016) 'SMEs' tax compliance costs and IT adoption: the cases of a value-added tax', *International Journal of Accounting Information Systems*, 23(1), pp. 1-13.

Bacon, F. (2015) *The new organon, and related writings.* Martino Fine Books.

Baffes, J. Kose, M. Ohnsorge, F. and Stocker, M. (2015). *The Great Plunge in Oil Prices: Causes, Consequences, and Policy Responses*. World Bank Group. Available at http://pubdocs.worldbank.org/en/339801451407117632/PRN01Mar2015OilPrices.pdf (Accessed: 30th July 2020).

Bahari, S. (2010) 'Qualitative versus quantitative research strategies: contrasting epistemological and ontological assumptions', *Jurnal Teknologi*, 52(1), pp.17-28.

Baker, T. (1994) *Doing Social Research*. 2nd ed. NY: McGraw-Hill Inc.

Bakhouche, A., Elchaar, R. and Emam, M. (2020) 'Survey of Financing Options and Key Challenges Faced by SMEs in the UAE: Economic Environment, Finance, and Regulatory Landscape', *Entrepreneurial Innovation and Economic Development in Dubai and Comparisons to Its Sister Cities,* (pp. 115-145). IGI Global.

Bakija, J. (2014) *Social Welfare, Redistribution, and the Tradeoff between Efficiency and Equity, with Developing Country Applications*. William College.

Barbone, L., Bird, R. and Vázquez Caro, J. (2012) 'The costs of VAT: A review of the literature'. CASE Network Reports, (106). *International Center for Public Policy*, Working Paper, 12-22, April 2012. *The Andrew Young School of Policy Studies*, Georgia State University.

Bartsch, U., Cuc, M., Malothra, H. and Katz, M. (2004) *Lifting the oil curse: improving petroleum revenue management in Sub-Saharan Africa*. International Monetary Fund.

Basri, M., Felix, M., Hanna, R. and Olken, B. (2019) Tax Administration vs. Tax Rates: Evidence from Corporate Taxation in Indonesia (No. w26150). *National Bureau of Economic Research*.

Batrancea, L., Nichita, A., Olsen, J., Kogler, C., Kirchler, E., Hoelzl, E., Weiss, A., Torgler, B., Fooken, J., Fuller, J. and Schaffner, M. (2019) 'Trust and power as determinants of tax compliance across 44 nations', *Journal of Economic Psychology*, 74, pp.102-191.
Beblawi, H. (1987) 'The rentier state in the Arab world', *Arab Studies Quarterly*, pp.383-398.

Bell, D. (2017) 'Regional aid policies after Brexit', *Oxford Review of Economic Policy*, 33(1), pp.91-104.

Bhatia, H. (1996) *Public finance*. Vikas Publishing House.

Bhatia, H. (2018) *Public finance*. 29 edn. Noida: Vikas Publishing House Pvt Ltd.

Bickley, J. M. (2003) *Value Added Tax: Concepts, Policy Issues and OECD Experiences.* New York: Novinka Books.

Bikas, E. and Andruskaite, E. (2013) 'Factors affecting value added tax revenue', *European Scientific Journal,* 9(19), pp. 41-49.

Bird, R. and Gendron, P. (2007) *The VAT in Developing and Transitional Countries*. Cambridge University Press.

Blankart, C. B. (2016) *Public Choice and Public Finance: A Survey,* Berlin: Humboldt-University .

Block, C. D. (2009) *Corporate Taxation.* 3 edn. New York: Aspen Publishers.

BLOOVO (2017) 'The Rate SME initiative to boost small and business enterprises', *bloovo.com*. Available at: https://www.bloovo.com/blog/why-small-can-be-really-big-39 (Accessed: 25 July 2020).

Brederode, R. (2009) *Systems of General Sales Taxation: Theory, Policy and Practice*. The Netherlands: Kluwer Law Internation.

Bryman, A. (2016) *Social Research Methods*. 5th edn. Oxford: Oxford University Press.

Buchanan, J. and Brennan, G. (1999) *The Demand and Supply of Public Goods*. Indianapolis: Liberty Fund, Inc.

Burney, A. (2008) *Inductive and Deductive Research Approach*. University of Karachi.

Burrell, G. and Morgan, G. (1979) *Sociological Paradigms and Organisational Analysis: Elements of the Sociology of Corporate Life*. London: Heineman.

Buydens, S. (2008) *Consumption Tax Trends 2008: Vat/Gst and Excise Rates, Trends and Administration Issues*. OECD.

Caldas-Coulthard, C. and Coulthard, M. (1996) *Texts and Practices: Reading in Critical Discourse Analysis*. London: Routledge.

Callen, M., Cherif, R., Hasanov, F., Hegazy, M. and Khandelwal, P. (2014) *Economic diversification in the GCC: Past, present, and future*. International Monetary Fund.

Carson, D., Gilmore, A., Perry, C. and Gronhaug, K. (2001) *Qualitative marketing research*. London: Sage Publications.

Carter, A. (2013) *International Tax Dialogue: Key issues and debates in VAT, SME taxation and the tax treatment of the financial sector*. International Tax Dialogue. Available at: https://www.oecd.org/tax/tax-global/ITD-publication-decade-sharing-experiences.pdf (Accessed: 25 February 2020).

Cauvery, R., Nayak, U., Girija, M., Kruparani, N. and Meenakshi, R. (2010) *Public Finance: Fiscal Policy*. S Chand & Co Ltd.

Cecere, G., Corrocher, N. and Mancusi, M. (2016) 'Financial constraints and public funding of eco-innovation: empirical evidence from European SMEs', *Working Paper*, No. 46, Università Cattolica del Sacro Cuore, Dipartimento di Economia e Finanza (DISCE), Milano. Available at: https://www.econstor.eu/bitstream/10419/170643/1/disce-wp046.pdf

Charlet, A. and Owens, J. (2010) 'An International Perspective on VAT', *Tax Notes International*, 59(12), pp. 943-954.

Chen, L. and Taib, M. (2017) 'Goods and Services Tax (GST): Challenges Faced by Business Operators in Malaysia', *SHS Web of Conferences,* 36(1), pp. 1-20.

Chesham, M. (2017) *VAT and Financial Services.* 3 edn. London: Spiramus Press Ltd.

Chill, A. (2007) *Teaching about the Middle East: A Teacher's Resource Guide*. California: Social Studies School Service.

Cieciuch, J. (2011) Integration of Schwartz' Value Theory and Scheler's Concept of Value in Research on the Development of The Structure of Values During Adolescence. *Polish Psychological Bulletin*, 42(4), pp.1-10.

CIPD (2019) 'Change Management', CIPD Factsheet, 25 November, Available at: https://www.cipd.co.uk/knowledge/strategy/change/management-factsheet#:~:text=Individual%20change%20initiatives%20are%20not,is%20less%20likely%20to%20succeed. (Accessed: 25th July 2020).

Cioccarelli, S. and Fernley, D. (2020) 'Tax Flash: UAE and Dubai International Financial Centre (DIFC) – FATCA and CRS updates for filling due by 30 June 2020', *KPMG*, 11 June. Available at: https://home.kpmg/ae/en/home/insights/2020/06/tax-flash-uae-and-dubai-international-financial-centre-fatca-and-crs-updates-for-filing-due-by-30-june-2020.html (Accessed: 25th July 2020)

Cohen, L., Manion, L., and Morrison, K. (2011) *Research methods in education.* 7th edn. London: Routledge.

Coleman, F., McKercher, M., Hayley, M., Walpole, M., Zetler, J. and Woellner, R. (2003) 'Successfully measuring the psychological compliance costs of compliance with income tax legislation', *Australasian Tax Teachers Association Conference*, Wollongong, NSW, Australia.

Connel, J. and Burgess, J. (2013) 'Vulnerable workers in an emerging Middle Eastern economy'. *The International Human Resource Management,* 24(22), pp. 4166-4184.

Cordes, J., Ebel, R. and Gravelle, J. (2005) *The Encyclopedia of Taxation & Tax Policy.* Washington D.C: The Urban Institute Press.

Crittenden, E. (2006) 'Grounded Theory: A Research Methodology for E-Learning', *Malaysian Journal of Distant Education,* 8(1), pp.1-13

Cui, W., Schenk, A. and Thuronyi, V. (2015) *Value Added Tax: A Comprehensive Approach.* 2 edn. New York: Cambridge University Press.

Cukierman, A., Edwards, S. and Tabellini, G. (1989) *Seigniorage and political instability* (No. w3199). National Bureau of Economic Research.

Daniel, J. (2001) *Hedging Government Oil Price Risk*. IMF Working Paper. Fiscal Affairs Department. International Monetary Fund.

Dasgupta, S. (2010) *Social Computing: Concepts, Methodologies, Tools, and Applications*. London: Information Science Reference.

De Vaus, D. and de Vaus, D., (2013) *Surveys in social research*. Routledge.

Delfin, G., Kearney, S. and Thierfelder, K. (2005) *An analysis of south Africa's value added tax. World Bank Policy Research Working Paper 3671*. The World Bank. Available from http://documents1.worldbank.org/curated/en/936041468302413741/pdf/wps3671.pdf

Deloitte (2014) *Get out of your own way: Unleashing productivity*. Deloitte Touche Tohmatsu Limited.

Deloitte (2015) *VAT Aspects of cross-boarder e-commerce – options for modernisation*. European Commission. Available at: https://ec.europa.eu/taxation_customs/sites/taxation/files/vat_aspects_cross-border_e-commerce_final_report_lot1.pdf (Accessed: 2nd July 2020).

Deloitte (2017) *The Excise Tax Treaty for the Cooperation Council for the Arab States of the Gulf*. Deloitte & Touche (M.E.). Available at: https://www2.deloitte.com/content/dam/Deloitte/xe/Documents/tax/GCC-EXCISE-tax-treaty-English-July-2017.pdf (Accessed: 26th July 2020).

Deloittee (2018). *Middle East tax handbook 2018: expanding perspectives and possibilities*. Riyadh: Deloitte & Touche (M.E.). Available from https://www2.deloitte.com/iq/en/pages/tax/articles/middle-east-tax-handbook-2018.html (Accessed: 26th July 2020).

Denzin N., Lincoln, Y., (Eds), (2000) *Handbook of Qualitative Research*. London: Sage Publication Inc.

Desmarais-Tremblay, M. (2017) 'Musgrave, Samuelson, and the crystallization of the standard rationale for public goods', *History of Political Economy*, 49(1), pp.59-92.

Dubai Chamber (2017) *Dubai Chamber Annual Report 2017.* Available at: http://www.dubaichamber.com/annualreport/DC_AR17_English.pdf (Accessed 23 November 2018).

Dubai SME (2013) 'The State of Small & Medium Enterprises (SMEs) in Dubai', *Dubai SME An Agency of the Department of Economic Development.* Available at: http://www.sme.ae/studiesandresearchdocument/sme_report_english.pdf (Accessed: 25th July 2020).

Dubai SME (2019). 'The State of Small & Medium Enterprises (SMEs) in Dubai', *Dubai SME An Agency of the Department of Economic Development.* Available at: http://www.sme.ae/studiesandresearchdocument/sme_report_english.pdf (Accessed: 28th November 2018).

Dul, J. and Hak, T. (2007) *Case study methodology in business research*. Routledge.

East, R. and Thomas, R. (2003) *Profiles of people in power: the world's government leaders*. 1st edn. London: Europa Publications.

Ebrill, L., Keen, M., Bodin, J. and Summers, V. (2001) *The Modern VAT.* Washington D.C: Imternational Monetary Fund.

Efron, S. and Ravid, R. (2019) *Action research in education: A practical guide*. Guilford Publications.

Eichfelder, S., Vaillancourt, F. (2014) Tax compliance costs: a review of cost burdens and cost structures. Available at: http://ssrn.com/abstract=2535664 (Accessed: 25th July 2020).

Elbeltagi, I., Sharji, Y., Hardaker, G. and Elsetouhi, A. (2013) 'The Role of the Owner-Manager in SMEs' Adoption of Information and Communication Technology in the United Arab Emirates', *Journal of Global Information Management*, 21(2), pp.23-50.

El Shimy, N. (2008) *From Free Zones to Special Economic Zoes - UAE Case Study.* The Higher Corporation for Specialized Economic Zones. *A*vailable at: https://www.oecd.org/mena/competitiveness/41613492.pdf (Accessed: 23 November 2018).

Eltony, M. (2002) 'Measuring Tax Effort in Arab Countries', *Economic Research Forum for the Arab Countries*. Iran and Turkey.

Engward, H. (2013) 'Understanding grounded theory', *Nursing standard*, 28(7), pp.12-19.

ESRC (2018) What we do. Available at: https://esrc.ukri.org/about-us/what-we-do/ (Accessed: 5 November 2018)

Erfani, H., Rahbari, S., Heydari, A. and Shahhosseini, F. (2013) The Study of the Factors that Influence on the Performance of Value Added Tax System in Iran. *Singaporean Journal of Business, Economics and Management Studies*, *51*(1108), pp.1-8.

Eugster, B. and Parchet, R. (2019) 'Culture and Taxes', *Journal of Political Economy*, 127(1), pp.296-337.

Evans-Pritchard, A. (2020). Coronavirus may be more destructive than the Lehman crisis. *Telegraph*. 9th March. Available from

https://www.telegraph.co.uk/business/2020/03/09/coronavirus-may-destructive-lehman-crisis/(Accessed: 31st July 2020).

Evans, C. Ritchie, K., Tran-Nam, B., Walpole, M. (1996) *A Report Into the Incremental Costs of Taxpayer Compliance*. Commonwealth Information Services, Canberrra, Australia.

Evans, C., Ritchie, K., Tran-Nam, B., and Walpole, M. (1997) *A Report into Taxpayer Costs of Compliance*. Canberra: Commonwealth of Australia.

Faridy, N. (2013) 'VAT Compliance Costs and VAT Evasion of Small and Medium Enterprises (SMEs) Sectors in Bangladesh: Is there a Link'. In *25th Annual Australasian Tax Teachers Association Conference*, Auckland, New Zealand (pp. 23-25).

Fattah, Z. (2018) 'A Haven for Money in the Middle East, Dubai Is Losing Its Shine', *Bloomberg Business,* 18th November. *Available at:* https://www.bloomberg.com/amp/news/articles/2018-11-18/a-haven-for-money-in-the-middle-east-dubai-is-losing-its-shine (Accessed: 22 November 2018).

Federal Decree-Law No. (8) of 2017. (Khalifa bin Zayed Al Nahyan, President of the United Arab Emirates). Abu Dhabi: The Presidential Palace in Abu Dhabi. Available at: https://www.mof.gov.ae/En/lawsAndPolitics/govLaws/Documents/VAT%20Decree-Law%20No.%20(8)%20of%202017%20-%20English.pdf (Accessed: 15th March 2019).

Federal Tax Authority (2018a). Value Added Tax (VAT). Available at: https://u.ae/en/information-and-services/finance-and-investment/taxation/valueaddedtaxvat (Accessed: 5th April 2018).

Federal Tax Authority (2018b) VAT User Guide: Registration, Amendments & De-Registration. Published in November 2018. Available from https://www.tax.gov.ae/-/media/Files/EN/PDF/Guides/VAT-User-GuideEnglishV070.pdf

Federal Tax Authority (2018c) Registering for VAT. Available at https://www.tax.gov.ae/registering-for-vat.aspx (Accessed: 5 December 2018).

Federal Tax Authority (2018d) Why have taxes? Available at: https://www.tax.gov.ae/why-have-taxes.aspx (Accessed: 25th November 2018).

Federal Tax Authority (2020) *2 Years of VAT implementations*. Ministry of Finance. Federal Tax Authority. Available at: https://www.tax.gov.ae/-/media/Files/EN/PDF/Info-Graphics/2-Years-of-VAT-implementations-infograph.pdf (Access 2 February 2020)

Fernandes, C. and Awamleh, R. (2006) 'Impact of organisational justice in an expatriate work environment', *Management Research News,* 29(11), pp. 701-712.

Financial Express (2018) 'UAE commits $75 billion towards infrastructure development in India: Commerce Ministry', *Financial Express*, 27th July. Available at: https://www.financialexpress.com/infrastructure/uae-commits-75-billion-towards-infrastructure-development-in-india-commerce-ministry/1260990/ (Accessed: 23 November 2018).

First Council Directive (1967) 'On the harmonization of legislation of member states concerning turnover taxes (67/227/EEC)', *Official Journal of the European Communities*. 1301(67)

Fjeldstad, O., Schulz-Herzenberg, C. and Sjursen, I. (2012) 'Peoples' views of taxation in Africa: A review of research on determinants of tax compliance', *CMI Working Paper, CHR. Michelsen Institute,* pp. 1-40.

Foucault, M. (1988) *Politics, Philosophy, Culture: Interviews and Other Writings. London: Chapman and Hall.*

Freeman, R. (2010) *A Stakeholder Approach.* Dubai: Cambridge University Press.

Freeman, R. and Reed, D. (1983) 'Stockholders and stakeholders: A new perspective on corporate governance', *California management review*, 25(3), pp.88-106.

Freer, C. (2018) *Rentier Islamism: The Influence of the Muslim Brotherhood in Gulf Monarchies*. Oxford: Oxford University Press.

French, S. (n.d.) *The investigation of organisaitonal factors*. Rail Accident Investigation Branch. Available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/757021/07_The_investigation_of_organisational_factors_-_Simon_French.pdf (Accessed: 5th August 2020).

Fried, B. (1999) "The Puzzling Case for Proportionate Taxation', *Chapman Law Review ,* 2(1), pp.157-195.

Gale, W. and Harris, B. (2013) 'Proposal 10: Creating an American Value-Added Tax', *New Sources of Revenue and Efficiency, The Hamilton Project,* pp. 1-11.

Gall, M., Borg, W. and Gall, J. (1996) *Educational research: An introduction*. Longman Publishing.

Gall, M., Gall, J. and Borg, W. (2007) *Educational research: An introduction*. 8th ed. Boston: Allyn and Bacon.

Gateley (2016) 'VAT in the UAE: what does it mean for UK business?', *Gateley Legal*, 1 November. Available at: https://gateleyplc.com/insight/quick-reads/vat-in-the-uae-what-it-means-for-uk-businesses/ (Accessed: 25th July 2020).

Gelb, A. (2010) *Economic diversification in resource rich countries*. Center for Global Development. pp.1-23.

Gellis, A. (1999) 'Legal and Constitutional Foundation of Taxation'. In: W. B. Hildreth and J. A. Richardson, eds. *Handbook on Taxation.* New York: Marcel Dekker, Inc., p. 5.

Gelman, A., and Hill, J. (2007) *Data Analysis Using Regression and Multilevel/Hierarchical Models*. New York: Cambridge University Press.

Ghodsi, Z. and Webster, A. (2018) 'UK Taxes and Tax Revenues: Composition and Trends, Taxes and Taxation Trends', *Intech Open*, pp. 83-96. DOI: 10.5772/intechopen.74380.

Goldman, A. (2006) *Simulating minds: The philosophy, psychology, and neuroscience of mindreading*. Oxford: Oxford University Press.

Government.ae. (n.d.) The Official Map of the UAE. Available at: https://www.government.ae/en/footer/map#/ (Accessed: 25th November 2018).

Government Central Press, 1881. *Octroi in the municipalities of the Bombay Presidency,* Bombay: Government Central Press.

Government of Dubai (2019) The State of Small & Medium Enterprises (SMEs) in Dubai. Dubai SME. Available at: http://sme.ae/StudiesAndResearchDocument/SME%20REPORT%202019.pdf (Accessed: 24th July 2020).

Greenlan, S., Senn, S., Rothman, K., Carlin, J., Poole, C., Goodman, S., and Altman, D. (2016) 'Statistical tests, *P* values, confidence intervals, and power: a guide to misinterpretations', *European Journal of Epidemiology*, 31(1), pp. 337-350.

Grigore, M. and Gurău, M. (2014) 'Impact of VAT on the profitability and the cash flow of romanian small and medium enterprises', *Global Economic Observer*, *2*(1), pp.170-180.

Gray, S. (1988) Towards a theory of cultural influence on the development of accounting systems internationally, *Abacus*, 24(1), pp.1-15.

Gunz, S., Macnaughton, A., Wensley, K. (1995) Measuring the compliance cost of tax expenditures: the case of research and development incentives. *Canadian Tax Journal,* 43 (6), pp. 2008–2034.

Gupta, N. and Mirchandani, A. (2018) *Investigating entrepreneurial success factors of women-owned SMEs in UAE*. Management Decision.

Gurau, M. and Grigore, M (2014) '*Impact of VAT on the profitability and the cash flow of Romanian small and medium enterprieses'*, Finance-Accountancy Department, Nicolae Titulescu University.

Guvenen, F., Kambourov, G., Kuruscu, B., Ocampo-Diaz, S. and Chen, D. (2019) *Use it or lose it: Efficiency gains from wealth taxation* (No. w26284). National Bureau of Economic Research.

Halvorsen, E. and Thoresen, T. (2017) 'Distributional Effects of the Wealth Tax under a Lifetime-Dynastic Income Concept', *Munich Society for the Promotion of Economic Research*, 10 August, p. 8.

Hamilton, K. and Beck, T. (2016) *SME Financing – How to. Economic and Private Sector*. Professonal Evidence and Applied Knowledge Services. Nathan Associates London Ltd.

Hanna, D. and Bank, S. (2006) *A new fiscal framework for GCC countries ahead of monetary union.* 1st edn. Dubai: Royal Institue of International Affairs.

Hansford, A., Hasseldine, J. and Howorth, C. (2003) 'Factors Affecting the Costs of UK VAT Compliance for Small and Medium-Sized Enterprises', *Environment and Planning C: Government and Policy,* 21(4), pp. 479-492.

Haouas, I. and Heshmati, A. (2014) 'Can the UAE Avoid the Oild Curse by Economic Diversification?' *IZA Discussion Papers, No. 8003. Working paper*, Institute for the Study of Labor (IZA), Boon. Available at: https://www.econstor.eu/bitstream/10419/93255/1/dp8003.pdf (Accessed: 31st July 2020).

Harris, P. (2013) *Corporate Tax Law: Structure, Policy and Practice.* New York: Cambridge University Press.

Hasseldine, J. and Hansford, A. (2002) 'The compliance burden of the VAT: Further evidence from the UK', *Australian Tax Forum*, 17(4), pp. 369-388.

Hassan, M., Hawas, Y., Ahmed, F., Maraqa, M. and Khan, M. (2010) 'Water-Transit Services in Dubai-UAE: User and Operator Survey Development and Quantitative Analysis', *Journal of Public Transportation*, 13(2), p.5.

Hazem, S. (2015) 'Economic diversification by boosting non-oil exports (case of UAE)', *Journal of Economics,* 3(7), pp. 735-738.

Henderson, D., Sheetz, S., Trinkle, B. (2012) 'The determinants of inter-organizational and internal in-house adoption of XBRL: a structural equation model', *International Journal of Accounting Information Systems*, 13 (2), pp.109–140.

Herb, M. (2009) 'A nation of bureaucrats: political participation and economic diversification in Kuwait and the United Arab Emirates', *International Journal of Middle East Studies,* 41(3), pp.375-395.

Hempel, K. (1966) 'Investigation on the structure of melanin in malignant melanoma with 3 H-and 14 C-Dopa labelled at different positions'. In *Structure and Control of the Melanocyte* (pp. 162-175). Springer, Berlin, Heidelberg.

Hessami, Z. (2010) 'The Size and Composition of Government Spending in Europe and its impact on well-being', *Kyklos*, 63(3), pp. 346-382.

Hiregange, M. (2015) *Handbook on Central Sales Tax.* Chennai: Notions Press.

HM Revenue and Customs (2020) VAT Returns and EC Sales List: commercial software suppliers. Available at: https://www.gov.uk/government/publications/vat-returns-and-ec-sales-list-commercial-software-suppliers/vat-commercial-software-suppliers (Accessed: 25th February 2020.)

Hofstede, G. (1980) *Cultures Consequences: International Differences in Work-Related Values*. Beverly Hills, CA: Sage Publications.

Hofstede, G., Hofstede, G.I., Minkov, M. (2010) *Cultures and Organisaitons: Software of the Mind.* 3rd edn. USA: McGraw-Hill.

Houser, R. (1998) *Counselling and Education Research: Evaluation and Application*. London: Sage Publications.

Hyklová, L. (2017) Administrative costs of environmental taxes in the Czech Republic, *European Financial and Accounting Journal*, 12(4), pp.19-30.

IBM (2016) IBM Support. Available at: http://www-01.ibm.com/support/docview.wss?uid=swg21646821 (Accessed: 5 November 2018).

Ihuah, P. and Eaton, D. (2013) 'The pragmatic research approach: A framework for sustainable management of public housing estates in Nigeria', *Journal of US-China Public Administration*, 10(10), pp.933-944.

Istaitieh, A. and Hugo, S. (2007) 'UAE macroeconomic report', *Macroeconomic Report Series, Dubai Chamber of Commerce and Industries, Data Management and Business Research Department,* pp. 1-52.

Iyer, C. (2016) "Indirect Taxes in Ancient India – A Conceptual Review", *Episteme*.

Jain, P. (1989) 'Welfare Criteria for Optimal Allocation', In: *The Economics of Public Finance: Essays.* New Delhi: Atlantic Publishers and Distributors, pp. 61-83.

Jain, T., Kaur, S., Gupta , A. and Gupta, S. (2008) *International Trade and Public Finance.* Punjab: FK Publications.

Jakobsen, K., Jakobsen, K., Kleven, H. and Zucman, G. (2020) 'Wealth taxation and wealth accumulation: Theory and evidence from Denmark', *The Quarterly Journal of Economics*, 135(1), pp.329-388.

James, S. (2012) *A Dictionary of Taxation.* Cheltenham: Edward Elgar Publishing.

Jankowicz, A. (2005) *Business research projects*. 4th edn. North Yorkshire: Thomson.

Jordan, C. (2009) *Unlovely and unloved: corporate law reform's progeny*. University of Melbourne Legal Studies Research Paper, 325(1), pp.626-644.

Kader, B. (2011). 'Diversification raises non-oil share of UAE's GDP to 71%', *Gulf News Business,* 18 April. Available at: https://gulfnews.com/business/diversification-raises-non-oil-share-of-uaes-gdp-to-71-1.795268 (Accessed: 22 November 2018).

Kaul, C. and Tomaselli-Moschovitis, V. (1999) 'Explanation of Indicators', In: *Statistical Handbook on Poverty in the Developing World.* Phoenix: Oryx Press, p. 76.

Keen, M. (2007) 'VAT Attacks!'*, International Tax and Public Finnace*, 14(4), pp. 365-381.

Keen, M. and Lockwood, B. (2007) The Value Added Tax: Its Causes and Consequences, *EUI Working Papers ECO 2007/09*, European University Institute. Available at: https://cadmus.eui.eu/bitstream/handle/1814/6865/ECO-2007-09.pdf?sequence=4 (Accessed: 28th July 2020).

Keen, M. and Slemrod, J. (2017) Optimal tax administration. *Journal of Public Economics*, 152(1), pp.133-142.

Kennedy, M. (2012) *Public Finance*. PHI Learning Pvt. Ltd.

Killam, L. (2013) *Research terminology simplified: Paradigms, axiology, ontology, epistemology and methodology*. Sudbury, ON: Laura Killam.

Kilian, L. (2014) *Oil Price Shocks: Causes and Consequences*. University of Michigan and CEPR. Available at: http://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.387.5297&rep=rep1&type=pdf (Accessed: 28th July 2020).

Kleven, H. and Kreiner, C. (2001) 'On the optimality of joint taxation with household production', *Center for Economic Studies and Ifo Institute for Economic Research,* pp. 1-25.

Knodel, J. (2008) *Indirect taxation within the EU: Harmonization vs. Competition.* Nordertedt: Drunk und Bindung.

Kornhauser, M. (1996) 'Equality, Liberty, and a Fair Income Tax', *Fordham Urban Law Journal,* 23(3), p. 654.

KPMG (n.d.) Value Added Tax: Value added tax (VAT) raises complex issues for many businesses. Available at: https://home.kpmg/ae/en/home/services/tax/indirect-tax/value-added-tax.html (Accessed: 25th July 2020).

KPMG (2017) *VAT and Tax Gouping Guides Published by FTA*, KPMG, 9th October. Available at https://home.kpmg/ae/en/home/insights/2017/10/vat-tax.html (Accessed: 25th July 2020).

KPMG (2017) *Small and Medium Enterprise Development*, KPMG International. Available at: https://home.kpmg/xx/en/home/insights/2017/09/small-medium-enterprise-development.html (Accessed: 2nd August 2020).

Krenek, A. and Schratzenstaller, M. (2017) 'Sustainability-oriented Future EU Funding: A European Net Wealth Tax', *Fair Tax Working Paper Series*. No. 10.

James, S. and Edwards, A. (2010) An annotated bibliography of Tax Compliance and Tax compliance Costs, Munich Personal RePEc Archive, n 26106, Available at: http://mpra.ub.uni-muenchen.de/26106/1/MPRA_paper_26106.pdf (Accessed: 25th July 2020).

Kurihara, Y. (2011) 'The Impact of Regional Trade Agreements on International Trade', *Modern Economy*. Scienctific Research. 2(1), pp.846-849.

Jensen, S. (2018) 'Policy Implications of the UAE's Economic Diversification Strategy: Prioritizing National Objectives', in Mishrif, A. and Balushi, Y. (edited) *Economic Diversification in the Gulf Region*, Volume II (pp. 67-88). Palgrave Macmillan, Singapore.

Lal, B. and Vashisht, N. (2008) *Income Tax and Central Sales Tax Law and Practices.* 29 edn. Delhi: Dorling Kindersley (India) Ptv, Ltd.

Lang, M., Melz, P. and Kristoffersson, E. (2009) *Value Added Tax and Direct Taxation.* Amsterdam: IBFD.

Lawson, J. (2006) *Critical Realism and Housing Research.* London: Routledge.

Lee, D., Kim, D. and Borcherding, T. (2013) 'Does the Value-Added Tax Increase the Size of Government?', *National Tax Journal,* 66(3), pp. 541-570.

Linderman, M. and Verkasalo, M. (2005) Measuring values with the short Schwartz's value survey, *Journal of Personality Assessment*, 85(2), pp. 1.10.

Lindholm, R. (1971) 'The Value Added Tax: Rejoinder to a Critique', *Journal of Economic Literature*, 9(4), pp.1173-1179.

Lindholm, R. (1970) 'A Plea for the Value Added Tax', *Journal of Economic Literature.* 8(4), pp. 1178-1189.

Livsey, J. (2019) *Economic Diversification Through A Knowledge Based Economy In The United Arab Emirates: A Study Of Progress Toward Vision 2021*. Naval postgraduate school Monterey CA Monterey United States.

Loughlin, J., Kincaid, J. and Swenden, W. (2013) *Routledge Handbook of Regionalism and Federalism*. London: Routledge.

Macharia, B. (2014) *Factors Influencing Adoption of Value Added Tax (VAT) in Social Commerce in Kenya A Case of Kenya Revenue Authority*. A PhD Thesis Submitted to United States International University. Spring 2014.

Mack, L. (2010) 'The philosophical underpinnings of educational research', *Polyglossia*, 19(1), October 2010, pp. 5-11.

Mackey, A. and Gass, S. (2005) *Second language research: Methodology and design*. London: Routledge.

Mahroum, S. and Al-Saleh, Y. (eds.) (2016) *Economic diversification policies in natural resource rich economies*. London: Routledge.

Majumder, A., Ray, R. and Sinha, K. (2015) 'Estimating Purchasing Power Parities from Household Expenditure Data Using Complete Demand Systems with Application to Living Standards Comparison: India and Vietnam', *Review of Income and Wealth*, 61(2), pp.302-328.

Mansor, M. and Ferdjani, M. (2017) 'VAT compliance cost for SMEs in Algeria: burden, complexity and business factors', *Journal of Research in Business and Management*, *4*(12), pp.28-33.

Marques, K., Camacho, R. and Alcantara, C. (2015) 'Assessment of the methodological rigor of case studies in the field of management accounting published in journals in Brazil', *Revista Contabilidade & Finanças*, 26(67), pp.27-42.

Maxwell, J. (2012) *A Realistic Approach for Qualitative Research.* London: Sage Publications.

May, T. (2011) *Social Research: Issues, Methods and Process*. 4th edn. Berkshire: McGraw Hill and Open University Press.

Mansor, M. and Ferdjani, M. (2017) 'VAT compliance cost for SMEs in Algeria: burden, complexity and business factors', *Journal of Research in Business and Management*, 4(12), pp.28-33.

Mena Herald (2017) 'BLOOVO.COM lauds launch of Rate SME initiative to boost small and business enterprises', Mena Herald, 6 February. Available at: https://www.menaherald.com/en/business/events-services/bloovocom-lauds-launch-rate-sme-initiative-boost-small-and-business (Accessed: 25th July 2020).

McGee, R. (2004) *The Philosophy of Taxation and Public Finance*. Boston: Springer.

McHugh, M. (2013) 'The chi-square test of independence', *Biochemia medica: Biochemia medica*, 23(2), pp.143-149.

McLure, C. (1993) 'Economic, Administrative and Political Factors in Choosing a General', *National Tax Journal,* 46(3), pp. 345-358.

McIntosh, M. (2019) *The shortfalls of Rentier state theory in examining oil and the Arabian gulf*. A Doctoral Thesis Submitted to the University of Edinburgh.

Melville, A. (2017) *Taxation: Finance Act 2017*. Harlow: Pearson Higher Education.

Mitchell, R. and Lee, J. (2019) 'Importance in the Value Creating System of Stakeholder Work'. In Harrison, J. Barney, J. Freeman, R. and Phillips, R. edited. *Cambridge Handbook of Stakeholder Theory*. Cambridge: Cambridge University Press.

Mitchell, R., Van Buren III, H., Greenwood, M. and Freeman, R. (2015) 'Stakeholder inclusion and accounting for stakeholders', *Journal of Management Studies*, 52(7), pp.851-877.

Miki, B. (2011) 'The effect of the VAT rate change on aggregate consumption and economic growth'*, Center on Japanese Economy and Business, Working Paper Series,* Columbia Business School, Columbia Univeristy.

Ministry of Economy (2016) *Annual Economic Report 2016.* United Arab Emirates: Ministry of Economy. Available at: https://www.economy.gov.ae/Publications/MOE%20Anual%20Repoert%20English%202016.pdf (Accessed: 5th July 2020).

Ministry of Economy (2017) *The Annual Statistical Report of 2016 6th Version of 2017*. Department of Economic Studies and Policies. Available at: from http://www.economy.gov.ae/StatisticsReportsEn/Statistical%20Report%206th%202017.pdf (Accessed: 20 July 2020).

Ministry of Economy (2018a) Organizational Structure. Retrieved on 17th November 2018 from http://www.economy.gov.ae/Arabic/ministry/pages/organizationalstructure.aspx

Ministry of Economy (2018b) Law on Enterprise and Small and Medium Enterprises. Available at: https://www.uaesme.ae/About/NationalProgram (Accessed: 15th November 2018).

Ministry of Economy (2018c) 'The Official Definition of Small and Medium Enterprises', *National Program For Small and Medium Enterprises and Projects*. Available at: https://www.uaesme.ae/About/SMEDefinition (Accessed: 15th November 2018).

Ministry of Economy (2018d) Membership Benefits. Available at: https://www.uaesme.ae/About/NationalProgram (Accessed: 15th November 2018).

Ministry of Economy (2018e) Distribution of Program Members Geographically. Available at: https://www.uaesme.ae/About/NationalProgram (Accessed: 15th November 2018).

Ministry of Economy (2018f) The Size, Sectors and Types. Accessed at: https://www.uaesme.ae/About/NationalProgram (Accessed: 15th November 2018).

Ministry of Economy (2019a) *Annual Economic Report 2019*. 27th edn. Abu Dhabi: Department of Economic Studies.

Ministry of Economy (2019a) 'The impact of SMEs on the UAE's economy'. *The Government of UAE e-Government Portal u.ae*. 16th December. Available at: https://www.government.ae/en/information-and-services/business/crowdfunding/the-impact-of-smes-on-the-uae-economy (24 July 2020).

Ministry of Finance (n.d.) Organisational Structure. Available at: https://www.mof.gov.ae/en/About/ocAndInstitutes/Pages/oc.aspx (Accessed: 5th December 2018).

Ministry of Finance, VAT in Real Estate (n.d.) Value Added Tax (VAT): Everything you need to know about VAT implementation in the UAE. United Arab Emirates Ministry of Finance. Available at: https://www.mof.gov.ae/en/resourcesAndBudget/Pages/vatquestions.aspx (Accessed: 5th August 2020).

Ministry of Finance (2015) 'Common VAT Agreement of the States of the Gulf Cooperation Council (GCC)', *United Arab Emirates, Ministry of Finance,* Available at: https://www.mof.gov.ae/en/lawsAndPolitics/govLaws/Documents/GCC%20VAT%20Agreement.pdf (Accessed: 20th July 2020)

Ministry of Finance (2018a) 'Value Added Tax (VAT): Everything you need to know about VAT implementation in the UAE', *United Arab Emirates, Ministry of Finance.* Available at: https://www.mof.gov.ae/en/resourcesAndBudget/Pages/vatquestions.aspx (Accessed: 5th July 2020)

Ministry of Finance (2018b) 'Common VAT Agreement of the States of the Gulf Cooperation Council (GCC)', *United Arab Emirates, Ministry of Finance,* Available at: https://www.mof.gov.ae/en/lawsAndPolitics/govLaws/Documents/GCC%20VAT%20Agreement.pdf (Accessed: 15th July 2020)

Ministry of Finance (2020a) 'Value Added Tax (VAT): Everything you need to know about VAT implementation in the UAE', *United Arab Emirates, Ministry of Finance.* Available at: > [https://www.mof.gov.ae.gov.ae/en/resourcesAndBudget/Pages/vatquestions.aspx (Accessed: 4th February 2020)

Ministry of Finance (2020b) 'Five Year Federal Budget (2017-2021)', *United Arab Emirates, Ministry of Finance.* Available at: https://www.mof.gov.ae.gov.ae/en/resourcesAndBudget/Pages/default.aspx (Accessed: 1st February 2020)

Ministry of Finance (2020c) 'Federal Budget 2017: Prepared according to zero-based budget model'*, United Arab Emirates, Ministry of Finance.* Available at: https://www.mof.gov.ae.gov.ae/en/resourcesAndBudget/fedralBudget/Pages/Budget2017.asp (Access February 3, 2020).

Ministry of Finance (2020d). 'Federal Budget 2018: The largest budget ever announced'. *United Arab Emirates, Ministry of Finance* Available at: https://www.mof.gov.ae.gov.ae/en/resourcesAndBudget/fedralBudget/Pages/Budget2018.asp (Accessed: February 1, 2020).

Ministry of Finance (2020e) UAE Federal Budget 2019 – Highest in the Country's History. United Arab Emirates, Ministry of Finance. Available at: https://www.mof.gov.ae/en/resourcesAndBudget/fedralBudget/Pages/budget2019.aspx#:~:text=With%20a%20strong%20focus%20on,42.2%25%20of%20the%20total%20budget. (Accessed: 24th July 2020).

Ministry of Finance (2020f) The federal budget for fiscal year 2020 amounts to AED 61.35 billion. *United Arab Emirates, Ministry of Finance*. Available at: https://www.mof.gov.ae/en/resourcesAndBudget/fedralBudget/Pages/budget2020.aspx#:~:text=The%20UAE%20has%20approved%20a,the%20establishment%20of%20the%20country. (Accessed: 24th July 2020).

Moeinadin, M., Heirany, F. and Harandi, A. (2014) Identifying the Effective Factors for the Improvement of Tax Compliance. *International Journal of Academic Research in Accounting, Finance and Management Sciences*, *4*(1), pp.220-227.

Mohaddes, K. and Pesaran, M.H., 2017. Oil prices and the global economy: Is it different this time around?. *Energy Economics*, *65*, pp.315-325.

Mohamed, M. (2016) *Import tax compliance: a study of customs agents in Malaysia utilising the theory of planned behaviour. ,* Nottingham: University of Nottingham.

Moody's (2019) Government of United Arab Emirates: VAT revenues exceed estimates on the back of strong compliance, a credit positive. *Moody's Investors Services Inc*. Published on 24th June 2019. Available at: https://www.moodys.com/login?ReturnUrl=http%3a%2f%2fwww.moodys.com%2fviewresearchdoc.aspx%3fdocid%3dPBC_1181165%26lang%3den%26cy%3dglobal

Mooij, R. and Keen, M. (2012) 'Fiscal Devaluation" and Fiscal Consolidation: The VAT in Troubled Times', *IMF Working Paper*: Fiscal Affairs Department.

Morris, C. (2012) *The Greater Republic: A History of the United States*. Germany: Jazzybee Verlag Jurgen Beck.

Muley, R. (2017) Deficit financing: meaning, effects and advantages, economics. Discussion.net.

Multilateral Agreement on Investment (MAI) (1996). *Definition of taxes (note by the Chairman.* Available at: http://www.oecd.org/daf/mai/pdf/eg2/eg2963e.pdf (Accessed: 11th November 2018).

National Archieves (2018) 'Sheikh Zayed Bin Sultan Al Nahyan', National Archives and Ministry of President Affairs and Congress Abu Dhabi 2020. Available from https://www.na.ae/en/ourtresure/ff_zayed.aspx (Accessed: 25th July 2020).

NEI - Netherlands Economic Institute (1998) *The social consequences of changes in VAT.* Luxembourg: European Parliament.

Neumark, D. (2018) 'Experimental research on labor market discrimination', *Journal of Economic Literature*, 56(3), pp.799-866.

Neumark, F. (1963) *Neumark Report on Fiscal and Financial Committee on Tax Harmonization in the Common Market*. Chicago, III: Comerce Clearing House, 1963, pp. 46, 30.

Ntini, E. (2014) "Postmodernism as an Approach to Policy Studies-An Overview", *Mediterranean Journal of Social Sciences,* 5(8), pp.648-655.

Nunns, J. and Toder, E. (2017) 'Effects of a Federal Value-Added Tax on State and Local Government Budgets', *National Tax Journal*, 70(3), pp.515-548.

Nura, M., Abdul-Jabbar , H. and Ibrahim, I. (2017) 'VAT Compliance and the Influence of Political and Business Environment: A Proposed Framework for Nigerian SMEs', *Asian Journal of Business Management Studies,* 8(2), pp. 13-20.

Nykiel, R. (2007) *Handbook of marketing research methodologies for hospitality and tourism*. London: Routledge.

Oakland, W. and Testa, W. (1996) *State-local business taxation and the benefits principle,* Chicago: Federal Reserve Bank of Chicago.

Oakland, W. and Testa, W. (2000) The Benefit Principle as a Preferred Approach to Taxing Business in the Midwest. *Economic Development,* pp. 154-164.

Obstfeld, M., Milesi-Ferretti, G.M. and Arezki, R. (2016) Oil Prices and the Global Economy: It's Complicated. *iMFdirect (short version) and VoxEU (long version)*.

OECD (1996) 'Definition of Taxes', *Expert Group No. 3 on Treatment of Tax Issues in the MAI*, Negotiation Group on the Multilateral Agreement on Investment (MAI), 19th April. Available at: http://www.oecd.org/daf/mai/pdf/eg2/eg2963e.pdf (Accessed: 25th July 2020).
OECD (2007) *Glossary of Statistical Terms*. OECD Publishing.

OECD (2008) Programs to reduce the administrative burden of tax regulations in selected countries, *Forum on tax administration: taxpayer services sub-group*, Centre For Tax Policy and Administration. OECD.

OECD (2011) Forum on tax administration – tax administration in OECD and selected non-OECD countries: comparative information series (2010). Paris.

OECD (2013) *Tax and Development: Aid Modalities for Strengthening Tax Systems*. OECD Publishing.

OECD (2014) *The Tax Challenges of The Digital Economy. In: Fundamental Principles of Taxation*. Paris: OECD Publishing, pp. 30-50.

OECD (2017) 'International VAT/GST Guidelines', *OECD Publishing*, 12 April. Available at: www.oecd.org/ctp/international-vat-gst-guidelines-9789264271401-en.htm (Accessed: 7th November 2018).

OECD (2018) *Revenue Statistics 2018*. OECD Publishing. Available at: http://www.oecd.org/tax/tax-policy/revenue-statistics-highlights-brochure.pdf (Accessed: 5th December 2018)

Oordt, M. (2016) *Value Added Tax Effort and the Influence of Governance.* South Africa, African Tax Institute, University of Pretoria.

OEC (2020) 'United Arab Emirates', *The Observatory of Economic Complexity*. Available at: https://oec.world/en/profile/country/are#top (Accessed: 24th July 2020).

O'Neill, M. and Orr, S. eds., (2018) *Taxation: philosophical perspectives*. Oxford: Oxford University Press.

Peirce, C. (1935) *Collection Papers*. Massachusetts.

Pólya, G. and Conway, J. (1957) *How to solve it: A new aspect of mathematical method*. Princeton, NJ: Princeton University Press.

Ployhart, R. and Vandenberg, R. (2010) 'Longitudinal research: The theory, design, and analysis of change', *Journal of management*, 36(1), pp.94-120.

Polit, D., Beck, C., and hungler, B. (2001) *Essentials of Nursing Research: Methods, Appraisal and Utilization*. 5th ed. Philadelphia: Lippincott Williams & Wilkings.

Ponzini, D. (2011) *Large scale development projects and star architecture in the absence of democratic politics: The case of Abu Dhabi, UAE,* Dubai: Ministry of Commerce UAE.

Pope, J. (2001) 'Estimating and Alleviating the Goods and Services Tax Compliance Cost Burden Upon Small Business', *Revenue Law Journal,* 11(1), p. 4.

President's Advisory Panel on Federal Tax Refrorm (2006) *Simple, Fair and Pro-Growth: Proposals to Fix America's Tax System.* The Panel.

QSR International (n.d.) About explore diagrams. Available at: http://help-nv11.qsrinternational.com/desktop/concepts/About_explore_diagrams.htm (Accessed: 26th July 2020)

QSR International (n.d.) About hierarchy charts. Available at: http://help-nv11.qsrinternational.com/desktop/concepts/about_hierarchy_charts.htm?rhsearch=hierarchy%20chart&rhsyns=%20 (Available at: 26th July 2020).

QSR International (n.d.) Understand how references are counted. Available at: http://help-nv11.qsrinternational.com/desktop/procedures/review_the_references_in_a_node.htm?rhsearch=reference%20percentage&rhsyns=%20 (Accessed: 26th July 2020).

QSR International (n.d.) Understand how coding coverage is calculated. Available at: http://helpnv11.qsrinternational.com/desktop/procedures/review_the_references_in_a_node.htm?rhsearch=reference%20percentage&rhsyns=%20 (Accessed: 26th July 2020).

QSR International (2018) About us. Available at: http://www.qsrinternational.com/about-us (Accessed: 5th November 2018).

Qualtrics (n.d) Sample Size Calculator. Available at: https://www.qualtrics.com/blog/calculating-sample-size/ (Accessed: 26th December 2018)

Quandl (2020a) OPEC Crude Oil Price: Price for the OPEC Crude Oil Basket. Available at: https://www.quandl.com/data/OPEC/ORB-OPEC-Crude-Oil-Price (Accessed: 26th July 2020).

Quandl (2020b) OPEC Crude Oil Price. Available at: https://www.quandl.com/data/OPEC/ORB-OPEC-Crude-Oil-Price (Accessed: 26th July 2020).

Rahman, M. (2017) 'The Advantages and Disadvantages of Using Qualitative and Quantitative Approaches and Methods in Language "Testing and Assessment" Research: A Literature Review', *Journal of Education and Learning,* 6(1), pp. 102-112.

Raj, T. (2015) *Indirect tax.* 2 edn. Book Corporation.

Randeree, K. and Mahal, A. (2012) 'A business continuity management maturity model for the UAE banking sector', *Business Process Management Journal,* 18(3), pp. 472-492.

Ratner, C. (2002) 'Subjectivity and Objectivity in Qualitative Research', *Forum Qualitative Social Research*, 3(3), pp.53-58.

Rapp, G. (2018) 'What Your Startup Can Learn From The UAE's Billion-Dollar Frontrunners'. *Entrepreneur Middle East. 16 August.* Available at: https://www.entrepreneur.com/article/318348 (Accessed: 23 November 2018).

Razo, L. (2014) 'Voluntary Taxation and the Future of Democracy', *European Institute of Science in Management,* pp. 110-131.

Remeur, C. (2015) 'Tax policy in the EU', *European Union Research Service*, February, p. 6.

Richlen, M, Morton, S., Jamali, E., Rajan, A., Anderson, D. (2010) 'The catastrophic 2008–2009 red tide in the Arabian Gulf region, with observations on the identification and phylogeny of the fish-killing dinoflagellate Cochlodinium polykrikoides*', Harmful Algae,* 9(2), pp.163-172. https://doi.org/10.1016/j.hal.2009.08.013

Richter, T. (2017) *Structural reform in the Arab Gulf States – Limited Influence of the G20*. (GIGA Focus Nahost, 3). Hamburg: GIGA German Institure of Global and Area Studies – Leibniz – Institut fur Globale und Rgionale Studien.

Richardson, J. and Hildreth, W. (1999) *Handbook of Taxation.* New York: Marcel Dekker, Inc..

Roland, J. (2015). *Constitution Society.* Available at: https://www.constitution.org/tax/us-ic/cmt/purchasetax.htm (Accessed: 8 November 2018).

Ross, M. (2013) *The oil curse: How petroleum wealth shapes the development of nations*. Princeton University Press.

Ruebling, C. (1973) 'A value added tax and factors affecting its economic impact', *Federal Reserve Bank of St. Louis Review*, (Sep), pp.15-19.

Rusu, V. and Toderascu, C. (2016) 'The Impact of Taxation on Firm's Performance: Empirical Evidence on the Case of CEE Countries', *Annals of Faculty of Economics*, 1(1), pp.710-717.

Rylander, A. (2012) Pragmatism and design research. *Ingår i Designfakultetens serie kunskapssammanställningar*, 42(1), pp.1.42.

Said, R. (2019) *A quantitative assessment of the role of the private sector in Economic diversification in UAE*. Poland: Cracow University of Economics.

Salanie, B. (2014) *The Economics of Taxation.* 2nd edn. London: MIT Press.

Santander (2017) *UAE foreign trade in figures.*Available at: https://en.portal.santandertrade.com/analyse-markets/united-arab-emirates/foreign-trade-in-figures?&actualiser_id_banque=oui&id_banque=0&memoriser_choix=memoriser (Accessed: 22 November 2018).

Saris, W., Knoppen, D., and Schwartz, S. (2013) 'Operationalising the Theory of Human Values: Balancing Homogeneity of Reflective Items and Theoretical Coverage', *Survey Research Methods,* 7 (1), pp.1-16.

Saunders, M., Lewis, P., Thornhill, A. and Bristow, A. (2015) 'Understanding research philosophy and approaches to theory development', In: Saunders, M., Lewis, P. and Thornhill, A. eds. *Research Methods for Business Students*. Harlow: Pearson Education, pp. 122-161.

Saunders, M., Lewis, P. and Thornhill, A. (2016) *Research methods for business students*.7th edn. Harlow: Pearson education.

Scapens, R. (1990) 'Researching Management Accounting Practice: The Role of Case Study Methods', *British Accounting Review*, 22(1), pp.259-281

Schilliro, D. (2015) 'Innovation in Small and Medium Enterprises in the United Arab Emirates', *International Journal of Social Science Studies,* 3(5), pp. 148-158.

Schenk, A., Thuronyi, V. and Cui, W. (2015) *Value Added Tax: A Comparative Approach*. 2nd edn. NY: Cambridge University Press.

Schmid, V. (2007) *Research Methods and Data Analysis Portfolio.* Berlin: GRIN Verlag.

SCM Network (2005) International comparison of measurements of administrative burdens related to VAT in Netherlands, Denmark, Norway and Sweden, Standard Cost Model, April. Available at: http://www. administrative-burdens.com/default.asp?page=142 (Accessed: 24th August 2018).

Schwartz, S. (2010) 'A Theory of Cultural Value Orientations: Explicaiton and Applications', *Comparative Sociology*, 5(3), pp.1-47.

Schwartz, S. (2012) 'An overview of the Schwartz Theory of Basic Values', *Readings in psychology and culture*, 2(1), pp. 1-20.

Shank, G. (2002) *Qualitative Research: A Personal Skills Approach.* New Jersey: Merril Prentice Halls.

Sharma, J. (2014). *Business Statistics*. 4th edn. New Delhi: Vikas Publishing House PVT Ltd.

Sharma, S. and Anand, S. (2020) *Goods and services tax*. New Delhi: VK Global Publications Pvt. Ltd.

Sharpley, R. (2002) The challenges of economic diversification through tourism, *International Journal of Tourism Research,* 4(3), pp. 221-235.

Shayah, M. (2015) 'Economic diversification by boosting non-oil exports (case of UAE)', *Journal of Economics, Business and Management (JOEBM)*, 3(7), pp.735-738.

Shihab, M. (2001) Economic development in the UAE. In: 1. Edition, ed. *United Arab Emirates: a new perspective.* Dubai, pp. 249-259.

Shojaee, T. (2016) 'Factors affecting the efficiency of the tax system from the perspective of taxt expets of Tehran City Tax Affairs', *International Journal of Humanities and Cultural Studies*. Issue February, pp. 1883-1893.

Simionescu, M. (2016) 'The impact of standard value added tax on economic growth in CEE-5 countries: econometric analysis and simulations', *Technological and Economic Development of Economy,* pp. 850-866.

Singh, S. (2014) Principles of Taxation. In: *Public Finance in Theory & Practice.* New Delhi: S Chand Publishing, p. 117.

Smith, A., Islam, A. and Moniruzzaman, M. (2011) *Consumption Taxes in Developing Countries – The Case of the Bangladesh VAT,* Wellington: Centre for Accounting, Governance and Taxation Research.

Smith, S. (2015) *Taxation: A Very Short Introduction.* United Kingdom: Oxford University Press.

Soloway, A. (1954) 'Economic aspects of the British purchase tax'*, The Journal of Finance,* 9(2), pp. 188-208.

Sonmez, S. (2011) 'Human rights and health disparities for migrant workers in the UAE', *Health Hum Rights,* 13(2), pp. 17-35.

Soto, R. and Haouas, I. (2012) 'Has the UAE escaped the oil curse', *Economic research forum, Working Paper* (No. 728).

Sophia, M. (2014) 'Why Is Bank Lending To GCC SMEs Low?'*, Gulf Business. 17th May.* Available at: http://gulfbusiness.com/bank-lending-gcc-smes-low/ (Accessed 23 November 2018).

Souse, F. (2010) 'Metatheories in Research" Positivism, Postmodernism, and Critical Realism', *Organizational Culture, Business-to-Business Relationships, and Interfirm Networks, Advances in Business Marketing and Purchasing*, 16(1), pp.455–503.

Silverman, D. (2010) *Qualitative research.* London: Sage Publications.

Standford, C., Godwin, M., Hardwick, P. (1989) *Administration and compliance costs of taxation*. Bath: Fiscal Publications.

Stanley, I. (2013) 'UAE SMEs form backbone of nation's economy', *Gulf News Business*, 27 March. Available at: https://gulfnews.com/business/banking/uae-smes-form-backbone-of-nations-economy-1.1162522 (Accessed: 25th July 2020).

Statista (2020). Average annual OPEC crude oil price from 1960 to 2020. Available at: https://www.statista.com/statistics/262858/change-in-opec-crude-oil-prices-since-1960/(Accesed: 26th July 2020).

Stevens, P. (2005). Oil and Development. In Choueiri, Y., *A companion to the history of the middle east*. Oxford: Blackwell Publishing. pp.407-424.

Studenski, P. (1940) 'Toward a theory of business taxation'. *Journal of Political Economy*, 48(5), pp.621-654.

Sullivan, M. (2011) *Corporate Tax Reform: Taxing profits in the 21st Century.* Apress.

Surrey, S. (1970) 'Tax incentives as a device for implementing government policy: a comparison with direct government expenditures', *Harvard Law Review*, pp.705-738.

Svennevig, J. (2001) 'Abduction as a Methodological Approach to the Study of Spoken Interaction'*, University of Oslo*.

Tait, A. (1988) *Value Added Tax.* Washington D.C: International Monetary Fund.

Tax Policy Center (2017) *Tax Policy Center.* Available at: https://www.taxpolicycenter.org/briefing-book/what-history-vat (Accessed: 8 November 2018).

Team, T. (2020) Oil prices to fall further – here's why. Forbes. 22nd April. Available at: https://www.forbes.com/sites/greatspeculations/2020/04/22/oil-prices-to-fall-further--heres-why/ (Accessed: 27th July 2020).

Teltscher, S. and CNUCED (2000) *Tariffs, Taxes and Electronic Commerce: Revenue Implications for Developing Countries.* New York and Geneva: United Nations.

Terfa, A., Ereso, T., Kebede, D., Rajendran, A. and Nedelea, M. (2017) Assessment of the effect of Value Added Tax on consumption behaviour: The Case of Nekemte Town, Wollega, *Ecoforum Journal*, 6(1).

Terra, B. and Kajus, J. (2018) *A Guide to the European VAT Directives: Introduction to European VAT 2018*. Amsterdam: IBFD.

The European Commission (2011) *Communication from the commission to the European Parliament, the council and the european economic and social committee on the future of VAT*. COM(2011) 851 final. Brussels: European Commission.

The Emirates Center for Strategic Studies and Research (2005) *With United Strength*. Bloomsbury Academic.

The Panel on Financial Affairs (2001) *Goods and Services Tax/Value-Added Tax and Profits Tax in Overseas Jurisdictions,* Legislative Council Secretariat.

The World Bank (2010) *Bulgaria – administrative and regulatory barriers to business*. Open Knowledge Repository. Available at: https://openknowledge.worldbank.org/handle/10986/2951?show=full (Accessed: 25th November 2019).

The World Bank (2018) *World Bank forecasts for United Arab Emirates.* Available at: https://openknowledge.worldbank.org/bitstream/handle/10986/29801/9781464812576.pdf (Accessed: 22 November 2018).

The World Bank (2020a) 'GDP (current US$) – Middle East and North Africa', *The World Bank Data*. Available at: https://data.worldbank.org/indicator/NY.GDP.MKTP.CD?locations=ZQ (Accessed: 24 July 2020).

The World Bank (2020b) 'United Arab Emirates', The World Bank Data. Available at: https://data.worldbank.org/country/AE (Accessed: 25th July 2020).

Thompson, P. and Wissink, H. (2016) Political economy and citizen empowerment: strategies and challenges of emiratisation in the United Arab Emirates. *Acta Commercii*, 16(1), pp. 1-9.

TRA (2013) Mobile Government Version 1.0", Telecommunication Regulatory Authority, UAE. Available at: government.ae/documents/10138/30831/4Mobile_Government_Government_Guidelines_EN.pdf/bae4502-bcfc-7726da9fa84 (Accessed: 25th December 2019).

Trade Arabia (2017) 'SMEs account for 94pc of UAE firms: study', *Trade Arabia Business News Information*. 6 February. Available at: http://tradearabia.com/news/IND_320313.html (Accessed: 25th July 2020).

Tresch, R. (2002) *Public Finance: A Normative Theory.* SanDiego: Academic Press.

UWTSD (2017) *Research Ethics & Integrity Code of Practice 2017-2020*. The University of Wales Trinity Saint David London.

Vij, D. (2018) 'A Study on GST (Goods and Service Tax): The Way Forward', *International Journal of Academic Research and Development*, 4(4), pp. 13-18.

Vohra, R. (2017) The impact of oil prices on GCC Economies, *International Journal of Business and Social Science*, 8(2), pp. 7-14.

Wedawatta, G., Ingirige, M. and Amaratunga, R. (2011) *Case study as a research strategy: Investigating extreme weather resilience of construction SMEs in the UK*. University of Salford Manchester.

Wallop, H. (2010) 'General Election 2010: a brief history of the Value Added Tax', *The Telegraph*. 13th April. Available at: https://www.telegraph.co.uk/news/election-2010/7582869/VAT-a-brief-history.html (5th November 2018).

Weinzierl, M. (2014) 'Revisiting the Classical View of Benefit-Based Taxation', *Harvard Business School*, 15 April, pp. 1-28.

White, A. (2017) 'VAT and Small Businesses – what are the implications?', *The National*. Published on 29th August. Available at: https://www.thenational.ae/business/vat-and-small-business-what-are-the-implications-1.624003 (5th September 2018).

Witteveen, H. (1988) *The Quest for National and Global Economic Stability.* 1 edn. Dordrecht: Kluwer Academic Publisher.

Wittington, R., Regner, P., Angwin, D., Johnson, G.and Scholes, K. (2019) *Exploring Strategy*. 12th edn. Harlow: Pearson Education.

Young, H. (1994) *The Benefits Theory. In: Equity: In Theory and Practice.* Chichester: Princeton University Press, pp. 103-104.

Yiallourou, K. (2019) 'The Limitations of the VAT Gap Measurement', *EC Tax Review*, 4(1), pp.196-210.

Yin, R. (2014) *Case Study Research: Design and Method*. 5th edn. London: Sage Publications.

Yu, C.H., DiGangi, S. and Jannasch-Pennell, A. (2008) 'The role of abductive reasoning in cognitive-based assessment', *Elementary Education Online*, 7(2), pp. 310-322.

Zafarullah, M. (2018) 'Impact of VAT on UAE Economy', *Asian Development Policy Review*, 6(1), pp. 41-49

Zalaghi, H. and Khazaei, M. (2016) 'The Role of Deductive and Inductive Reasoning in Accounting Research and Standard Setting', *Asian Journal of Finance and Accounting*, 8(1), pp.227-241.

Zaun, K. (2002) *Inside Islam*. Missouri: Milliken Publishing Company.

Zawya (2017) 'BLOOVO.COM lauds launch of Rate SME initiative to boost small and business enterprises', *Zawya by Refinity*. 6 February. Available at: https://www.zawya.com/mena/en/press-releases/story/BLOOVOCOM_lauds_launch_of_Rate_SME_initiative_to_boost_small_and_business_enterprises-ZAWYA20170206115532/ (Accessed: 25th July 2020).

Zee, H. (2005) 'Personal Income Tax Reform: Concepts, Issues, and Comparative Country Developments', *International Monetary Fund*, Paril, pp. 4-8.

Zheng, M. (2015) 'Conceptualisation of Cross-Sectional Mixed Methods Studies in Health Science: A Methodological Review', *International Journal of Quantitative and Qualitative Research Methods,* 3(2), pp. 62-87.

Zídková, H. (2014) 'Determinants of VAT gap in EU', *Prague Economic Papers*, *23*(4), pp.514-530.

Zidkova, H. and Pavel, J. (2016) 'What causes the VAT Gap?', *Ekonomicky casopis*, 64(9).

Appendix 1: Interview Topic-Guide for Policymakers at the Ministry of Finance



Interview Topic-Guide

for

Policymakers at the Ministry of Finance
Directors at the Federal Taxation Authority in the UAE

I hereby would like to inform you that this interview topic-guide is designed to achieve objective two, "to evaluate the current fiscal policies and implication of VAT and its impacts on the small and medium-sized enterprises (SMEs)", of a PhD study. The study will contribute substantially to the public fiscal policy as well as SMEs in the UAE.

Throughout this semi-structured interview, your knowledge and personal experience with the fiscal policy, especially the introduction of the VAT in the UAE in the most recent past, implementation of VAT and its impacts on SMEs are significant for my study. Your voluntary participation in this key informant interview would help me to collect the required qualitative data for my PhD study.

I hope that you will help me with a delivery of as much as information from your knowledge and experience and answer me the questions in this topic-guide and raise substitute questions if necessary. Indeed, your cooperation in answering the topic-guide questions will help me to partially achieve the aim and objective of my study. This interview will take approximately 30 minutes to 1 hour to complete.

Salem Alsaiedi
PhD Candidate
University of Wales Trinity Saint David London Campus

***PhD Study Supervised By*:**
Professor Jonathan Liu
Dr Isaiah Oino

Before we proceed with the interview, please sign below to state that you have provided your consent to take part in this key informant interview and your participation is voluntary.

Your Signature: _____ Date: _____

1. Theme: Demographics

SL No.	**Questions**	**Answers**
1a.	What is the name of your organisation?	
1b.	Which office or sector of the Ministry of Finance/The Federal Taxation Authority are you currently working?	
1c.	What is your position?	
1d.	What is your approximate age?	
1e.	What is your academic or professional qualification?	
1f.	How long have you been working in your current position? (your year of experience in the MoF or FTA?)	
1g.	How long have you been working in the financial sector? (years of experience in the financial sector including public and private sector)	

2. Themes: History of Ministry of Finance and the Federal Taxation Authority

SL No.	**Questions**	**Answers**
2a.	Description of the brief history of the Ministry of Finance and The Federal Taxation Authority in the UAE.	
2b.	Can you enlighten me the strategy, mission and vision of your organisation?	
2c.	Describe the core duties and responsibilities of the Ministry of Finance/the Federal Taxation Authority.	

3. Theme: History of Taxation in the UAE

SL No.	**Questions**	**Answers**
3a.	Describe the history of Taxation in the UAE: Briefly, old, new systems, why adopted the Taxation policy more particularly, VAT. For example, want to get a clear sense of the implementation process from decision to adapt to implementation to how taxation has been though throughout public fiscal policy dialogue and managed over time.	
3b.	What were the reasons for imposing VAT on the consumers and the SMEs?	
3c.	What is the current provision for the VAT rate? If current VAT rate is low, why is low? If current VAT rate is high, why it is high? Is there any plan to increase VAT in the future?	
3d.	How were expectations/understandings about VAT managed over time from induvial and SMEs perspectives?	
3e.	Who was involved in the VAT policy and implementation process?	
3f.	Is there any regional agreement to impose a VAT in the UAE? If so, who are the regional entities collaborate in the VAT implementation?	
3g.	What changes were made in the law and in the Ministry of Finance to accommodate taxation policy?	
3h.	What were some of the major challenges of implementing the VAT in the UAE? How were these overcome?	

4. Theme: VAT impacts on SMEs' Culture

Sub-theme: Receptivity to the VAT or Change in VAT

SL No.	**Questions**	**Answers**
4a.	Are SMEs culture receptive to the VAT? How do SMEs perceive VAT?	

Sub-theme: Institutionalising VAT

SL No.	**Questions**	**Answers**
4b.	What did the MoF or the FTA do to make VAT adaptable by the SMEs? Do you recognise any professional bodies or agencies in the country who can help and advice SMEs regarding VAT?	

Sub-theme: Beliefs on VAT

SL No.	**Questions**	**Answers**
4c.	What do you think about the role of VAT in the SMEs overall?	
4d.	What is your overall assessment of VAT in SMEs?	

5. Theme: VAT Impacts on the Structure of the SMEs

Sub-theme: SMEs Structure

SL No.	**Questions**	**Answers**
5a.	Describe how VAT affected the SMEs structure such as employee size, ownership, and annual turnover.	

Sub-theme: Relationships between MoF, FTA and SMEs

SL No.	**Questions**	**Answers**
5b.	What were some of the most visible changes in relationships between MoF, FTA and SMEs do you observe?	

6. Theme: Impact on the Accountability and Management System

Sub-theme: VAT Accountability and Management Systems

SL No.	**Questions**	**Answers**
6a.	How do you ensure VAT management including VAT registration to annual return and VAT refund? How ease do you think the current VAT management system for SMEs?	

6b.	What mechanism do you follow to make SMEs more accountable to pay tax?	
6c.	Describe how the VAT system is used to assess the performance of SMEs? Is it used (and how) for internal affairs?	
6a.	What are communication channels do you have in place to communicate with SMEs in case of any default?	

7. Themes: Impact on SMEs' Daily Activities

SL No.	**Questions**	**Answers**
7a.	Do you provide any support and services including technology to manage day-to-day financial activities (invoicing, tracking what SMEs owed, connecting to a bank, report and insight, cash flow management and forecast, selling products and services) to take care of VAT?	
7b.	If yes, describe how your support and service system affects the approach SMEs take to submit VAT.	
7c.	If no, do the MoF/FTA has any intention in mind to provide an administrative system to ease SMEs Daily Activities?	

8. Theme: Impact on VAT Process, Efficiencies and Daily Business and Work

SL No.	**Questions**	**Answers**
8a.	Describe how the VAT administrative system, whether it is online or offline, affects speed and ease of VAT activities (for example registration of VAT, VAT filling, paying penalties, and others).	
8b.	Are you satisfied with the level of response including VAT registration and VAT submission that you received by the system that you have in place?	

8c.	Are there changes in required activities that need to be done?	

9. Theme: VAT Impacts of Profitability of the SMEs

SL No.	**Questions**	**Answers**
9a.	Are you aware of the direct and indirect cost associated with SMEs being VATs compliant?	
9b.	Do you have any measures in place to limit direct and indirect costs incurred on the SMEs?	

10. Theme: Suggestions

SL No.	**Questions**	**Answers**
10a.	Do you have any suggestions for the MoF and FTA to limit the impacts of VAT on SMEs?	
10b.	Do you have any suggestions for SMEs to become more VAT compliant?	

Appendix 2: Topic-Guide for SMEs Stakeholders



Interview Topic-Guide
for
Stakeholders of SMEs in the UAE

My name is Salem Shihel Alsaedi a PhD student at the University of Wales Trinity Saint David London. I would like to greet you with the Islamic greeting "Assalamualaikum" and welcome you to participate in a semi-structured interview.

First of all, thank you very much for agreeing to take part in this research process. I appreciate your voluntary participation in this study.

The purpose of this semi-structured interview is to collect qualitative data for my PhD study. I would like to ask your opinion about a range of issues concerning businesses in the UAE ideally, Small and Medium-sized Enterprises (SMEs).

I hope that you will help me with a delivery of as much as information from your knowledge and experience and answer me the questions in this topic-guide and raise substitute questions if necessary. Indeed, your cooperation in answering the topic-guide questions will help me to partially achieve the aim and objective of my study. The completion of this semi-structured interview will take approximately 20-30 minutes, depending on your responses.

Salem Alsaiedi
PhD Candidate
University of Wales Trinity Saint David London Campus

***PhD Study Supervised By*:**
Professor Jonathan Liu
Dr Isaiah Oino

Before we proceed with the interview, please sign below to state that you have provided your consent to take part in this key informant interview and your participation is voluntary.

Your Signature: _____ Date: _____

1. Theme: Demographics

Date:	Time:	Place:
Your Gender □ Male □ Female	Your Age Range □ 21-30 □ 31-40 □ 41-50 □ 51-60 □ 60 Above	As stakeholders of SMEs in the UAE, can you provide your identity □ Policymakers at MoE □ Managers at MoE □ Working at MoE □ Employee at the National Program for SMEs and Project □ Student □ Researcher □ Media Person □ Shareholders □ Consumers □ If other, please specify____
Your Residency in the UAE □ Emirati □ Others	Are you knowledgeable about VAT? □ Yes □ No	Have you researched VAT issues that could impact SMEs in the UAE? □ Yes □ No

2. Theme: Understanding Taxation Policy, VAT in the UAE

No.	*Questions*	*Answers*
2a.	Are you aware of the introduction of the VAT in the UAE?	
2b.	Do you know the current provision of the VAT rate in the UAE?	
2c.	Can you enlighten me an exception in the VAT registration and payment?	

3. Theme: Factors Impacting the Adoption of VAT in the UAE

No.	*Questions*	*Answers*
3a.	Which factors such as globalisation, political, financial, do you think attributed the adoption of VAT in the UAE? If you say globalisation, why do you think globalisation has been attributed to the adoption of VAT in the UAE? If you say political factor, why do you think politics have been attributed to the adoption of VAT in the UAE?	

	If you say finance, why do you think financial factors have been attributed to the adoption of VAT in the UAE?	

4. Theme: Rationale for imposing a VAT on the SMEs in the UAE

No.	*Questions*	*Answers*
4a.	What do you think what is the main reason for the UAE government behind imposing 5% VAT in the Emirates?	
4b.	Do you support or oppose the introduction of a VAT on SMEs in the UAE? What is the reason for your support/opposition?	
4c.	Do you think 5% of the VAT is justified in the country? Is too less or too much?	

5. Theme: VAT Impacts on SMEs

No.	*Questions*	*Answers*
5a.	To what extent, do you think VAT will impact SMEs?	
5b.	What do you think about the direct impacts of VAT on SMEs?	
5c.	What do you think about the indirect impact of VAT on SMEs?	
5d.	Do you think that the VAT will impact SMEs in Emirates unequally? If so, to what extent, VAT will impact SMEs in Emirates unequally?	
5e.	Do you think that the VAT will unfairly impact small enterprises?	

6. Theme: Support and Services Provided by the UAE Government

No.	*Questions*	*Answers*
6a.	Do you think the UAE government provides adequate supports and services to grow SMEs along with VAT?	
6b.	Are you happy with the VAT registration process?	
6c.	Does government provide a VAT management system to the SMEs?	
6d.	Do you think government agencies help SMEs to be compliant?	

6e.	Do you think SMEs need more supports and services from the government?	

7. Theme: Recommendations

No.	*Questions*	*Answers*
7a.	What is your suggestion to limit any adverse impacts of the VAT that has on SMEs in the UAE?	

Appendix 3: Survey Questionnaire for SMEs



Survey Questionnaire

My name is Salem Shihel Alsaedi a PhD student at the University of Wales Trinity Saint David London. The title of my study is 'The implementation of VAT and its impact on SME in the UAE – a post implementation critique.' The aim of the study

I would like to ask your opinion about a range of issues concerning your businesses ideally, Small and Medium-sized Enterprises (SMEs). The completion of this survey questionnaire will take approximately 20-30 minutes, depending on your responses.

The results of the survey will be used for the partially fulfilment of my PhD degree further to inform the UAE government VAT policy and impact of VAT on the SMEs.

Your participations in this study is will be voluntary and your co-operation will ensure that the views expressed are representative of all small businesses.

All information collected will be treated in the strictest confidence. Responses will not be attributed to any individual or company. Results will be reported in the form of aggregate statistics.

Please complete the survey questionnaire accordingly. I appreciate your opinions and look forward to your response by the 15th December.

Thanking you for your assistance.

Yours faithfully,

Salem Shihel Alsaedi
PhD Candidature
University of Wales Trinity Saint David London

Before we proceed with the interview, please sign below to state that you have provided your consent to take part in this key informant interview and your participation is voluntary.

Your Signature: _____ Date: _____

Please confirm the following before you proceed with survey questionnaire

I. Are you one of the most senior persons in day to day control of a business?

Yes	1	Continue to Next Question
No	2	Ask to speak to senior person in the organisation – Transfer, set appointment, refused or other
Not Sure	3	Ask to speak to senior person in the organisation – Transfer, set appointment, refused or other

II. Can you confirm that your participation is voluntary in this study?

Yes	1	Continue to Next Question
No	2	Refused

III. Can you confirm that you provide your consent to participate in this survey?

Yes	1	Continue to Next Question
No	2	Refused

Section A: Business Demographics

1. Please indicate if you are the owner of the business
   - Yes
   - If no, please state your position/role in the business_____
2. How would you describe your company status?
   - Sole proprietorship
   - Civil Company
   - Limited Liability Company (LLC)
   - Partnership
   - Private Share Holding Company
   - Public Share Holding Company
   - Franchise
   - If other, please specify_____
3. How many employees in total does the business employ?
   - 1-9
   - 10-24
   - 25-49
   - 50-99
   - 100-249
   - 250 + (Refused – Thank and Close) (Thank you but we require information from SMEs employing less than 250 people)
4. What is the location of your business?
   - Abu Dhabi
   - Ajman
   - Dubai
   - Fujairah
   - Ras al-Khaimah
   - Sharjah
   - Umm al-Quwain

5. What business sector do you operate in?
    - Retail/trade/logistics
    - Marketing and Advertising
    - Media and Entertainment
    - Engineering
    - Construction and Real Estate
    - Oil and Gas
    - Production/manufacturing
    - Automotive and Ancillary
    - If other, please specify_____

6. Can you please inform me the approximate turnover of your business in the past 12 months?

AED

    - Don't Know
    - Refused

7. How many years has the business been in operation?
    - Less than one year
    - 1 year
    - 2 years
    - 3 years
    - 4 years
    - 5 years
    - 6-10 years
    - 11 - 20 years
    - More than 20 years

Section B: Obstacles Facing by SMEs

8. From the following list of issues, which represents the biggest obstacle to the success of your business?

    1. The economy
    2. Obtaining finances
    3. Cash flow
    4. Taxation, VAT
    5. Recruiting employees
    6. Regulations
    7. Availability/cost of suitable premises
    8. Competition in the market
    9. Shortage of managerial skills/expertise
    10. Shortage of skills generally
    11. Pensions
    12. Late payment
    13. Not being able to increase prices/fees
    14. Red tape
    15. No obstacle
    16. Any other obstacle, please specify_____

Section C: VAT and Legal Form

9. Are you aware of the implementation 5% of VAT in the UAE?
    - Yes
    - No

10. Are you exceed DH375,000 over last 12 months?
    - Yes
    - No
    - Don't know

11. Is your business VAT registered?
    - Yes
    - No
    - Unwilling to answer

12. How easy did you find VAT registration process?
    - Very Easy
    - Easy
    - Neither easy nor difficult
    - Difficult
    - Very difficult

13. What is the overall impact of VAT on your business?
    - Positive
    - Negative
    - Not sure

14. Do you consider imposing 5% VAT is an obstacle to the success of your business?
    - Yes
    - No
    - Not sure

15. Do you have any recommendation to limit the VAT impact on SMEs.

Section D: Factors That Influence Compliance

This part of the survey relates to factors that influence compliance (make you bound to pay VAT). This information you provide will help to inform Government Agencies/VAT practitioners understanding of the issues that influence your (taxpayer) behaviour in relation to compliance.

16. On scale of 1 to 5, where 1 is low influence and 5 is high influence, how would you rate the influence of each of the following factors on whether you pay your correct taxes and duties honestly and on time? Please cycle your rating in each case.

	Factors					
15a	Because it is a law	1	2	3	4	5
15b	Concerning at having to pay interest charges for late payment of tax	1	2	3	4	5
15c	Concern at having goods seized by the Federal Tax Authority for failure to pay tax	1	2	3	4	5
15d	Belief that other taxpayers are declaring and paying honestly	1	2	3	4	5
15e	Concern that a third party (e.g. a bank), owing money to you, will be ordered to pay that money over to the Federal Tax Authority	1	2	3	4	5
15f	That fact that the Federal Tax Authority presumes that you have been honest in your dealings with them	1	2	3	4	5
15g	Concern that the Federal Tax Authority will obtain a court judgment against you for failure to pay tax and publish details of that judgment	1	2	3	4	5
15h	Your personal belief that you should do the 'right thing'	1	2	3	4	5
15i	Concern that you will be audited by the Federal Tax Authority	1	2	3	4	5
15j	Concern that your name will be published on the Federal Tax Authority's Quarterly List of Defaulters	1	2	3	4	5
15k	Knowing that the Federal Tax Authority has the power to receive certain information about you from 3rd parties (e.g. payments, rental income, interest, dividends)	1	2	3	4	5
15l	Because the Federal Tax Authority makes it easy to pay taxes	1	2	3	4	5
15m	Because tax payments are used to fund public services	1	2	3	4	5

Section E: Business experience with Foreign VAT

17. Has your business incurred costs in foreign countries?
    - o Yes
    - o No

18. How many foreign countries has your business incurred expenditure?
    - o Only 1 country
    - o More than 1 country (GCC)
    - o More than 1 country (including non-GCC)

19. In which regions has your business incurred expenditure? (select more than one)
    - o Middle East
    - o Asia
    - o Europe
    - o North America
    - o South America
    - o Russia
    - o Africa
    - o Don't know

20. Is VAT incurred on the Foreign Business Expenditure?
    - Yes
    - No
    - Don't know

21. Is business able to recover any of the foreign VAT?

    - Yes
    - No
    - Don't know

22. If yes, in many countries have your business recovered VAT?

    - All of them
    - Some of them
    - One of them

23. Why can't your business recover the VAT?

    - The tax authorities make claiming refunds too difficult
    - The tax authorities will not refund VAT to a foreign business
    - The amounts involved are too small
    - The costs of recovery are too high
    - There is no reciprocity arrangement between the two countries
    - It would need to register for VAT
    - The tax authorities will not allow a foreign business to register and recover VAT without having a taxable activity in the country
    - The tax authorities will not allow a foreign business to register and recover VAT without creating a branch or another establishment in the country
    - The accounting system does not identify the VAT incurred abroad
    - Some other reason

Section F: Business Support

24. Do you receive financial support from government to grow your business?

    - Yes
    - No
    - Don't require any financial support

23a. How easy do you find financial support from government to grow your business?

    - Very easy
    - Easy
    - Neither easy nor difficult
    - Difficult
    - Very Difficult

25. Do you receive financial support from bank or other financial institutions to grow your business?

    - Yes
    - No
    - Don't require any financial support

24a. How easy do you find financial support from government to grow your business?

- Very easy
- Easy
- Neither easy nor difficult
- Difficult
- Very Difficult

26. If you wanted information on what the Government is doing to support small businesses, where would you look, or who would you ask?

1. A natural or legal person in business
2. Accountant
3. Bank manager/advisor
4. Business colleagues/peer groups/networks
5. Business representation organisation/trade association/Chamber of Commerce
6. Consultant
7. Google/internet search
8. eGovernment Portal
9. Federal Tax Authority website
10. Local Authority
11. Magazines
12. Mentor
13. Newspapers
14. Radio
15. If other, please specify_____

27. In the last 12 months have you sought external advice or information on matters affecting your business?

1. Yes
2. No
3. Don't know

27a. Was the assistance or support that you used for the.....

1. Information relating to the day to day running of your business?
2. Strategic advice to help introduce a stepped change to grow your business in terms of profitability or numbers employed, or to increase productivity?
3. Both of the above
4. Neither of these
5. Don't know

27b. Which of these best describes your reasons for seeking strategic advice?

1. You were concerned about the continued operation of the business, or an obstacle encountered
2. You wanted to better understand how to develop and grow the business, or exploit a business opportunity
3. Because the information or advice was available, there was no pressing need
4. Neither of these
5. Don't know

27c. How easy was it to find the strategic advice that you needed?

1. Very easy
2. Fairly easy
3. Not very easy
4. Not at all easy
5. Don't know

Section G: Business Performance

28a. How many employees do you currently have in the business?

28b. How many employees did you have in the business in 12 month ago?

28c. How many employees do you expect more in the business in the next 12 month ago?

29a. What is your business turnover in this fiscal year?

29b. What was your business turnover in the last fiscal year?

29c. What would your business turnover be in the next fiscal year?

30a. What is your profit/loss and loss in this fiscal year?

30b. What was your profit/loss in this fiscal year?

30c. What is your forecast in terms of profit/loss in the next year?

Section H: Growth

31a. Over the next two to three years, do you aim to grow your business?

1. Yes
2. No

31b. How likely is it that you will approach external finance providers to help fund this growth?

1. Very likely
2. Fairly likely
3. Not very likely
4. Not at all likely
5. Don't know

31c. Does your business plan to do any of the following over the next two to three years?

1. Increase turnover by exploiting new markets
2. Increase the skills of the workforce
3. Increase the leadership capability of managers
4. Capital investment (in premises, machinery etc.)
5. Develop and launch new products/services
6. None of these
7. Don't know

32. Can you inform me how capable you think your business is at doing them in terms of ranges of tasks. Can you rate the following list of business activities based on rating scale, 1 to 5.

1 is very poor for doing these;
2 is poor for doing these;
3 is average for doing these;
4 is strong for doing these; and
5 is very strong.

	Factors					
32a	People management	1	2	3	4	5
32b	Developing and implementing a business plan and strategy	1	2	3	4	5
32c	Entering new markets	1	2	3	4	5
32d	Developing and introducing new products and services	1	2	3	4	5
32e	Accessing external finance	1	2	3	4	5
32f	Operational Improvement, e.g. adopting industry best practices	1	2	3	4	5
32g	Taking decisions on regulation and tax issues	1	2	3	4	5

Appendix 4: Application for Ethical Approval

APPLICATION FOR ETHICAL APPROVAL

In order for research to result in benefit and minimise risk of harm, it must be conducted ethically. A researcher may not be covered by the University's insurance if ethical approval has not been obtained prior to commencement.

The University follows the OECD Fractal manual definition of **research activity**: "creative work undertaken on a systematic basis in order to increase the stock of knowledge, including knowledge of man, culture and society, and the use of this stock of knowledge to devise new applications". As such this covers activities undertaken by members of staff, postgraduate research students, and both taught postgraduate and undergraduate students working on dissertations/projects.

The individual undertaking the research activity is known as the "principal researcher".

Ethical approval is not required for routine audits, performance reviews, quality assurance studies, testing within normal educational requirements, and literary or artistic criticism.

Please read the notes for guidance before completing ALL sections of the form.

This form must be completed and approved prior to undertaking any research activity. Please see Checklist for details of process for different categories of application.

SECTION A: About You (Principal Researcher)

Full Name:	Salem Shehail Alsaedi

Tick all boxes which apply:

Member of staff:	☐	Student:	☒	Honorary research fellow:	☐

Faculty/School/Centre:	Business Management
Campus:	London
E-mail address:	1602347@student.uwtsd.ac.uk Alsaedi.s@hotmail.com
Contact Telephone Number:	07440033344

For students:

Student Number:	1602347	Undergraduate	☐
Programme of Study:	DBA	Taught Postgraduate	☐
Director of Studies/Supervisor:	Professor Jonathan Liu Dr Isaiah Oino	Research	☒

SECTION B: Approval for Research Activity

Has the research activity received approval in principle? (please check the Guidance Notes as to the appropriate approval process for different levels of research by different categories of individual)	YES	☒	NO	☐

			Date
If Yes, please indicate source of approval (and date where known):	Research Degrees Committee	☒	**10/08/2018**
	Faculty Research Committee	☐	

Other (write in)	☐

Approval in principle **must** be obtained from the relevant source prior to seeking ethical approval.

SECTION C: External Ethical Guidance Materials

Please list the core ethical guidance documents that have been referred to during the completion of this form (including any discipline-specific codes of research ethics, and also any specific ethical guidance relating to the proposed methodology). Please tick to confirm that your research proposal adheres to these codes and guidelines. ☒

Research Ethics and Integrity Code of Practice 2017-2020

- Section 2 Ethical Principles for the conduct of research
- Section 7.1 Risk Assessment
- Section 7.2 Safety and Risk in the Field
- Section 13 Research Data Management
- Section 19.1 Responsibilities to Research Participants
- Section 19.2 Beneficence and non-Malfeasance
- Section 19.3 Informed Consent (Adults)
- Section 19.6 Anonymity and Confidentiality

SECTION D: External Collaborative Research Activity

Does the research activity involve collaborators outside of the University?	YES	☐	NO	☒

If Yes, please provide the name of the external organisation and name and contact details for the main contact person:

Institution	
Contact person name	
Contact person e-mail address	

Where research activity is carried out in collaboration with an external organisation

Does this organisation have its own ethics approval system?	YES	☐	NO	☒

If Yes, please attach a copy of any final approval (or interim approval) from the organisation

SECTION E: Details of Research Activity

Indicative title:	The Implementation of Value Added Tax and its impact on Small and Medium Sized Businesses in the United Arab Emirates – A post implementation critique		
Proposed start date:	02/2018	Proposed end date:	6/2019
Purpose of research activity (including aims and objectives) Outline the purpose, aims and objectives of the research activity, including key research questions. Show briefly how existing research has informed the proposed activity and explain what the research activity will add and how it addresses an area of importance. (Maximum 300 words)			

The Aim of the Study: The aim of the research is to evaluate the critical factors associated with the successful implementation of VAT and analyse the impact of VAT on SMEs in order to establish a successful framework in implementing VAT in the UAE.

Objectives of the Study: There are five objectives of the study

1. To critically review the taxation philosophy and the factors impacting a successful implementation of VAT.
2. To evaluate the current fiscal policies and implication of VAT and its impacts on the SMEs.
3. To document the concerns of different stakeholders of SMEs associated with the introduction of VAT in the UAE.
4. To study how does imposing the VAT have impacts on SMEs in the UAE.
5. To recommend strategic measures that could be useful to the UAE government's VAT's implementation.

Research Context: Deloitte (2018) revealed that there has been a new VAT regime commenced in the Kingdom of Saudi Arabia (KSA) and the United Arab Emirates (UAE) on 1st January 2018. White (2017) analysed the affect of VAT on the small and medium-sized enterprises (SMEs) in the UAE and found that despite the fact that businesses act as the "collective agents", collect the consumption tax on behalf of the government, there are indirect costs involved to be compliant which certainly affect several parts of the business, including pricing, cash flow, financial reporting, tax accounting, supply chain and compliance processes, and cost of non-compliance could be even more with a multiple amounts of penalties may cost 25 per cent turnover.

Therefore, this study focuses on a VAT in the UAE, especially the implementation of it and its impact on SMEs in the UAE – a post-implementation critique.

(Total 282 words)

Proposed methods
Provide a brief summary of all the methods that **may** be used in the research activity, making it clear what specific techniques may be used. If methods other than those listed in this section are deemed appropriate later, additional ethical approval for those methods will be needed. (Maximum 600 words)

This study uses mixed methods complex. Sequential multi-phase research adopted in this study is as follows:

Exploratory Research: **Qualitative Research Methodology**

The aim of this research phase is to achieve objective two of the study which are accomplished by the use of a quantitative research methodology. Considering the research objectives two - to evaluate the current fiscal policies and implication of VAT and its impacts on the SMEs, the study employs qualitative research methodology because of the knowledge concerning the UAE government's fiscal policy, the VAT adoption, administration and implementation process and its impacts on SMEs are unknown.

Population: The population of the qualitative methods are the positions of policy makers and the directors currently working in the Ministry of Finance (MoF) and The Federal Tax Authority (FTA).

Sampling: A snowball sample has been utilised to recruit policy-makers and directors for the semi-structured interviews.

Sample Size: There will be n10 key informant interviewees from policymakers and directors recruited in this study.

Data Collection Tools and Technique: A topic-guide has been developed to conduct a qualitative research, especially semi-structured interview, with policymaker and directors of the MoF and FTA.

Data Analysis: The study uses thematic analysis in this study and a qualitative data analysis software called NVivo 11 will be employed.

Second Stage: Qualitative Research Methodology

Achieving objective three of the research, to document the concerns of different stakeholders of SMEs associated with the introduction of VAT in the UAE, requires evaluating the knowledge and experiences of SMEs stakeholders in UAE. As SMEs work as the "collective agents", collect the consumer tax on behalf of the government, the stakeholders' perceptions are significant for this study to explore the VAT impacts on SMEs in the SMEs. Therefore, a qualitative research is much justified to achieve the objective three of the study.

Population: The population are stakeholders of SMEs will be selected from the Ministry of Economy, The National Program for Small and Medium Enterprises and Project, and the managers, workers, stockholders, suppliers, and vendors associated with the SMEs in the UAE.

Sampling: A snowball sample has been utilised to recruit stakeholders of SMEs for the semi-structured interviews.

Sample Size: There will be n10 interviewees taken from the stakeholders of the SMEs.

Data Collection Tools and Technique: A topic-guide has been developed to conduct a qualitative research, especially semi-structured interview, with stakeholders of SMEs.

Data Analysis: A thematic analysis will be applied and a qualitative data analysis software NVivo 11 will be used to generate themes (nodes), sub-themes (child nodes), coding map, word frequency and sunbursts.

Final Stage: Quantitative Research Methodology

A quantitative research methodology, especially survey questionnaire, will be used by this study to achieve objective four of the research, which is to study how does imposing the VAT have the impact on SMEs in the UAE.

Population: As the aim of this final phase is to identify the VAT impacts on the SMEs in the UAE, the population of this quantitative research are the owners, directors and managers of the SMEs in the UAE.

Sampling: A stratified random sampling has been used to collect data from the SMEs.

Sample Size: Considering the 475 registered SMEs in the UAE, taking confidence level is 95% with 5% margin of error (Confidence Interval), the ideal sample size of this quantitative research is 213 SMEs.

Data Collection Tools and Technique: An online survey questionnaire comprises 32 survey questions including closed-ended questions, rating scale, Likert-type scales and multiple choice.

Data Analysis: The study adopts frequency test and chi square test and employs a quantitative data analysis software called IBM SPSS 22.

(Total 595 words)

Location of research activity Identify all locations where research activity will take place.
UAE and the United Kingdom
Research activity outside of the UK If research activity will take place overseas, you are responsible for ensuring that local ethical considerations are complied with and that the relevant permissions are sought. Specify any local guidelines (e.g. from local professional associations/learned societies/universities) that exist and whether these involve any ethical stipulations beyond those usual in the UK (provide details of any licenses or permissions required). Also specify whether there are any specific ethical issues raised by the local context in which the research activity is taking place, for example, particular cultural sensitivities or vulnerabilities of participants.
The study sought permission from the Ministry of Finance, and the Ministry of Economy on 1st November 2018 (*see* appendix 2 and appendix 3). The study received granted permissions from the Ministry of Economy and the Ministry of Finance on 11th November 2018 and 23rd November 2018 respectively (*see* appendix 4 and 5).

SECTION F: Scope of Research Activity

Will the research activity include:	**YES**	**NO**
Use of a questionnaire or similar research instrument?	☒	☐
Use of interviews?	☒	☐
Use of diaries?	☐	☒
Participant observation with their knowledge?	☒	☐
Participant observation without their knowledge?	☐	☒
Use of video or audio recording?	☒	☐
Access to personal or confidential information without the participants' specific consent?	☐	☒
Administration of any questions, test stimuli, presentation that may be experienced as physically, mentally or emotionally harmful / offensive?	☐	☒
Performance of any acts which may cause embarrassment or affect self-esteem?	☐	☒
Investigation of participants involved in illegal activities?	☐	☒
Use of procedures that involve deception?	☐	☒
Administration of any substance, agent or placebo?	☐	☒
Working with live vertebrate animals?	☐	☒
Other primary data collection methods, please explain in this box	☐	☒

If NO to every question, then the research activity is (ethically) low risk and **may** be exempt from **some** of the following sections (please refer to Guidance Notes).

If YES to any question, then no research activity should be undertaken until full ethical approval has been obtained.

SECTION G: Intended Participants

Who are the intended participants:	**YES**	**NO**
Students or staff at the University?	☐	☒
Adults (over the age of 18 and competent to give consent)?	☒	☐
Vulnerable adults?	☐	☒
Children under 18?	☐	☒
Prisoners?	☐	☒
Young offenders?	☐	☒
Those who could be considered to have a particularly dependent relationship with the investigator or a gatekeeper?	☐	☒
People engaged in illegal activities?	☐	☒
Others (please identify):	☐	☒

Participant numbers and source
Provide an estimate of the expected number of participants. How will you identify participants and how will they be recruited?

Exploratory Research: Qualitative Data

Population: The population of the qualitative methods are the positions of policy makers and the directors currently working in the Ministry of Finance (MoF) and The Federal Tax Authority (FTA).

Sampling: A snowball sample has been utilised to recruit policy-makers and directors for the semi-structured interviews.

Sample Size: There will be n10 key informant interviewees from policymakers and directors recruited in this study.

Data Collection Tools and Technique: A topic-guide has been developed to conduct a qualitative research, especially semi-structured interview, with policymaker and directors of the MoF and FTA

Second Phase: Qualitative Data

Population: The population are stakeholders of SMEs will be selected from the Ministry of Economy, The National Program for Small and Medium Enterprises and Project, and the managers, workers, stockholders, suppliers, and vendors associated with the SMEs in the UAE.

Sampling: A snowball sample has been utilised to recruit stakeholders of SMEs for the semi-structured interviews.

Sample Size: There will be n10 interviewees taken from the stakeholders of the SMEs.

Data Collection Tools and Technique: A topic-guide has been developed to conduct a qualitative research, especially semi-structured interview, with stakeholders of SMEs.

Final Phase: Quantitative Data

Population: As the aim of this final phase is to identify the VAT impacts on the SMEs in the UAE, the population of this quantitative research are the owners, directors and managers of the SMEs in the UAE.

Sampling: A stratified random sampling has been used to collect data from the SMEs.

Sample Size: Considering the 475 registered SMEs in the UAE, taking confidence level is 95% with 5% margin of error (Confidence Interval), the ideal sample size of this quantitative research is 213 SMEs.

Data Collection Tools and Technique: An online survey questionnaire comprises 32 survey questions including closed-ended questions, rating scale, Likert-type scales and multiple choice.

Information for participants:	**YES**	**NO**	**N/A**
Will you describe the main research procedures to participants in advance, so that they are informed about what to expect?	☒	☐	☐
Will you tell participants that their participation is voluntary?	☒	☐	☐
Will you obtain written consent for participation?	☒	☐	☐
Will you explain to participants that refusal to participate in the research will not affect their treatment or education (if relevant)?	☐	☐	☒
If the research is observational, will you ask participants for their consent to being observed?	☒	☐	☐
Will you tell participants that they may withdraw from the research at any time and for any reason?	☒	☐	☐
With questionnaires, will you give participants the option of omitting questions they do not want to answer?	☒	☐	☐
Will you tell participants that their data will be treated with full confidentiality and that, if published, it will not be identifiable as theirs?	☒	☐	☐
Will you debrief participants at the end of their participation, in a way appropriate to the type of research undertaken?	☒	☐	☐
If NO to any of above questions, please give an explanation			

Information for participants:	**YES**	**NO**	**N/A**
Will participants be paid?	☐	☒	☐
Is specialist electrical or other equipment to be used with participants?	☒	☐	☐
Are there any financial or other interests to the investigator or University arising from this study?	☐	☒	☐
Will the research activity involve deliberately misleading participants in any way, or the partial or full concealment of the specific study aims?	☐	☒	☐

If YES to any question, please provide full details

Voice recorder

SECTION H: Anticipated Risks

Outline any anticipated risks that may adversely affect any of the participants, the researchers and/or the University, and the steps that will be taken to address them.

If you have completed a full risk assessment (for example as required by a laboratory, or external research collaborator) you may append that to this form.

Full risk assessment completed and appended?

Yes ☒
No ☐

Risks to participants
For example: emotional distress, financial disclosure, physical harm, transfer of personal data, sensitive organisational information

N/A

If research activity may include sensitive, embarrassing or upsetting topics (e.g. sexual activity, drug use) or issues likely to disclose information requiring further action (e.g. criminal activity), give details of the procedures to deal with these issues, including any support/advice (e.g. helpline numbers) to be offered to participants. Note that where applicable, consent procedures should make it clear that if something potentially or actually illegal is discovered in the course of a project, it may need to be disclosed to the proper authorities

N/A

Risks to investigator
For example: personal safety, physical harm, emotional distress, risk of accusation of harm/impropriety, conflict of interest

N/A

University/institutional risks
For example: adverse publicity, financial loss, data protection

N/A

Adverse outcomes
List measures put in place to limit any adverse effects or outcomes of research activity where appropriate. Include any emergency protocols.

N/A

Disclosure and Barring Service			
If the research activity involves children or vulnerable adults, a Disclosure and Barring Service (DBS) certificate must be obtained before any contact with such participants.	**YES**	**NO**	**N/A**
Has a DBS certificate been obtained?	☐	☐	☒

SECTION I: Feedback, Consent and Confidentiality

Feedback
What feedback will be provided to participants, how will this be done and when?

Participants will have the option to request a copy of the completed thesis

Informed consent
Describe the arrangements to inform potential participants, before providing consent, of what is involved in participating. Describe the arrangements for participants to provide full consent before data collection begins. If gaining consent in this way is inappropriate, explain how consent will be obtained and recorded.

Information Sheet

Considering section 2 and section 19.3 (informed consent (adults)) of UWTSD's the code of practice, the study designed an information sheet to ensure informed consent (*see* appendix 6 for Information sheet).

This researcher provides an information sheet containing the title of the study, aims of the research, choice to participate, the right to withdraw from the research, what happen if a participant takes part, benefits of taking part, risks of taking part, use of provided information, who will have access to the provided information, sponsors' details, supervisors' details and university details. However, it is clearly mentioned throughout information that participants have rights to withdraw their participation at any time of the study.

Consent Form

Followed by the information sheet, the researcher designed a consent form and takes consent from the participants prior to carry any interviews with the policymakers, directors and stakeholders and survey from SMEs. The study respects the rights and dignity of individuals by taking consent and permission through 'Consent Form' in the line with treating gathered data as "strictly confidential" and keep the anonymity of participants' identity. (*see* appendix 7 for Consent Form)

Confidentiality / Anonymity
Set out how anonymity of participants and confidentiality will be ensured in any outputs. If anonymity is not being offered, explain why this is the case.

Anonymity

To avoid risks, the study will confirm that all participation in this study will remain anonymous. Therefore, the study has no intention to seek any personal details such as name, date of birth and address or ask any emotional questions throughout the interview or survey questionnaire which may affect participants personally or emotionally.

Confidentiality

This researcher provides grantee of the confidentiality of the gathered data. That means the gathered information will be treated private and confidential manner. However, for the recording purpose, the researcher needs to record the voice as well the preserve individual answer provided throughout the

survey questionnaire. The information will be disclosed to the people associated with this study. The collected information will be destroyed immediately after the result has been published.

SECTION J: Data Protection and Storage

In completing this section refer to the University's Research Data Management Policy and the extensive resources on the University's Research Data Management web pages (http://uwtsd.ac.uk/library/research-data-management/).

	YES	NO
Does the research activity involve personal data (as defined by the Data Protection Act)? ***"personal data"*** *means data which relate to a living individual who can be identified—* *(a) from those data, or* *(b) from those data and other information which is in the possession of, or is likely to come into the possession of, the data controller, and includes any expression of opinion about the individual and any indication of the intentions of the data controller or any other person in respect of the individual.*	☐	☒
If YES, provide a description of the data and explain why this data needs to be collected:		
N/A		
Does it involve sensitive personal data (as defined by the Data Protection Act)? ***"Sensitive personal data"*** *means personal data consisting of information as to –* *(a) the racial or ethnic origin of the data subject,* *(b) his political opinions,* *(c) his religious beliefs or other beliefs of a similar nature,* *(d) whether he is a member of a trade union (within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992),* *(e) his physical or mental health or condition,* *(f) his sexual life,* *(g) the commission or alleged commission by him of any offence, or* *(h) any proceedings for any offence committed or alleged to have been committed by him, the disposal of such proceedings or the sentence of any court in such proceedings.*	☐	☒
If YES, provide a description of the data and explain why this data needs to be collected:		
N/A		

Will the research activity involve storing personal data on one of the following:	YES	NO
Manual files (i.e. in paper form)?	☒	☐
University computers?	☐	☒
Private company computers?	☐	☒
Home or other personal computers?	☐	☒
Laptop computers/ CDs/ Portable disk-drives/ memory sticks?	☒	☐
"Cloud" storage or websites?	☐	☒
Other – specify:	☐	☒

For all stored data, explain the measures in place to ensure data confidentiality, including details of password protection, encryption and anonymisation:

Gathered data will protect by:

- Storing securely in a locked filing cabinet and on a password protected computer.
- Data will only be accessed by my supervisor and me.
- The level of identifiability will be random and anonymous.
- That the data will be stored in line with the data protection guidelines at The University of Wales Trinity Saint David University and that the data will be retained by me, as the principal investigator of this study, for at least five years.
- What the longer-term arrangements are for disposing of or keeping the data that they will be securely disposed of.

See above

Will the research activity involve any of the following activities:	**YES**	**NO**
Electronic transfer of data in any form?	☐	☒
Sharing of data with others at the University?	☐	☒
Sharing of data with other organisations?	☐	☒
Export of data outside the European Union or importing of data from outside the UK?	☒	☐
Use of personal addresses, postcodes, faxes, emails or telephone numbers?	☐	☒
Publication of data that might allow identification of individuals?	☐	☒
Use of data management system?	☐	☒
Data archiving?	☐	☒

If YES to any question, please provide full details, explaining how this will be conducted in accordance with the Data Protection Act (and/or any international equivalent):

The UAE is outside the UK and the research takes place in the UAE.

List all who will have access to the data generated by the research activity:

My supervisors and Me as a principal investigator

List who will have control of, and act as custodian(s) for, data generated by the research activity:

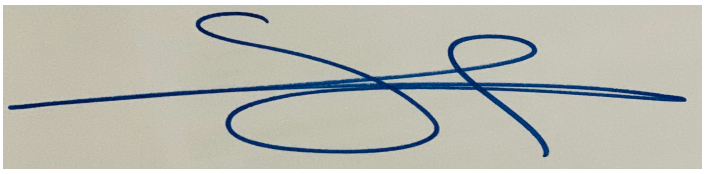
Me as a principal investigator

Give details of data storage arrangements, including where data will be stored, how long for, and in what form. Will data be archived – if so how and if not why not.

That the data will be stored in line with the data protection guidelines at The University of Wales Trinity Saint David University and that the data will be retained by me, as the principal investigator of this study, for at least five years.

SECTION K: Declaration

The information which I have provided is correct and complete to the best of my knowledge. I have attempted to identify any risks and issues related to the research activity and acknowledge my obligations and the rights of the participants. In submitting this application I hereby confirm that I undertake to ensure that the above named research activity will meet the University's Research Ethics and Integrity Code of Practice

Signature of applicant: 	**Date:** 26/10/2018

For students:

Director of Studies/Supervisor:	Professor Jonathan Liu
Signature:	
Date:	

For staff:

Head of School/Assistant Dean:	
Signature:	
Date:	

Checklist: Please complete the checklist below to ensure that you have completed the form according to the guidelines and attached any required documentation:

☒	I have read the guidance notes supplied before completing the form.
☒	I have completed **ALL RELEVANT** sections of the form in full.
☒	I confirm that the research activity has received approval in principle
☐	I have attached a copy of final/interim approval from external organisation (where appropriate)
☐	I have attached a full risk assessment (and have NOT completed Section H of this form) (where appropriate)
☒	I understand that it is my responsibility to ensure that the above named research activity will meet the University's Research Ethics and Integrity Code of Practice.
☒	I understand that before commencing data collection all documents aimed at respondents (including information sheets, consent forms, questionnaires, interview schedules etc.) must be confirmed by the DoS/Supervisor, module tutor or Head of School.

RESEARCH STUDENTS AND STAFF ONLY
All communications relating to this application during its processing must be in writing and emailed to pgresearch@uwtsd.ac.uk , with the title 'Ethical Approval' followed by your name.
You will be informed of the outcome of your claim by email; therefore **it is important that you check your University and personal email accounts regularly.**

STUDENTS ON UNDERGRADUATE OR TAUGHT MASTERS PROGRAMMES should submit this form (and receive the outcome) via systems explained to you by the supervisor/module leader.

This form is available electronically from the Academic Office web pages:
http://www.uwtsd.ac.uk/academic-office/

Application Process

All staff research projects and all research students must submit the Ethical Approval Form to the **University Ethics Committee** via the Academic Office (pgresearch@uwtsd.ac.uk). Staff research directly in relation to personal study for taught undergraduate or Masters programmes should be submitted via the Faculty procedures explained below.

Taught masters and taught undergraduate research Ethical Approval Forms are considered **within Faculties.** Faculties will provide details of the specific processes for this. Where the Ethical issues within any single ethical application are of particular concern the Faculty will refer these to the University Ethics Committee. Any student activity that involves the collection of primary data needs to undergo Ethical approval, this includes assignment work as well as dissertations.

Notes for guidance in completion of this form

Section A: About You
Please complete all relevant sections

Section B: Approval for research activity
Research proposals must be approved in principle before applying for Ethical Approval. The proposal approval only becomes final when the ethical approval is received.

The process for proposal approval varies according the individual and programme of study:

- Research students, by application on form PG1 to the Research Degrees Committee
- Taught students by review of research proposal within Faculties (Faculties provide specific details of these processes)
- Staff, by agreement by the Head of School/Assistant Dean

Section C: External Ethical Guidance materials
Many discipline areas are required to operate with the discipline specific codes of research ethics (for example health, psychology, education etc.), any such codes must be listed and you must tick to confirm that you have consulted with these.

Section D: External Collaborative Research Activity
Provide details of the external collaborative partners, where appropriate you might want to submit a copy of the external collaboration agreement with the Ethical Approval Form. If the partner requires the research to be subject to its own internal Ethical approval process then please provide details of that process and a copy of any final (or interim) approvals received from the organisation.

Section E: Details of Research Activity

Remember that the individuals reviewing this Ethical Approval Form may not have seen your research proposal, and also may not be experts in the specific area of your research. The information provided should therefore be jargon free and clearly stated.

Indicative Title: please use the same title as used on the research proposal.

Purpose: the Ethical approval process will want to ensure that the methods you propose are adequate and appropriate to address the research aims and objectives. Excessive additional data collection can be seen as unethical.

Proposed Methods: the Ethical approval process seeks to ensure that you understand the methods that are intended, and that the implementation of those methods will be appropriate and without unnecessary impact on respondents. Please be specific.

Location: this needs to mention geographical location and also local situation (for example, within Local Authority Offices in Cardiff, using a private room but close to other individuals). If you are collecting data within an organisational setting then you need to explain the permissions that you have obtained to do this.

Research Activity outside of the UK: please complete this section in detail, and note any guidance you have received. Also describe your own familiarity (or not) with the location that you will be utilising.

Section F: Scope of Research Activity

Please tick ALL of the research activities that might be undertaken. If any additional types of activity are intended then please add an extra box and describe these.

If you have answered no to all questions in F then sections G and J do not need to be completed. Section H should be considered, and may be completed. Signatures are still required in section K.

Section G: Intended Participants

Please tick all categories that might apply.

Numbers & Source: if you are using a series of different methods or research activities please list numbers for each stage/phase. Be clear about how you will find respondents. Will you use intermediaries, and if so how? How will you ensure compliance with your sampling strategy?

Information for participants: all participants should be appropriately informed about the research, what is expected of them and what will happen to the information that they provide. The Ethical review process does not ask to see this documentation, but requires this to be reviewed and approved by the Director of Studies in the case of research students, the supervisor/module tutor in relation to students on taught programmes and the Head of School/Assistant Dean in relation to staff research.

Section H: Anticipate Risks

All research carries some level of risk. The answers you provide to questions in this section will be reviewed to ensure that you have an appropriate understanding of the type of risks involved and how you can mitigate against these risks. If you have completed a full risk assessment, as required for example for laboratory work, field work, clinical tests, diving operations, or by a collaborative partner, you may append that to this form. In that case, please tick the box indicating this has been provided. You will not then be required to complete Section H.

Risk to participants Think very carefully about how your actions/questions/discussions might affect the people you are involving as participants. You might identify the risk as small but it would still be a risk. Many types of question have the potential to make respondents less content with their life / job; you need to recognise and try to ameliorate any such effects If these are business owners, time with you may reduce profit.

In some locations physical risk is very real to both participants and yourself, please consider this.

Risk to you, the researcher Think about where you will meet people, if there are any dangers involved in the location. If you are meeting people as individuals think about using a public place. In general do not visit people in their own homes or remote locations. If you are talking to individuals about certain issues think about how their responses might affect you emotionally. What about the risk of collecting insufficient data?

Risk to the University When undertaking your research, you are acting as a member of the University (student or staff). Professionalism is important, so it is important to be well organised and well prepared. Punctuality, clarity etc. are all part of this. What will you do to ensure this? You must ensure you do not harm the good name of the University in any way and do nothing to undermine the reputation of the research it conducts and sponsors. Upholding high standards of conduct and integrity are vital in this regard. You must also conduct the research in such a way to minimise the potential for claims of negligence made against the University, its researchers and any collaborating individual or organisation. In this respect you should always comply with ethical, legal and professional frameworks, obligations and standards as required by statutory and regulatory authorities, as well as the university's Research Integrity and Ethics Code of Practice. Research misconduct in this respect can take many forms, including:

- fabrication: making up results or other outputs (eg, artefacts) and presenting them as if they were real
- falsification: manipulating research processes or changing or omitting data without good cause
- plagiarism: using other people's material without giving proper credit
- failure to meet ethical, legal and professional obligations: for example failure to declare competing interests; misrepresentation of involvement or authorship; misrepresentation of interests; breach of confidentiality; lack of informed consent; misuse of personal data; and abuse of research subjects or material
- improper dealing with allegations of misconduct: failing to address possible infringements such as attempts to cover up misconduct and reprisals against whistle-blowers

Adverse Outcomes. Think carefully about the possibilities, and cover here

Section I: Feedback, Consent and Confidentiality

Feedback to participants: outline your approach. Will interview transcripts be shared with respondents to check accuracy? Will summaries of questionnaire analysis be made available to respondents in some way? Will an overview report be provided? How and when?

Informed consent: Draft letter / e-mail / or heading (or footer) section of questionnaire must be approved by DoS/supervisor (if research student), supervisor/module tutor if taught student, or Head of School / Assistant Dean if a member of staff.

Confidentiality/Anonymity. Explain clearly how you will ensure confidentiality and anonymity.

Section J: Data Protection and Storage

Before completing this section it is necessary to read the University's Research Data Management information. The questions that follow are designed to ensure compliance with the Data Protection Act as well as established research protocols.

Many research activities will involve electronic transfer of data and use of data management systems in the summarisation and analysis of data. You will need to explain these in relation to compliance with the Data Protection Act.

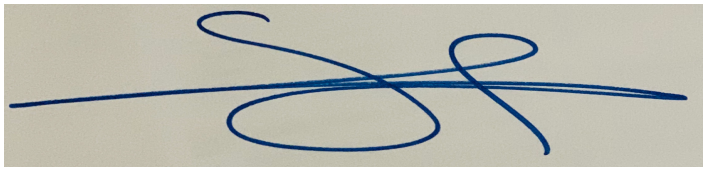
Think carefully about who will have access to your data, this will include supervisors and examiners. Also that a thesis will be made available via the University library and the British Library system. If you are seeking an access bar for a period of time after completion then mention it here. If you will provide a copy of your findings, or intend to give a presentation, to a facilitating/ supporting/accessing organisation then explain that in this section. But also think about the general principle of data sharing, as explained in the Research Data Management information.

In terms of storage of data please ensure security, and also mitigate against loss of data.

Section K: Declaration
Ensure the appropriate countersignatures have been provided
Look carefully at the checklist and ensure that you comply with and tick all that are relevant to your research

Task/ premises: The Implementation of Value Added Tax and its impact on Small and Medium Sized Businesses in the United Arab Emirates – A post implementation critique Perspectives

Appendix 5: Risk Assessment

Date	Assessed by (name and signature required)	Checked / Validated (delete as appropriate) by (name and signature required)	Location	Version no.	Review date
17/12/2018	Salem Shehail Alsaedi 		• The University of Wales Trinity Saint David London • The United Arab Emirate		

Key: T= trivial risk; **A** = adequately controlled, no further action necessary; **N** = not adequately controlled, actions required; **U** = unable to decide (further information required)

***Likelihood**

5 Very likely – risk will occur repeatedly. To be routinely expected once every 20 – 100 operations, possibly weekly or more frequently if done regularly.

4 Likely – will occur several times a year so does not surprise when it happens.

3 Possible – may occur sometimes. Likely to occur once a year.

2 Unlikely – but may occur perhaps once in every 10 to 100 years.

****Severity**

5 Fatality – death of an employee or multiple fatalities.

4 Major injury – permanent disability, serious amputation e.g. Loss of hand.

3 Medium injury e.g. Bad scald, or burn, fracture, minor amputation, temporary injury, loss of consciousness. Reportable to the HSE as a three day lost time (employee unavailable for normal work for over 3 days) or serious injury.

2 Minor injury – More severe cut, sprain, strain, burn, etc. where return to work is not possible after treatment. It may be lost time less than 3 days.

Risk Assessment

Prifysgol Cymru
Y Drindod Dewi Sant
University of Wales
Trinity Saint David

Task/ premises:	The Implementation of Value Added Tax and its impact on Small and Medium Sized Businesses in the United Arab Emirates – A post implementation critique Perspectives

1 Very unlikely to occur. Likelihood approaching zero.	1 No injury or very low injury – scratch, bruise, knock, minor cut, needle stick etc. where the injury allows return to work after first aid treatment – no lost time.

***** Risk rating = Likelihood x Severity**

Likelihood x Severity = Risk assessment score

(LOW RISK 1-8 / MEDIUM RISK 9-15 / HIGH RISK 16-25)

Low risk - improve if possible (typically within 1 - 2 years)
Medium Risk - Introduce further controls to reduce risk further (typically 1 - 3 months) **High Risk** - Possibly stop operation or immediately introduce control measures within a day or two.

Risk Assessment

Prifysgol Cymru
Y Drindod Dewi Sant
University of Wales
Trinity Saint David

Task/ premises: The Implementation of Value Added Tax and its impact on Small and Medium Sized Businesses in the United Arab Emirates – A post implementation critique Perspectives

Activity	Hazard	Who might be harmed and how	Existing measures to control risk	Likelihood*	Severity**	Risk rating***	Result (T,A,N,U)	Additional controls required to adequately control the risk
Interview/ Survey Questionnaire/dropping off questionnaires.	Risk of verbal abuse/ assault.	The researcher conducting the visit/ interview.	The researcher is well trained to keep one's mobile phone charged and keep it topped up with credit. The researcher will not visit any venues after dark in winter months or outside normal working hours. The researcher will make sure that one is in right address and is talking to the right person. If the researcher has travelled by car, ensure the car is close to the address that one is visiting. If the researcher feels uncomfortable at any time during a visit then make an excuse and leave. (it would be useful to agree an excuse with work partner/ supervisor prior to a visit) Know where the door is should the researcher needs to leave. The researcher does not allow oneself to be cornered.	1	3	4	A	Risk adequately controlled.

Risk Assessment

Prifysgol Cymru
Y Drindod Dewi Sant
University of Wales
Trinity Saint David

Task/ premises: The Implementation of Value Added Tax and its impact on Small and Medium Sized Businesses in the United Arab Emirates – A post implementation critique Perspectives

Activity	Hazard	Who might be harmed and how	Existing measures to control risk	Likelihood*	Severity**	Risk rating***	Result (T,A,N,U)	Additional controls required to adequately control the risk
Interview/ Survey Questionnaire/dropping off questionnaires.	Risk of verbal abuse/ assault.	The researchers conducting the office visit/ interview.	If the researcher feels pressure/ presented with violence/ the threat of violence, then leave immediately. Let the supervisor know when I arrive at the address. Also let the supervisor know when I leave the address. Never visit an address that has not been planned/ approved! If I have any concerns about the visit speak to my supervisor.	1	3	4	A	Risk adequately controlled.
Interview/ Survey Questionnaire/dropping off questionnaires.	Fire	Interviewees/Interviewers/Participants/Anybody within the vicinity	Fire risk assessment of the targeted areas for the data collection visited by me and fire exist, and assembly points are noted. Fire risk assessment, fire exists, and fire assembly points are satisfactory.	1	3	4	A	Risk adequately controlled

Risk Assessment

Prifysgol Cymru
Y Drindod Dewi Sant
University of Wales
Trinity Saint David

Task/ premises: The Implementation of Value Added Tax and its impact on Small and Medium Sized Businesses in the United Arab Emirates – A post implementation critique Perspectives

Activity	Hazard	Who might be harmed and how	Existing measures to control risk	Likelihood*	Severity**	Risk rating***	Result (T,A,N,U)	Additional controls required to adequately control the risk
Conducting an interview	Organisational hazard, loss of reputation for UWTSD	UWTSD- Poor conduct of students/ researchers can damage the integrity of work at UWTSD/ lead to complaints/ disciplinary actions.	The researcher is trained how to behave when conducting interviews. The researcher is trained to respect cultural sensitivities. Students submit project proposals via an ethics/ checklist/ ethics committee prior to commencement of work. Any and all adverse events must be reported. UWTSD procedures must be followed.	1	2	3	A	Risk adequately controlled

Risk Assessment

Prifysgol Cymru
Y Drindod Dewi Sant
University of Wales
Trinity Saint David

Task/ premises: The Implementation of Value Added Tax and its impact on Small and Medium Sized Businesses in the United Arab Emirates – A post implementation critique Perspectives

Activity	Hazard	Who might be harmed and how	Existing measures to control risk	Likelihood*	Severity**	Risk rating***	Result (T,A,N,U)	Additional controls required to adequately control the risk
Any activity that involves being outside	Exposure to changeable weather conditions, i.e. the wet and cold.	The researcher may suffer sunburn/ heat stroke following exposure to hot weather conditions.	Due to the ethnic background of the researcher (Emeriti origin) the investigator is familiar with the weather and has ability to cope with the weather condition. However, if the researcher goes to be outdoors for a prolonged period of time one must take water/ drinks to keep oneself hydrated.	2	2	4	A	Risk adequately controlled.
Legal	Risk of being interrogated by the police/ risk of being arrested	The Researcher	Permissions from the Ministry of Finance and the Ministry of Economy can confirm that the research is being carried out legally in accordance with permission. The researcher is an Emirati national and an employee of Abu Dhabi Police GHQ	3	0	5	A	Risk adequately controlled, no further action necessary.

Risk Assessment

Prifysgol Cymru
Y Drindod Dewi Sant
University of Wales
Trinity Saint David

Task/ premises: The Implementation of Value Added Tax and its impact on Small and Medium Sized Businesses in the United Arab Emirates – A post implementation critique Perspectives

Activity	Hazard	Who might be harmed and how	Existing measures to control risk	Likelihood*	Severity**	Risk rating***	Result (T,A,N,U)	Additional controls required to adequately control the risk
Any research activity that involved being out and about with the general public.	Risk of negative response / attack/ unpredictable behaviour from the general public.	The researcher may be subject to attack or verbal abuse.	The researcher is well-trained to avoid any situation that may seem compromising. The researcher is also trained not to respond to verbal threats/ engage in behaviour that could be interpreted as confrontational. The researcher is to inform supervisor about the incidents. The researcher is also to talk through any concerns about the activity to the supervisor. In the instance of an adverse event, UWTSD has incident reporting procedures which MUST be followed.	2	3	5	A	Risk adequately controlled, no further action necessary.

Risk Assessment

Prifysgol Cymru
Y Drindod Dewi Sant
University of Wales
Trinity Saint David

Task/ premises: The Implementation of Value Added Tax and its impact on Small and Medium Sized Businesses in the United Arab Emirates – A post implementation critique Perspectives

Activity	Hazard	Who might be harmed and how	Existing measures to control risk	Likelihood*	Severity**	Risk rating***	Result (T,A,N,U)	Additional controls required to adequately control the risk
Transport of questionnaires	Manual Handling	The researcher.	The researcher is instructed not to carry more than they can carry. UWTSD provides trolleys etc. for the movement of large volumes of documentation.	1	4	5	A	Risk adequately controlled, no further action necessary.
	Data protection issues	Anybody with personal information on the questionnaire	The researcher is instructed to observe data protection guidelines. Questionnaires/ documentation with personal information are NOT to be left unattended and out where they can be interfered with. Information is anonymised/ coded where possible.					
	Transport Accident.	Drivers and passengers of the transport. Harm ranging from minor injury to death.	Drive carefully and safely observing British highway law. Only use licensed taxi's, travel with people you know.	1	4	5	A	Risk adequately controlled, no further action necessary.

Task/ premises: The Implementation of Value Added Tax and its impact on Small and Medium Sized Businesses in the United Arab Emirates – A post implementation critique Perspectives

Action plan				
Version no.	**Further action required**	**Action by whom**	**Action by when**	**Done**

Appendix 6: Application for Field Study, Ministry of Finance

University of Wales
Trinity Saint David
LONDON

Winchester House
11 Cranmer Road
London
SW9 6EJ
Date: 1st November 2018

To,
The Director
Ministry of Finance
Al Ghubaiba Road, Souk Al Kabeer
Bur Dubai, Zip Code: 1565
Dubai, UAE

Dear Sirs,

Ref: Research on implementation of VAT and its impact on SMEs in the UAE

I am, *Salem Alsaedi*, a PhD student carrying out a research titled 'the** Implementation of Value Added Tax and its impact on Small and Medium Sized Businesses in the United Arab Emirates – A post implementation critique**.' This PhD research has been carrying out under The University of Wales Trinity Saint David (UWTSD) London Campus, the UK.**

The aim of the study is to evaluate the critical factors associated with the successful implementation of VAT and analyse the impact of VAT on SMEs to establish critical success in implementing VAT in the UAE and one of the five objectives of the study is 'to evaluate the current fiscal policies and implication of VAT and its impacts on the SMEs.' To achieve the objective, it is necessary for this study to carry out a qualitative research, mainly semi-structured interviews, on your policymakers and directors holding positions in the Ministry of Finance and the Federal Taxation Authority.

A qualitative research will be carried out between 1st December 2018 and 15th January 2019. Therefore, I hereby seek your kind permission to carry out a field study in the Ministry and the Authority.

Can I also confirm you that there is no risk associated with participating in this field study. We, **The University of Wales Trinity Saint David London Campus, the UK** and I, can grantee **that the data shall be gathered throughout this field study will be treated with utmost anonymity and dealt with strictly private and confidential manner.** The participants are allowed to cancel your participation anytime during this project, between 1st December 2018 and 15th January 2019. In case of withdrawal, they can contact me by writing an email to alsaedi.s@hotmail.com

Now I would be grateful to you if you allow me to carry out a field study in the Ministry of Finance and the Federal Taxation Authority for the above-mentioned period.

Yours faithfully,



Salem Alsaedi, *PhD Student*
UWTSD London Campus.

Attn: Topic Guide Question; Consent Form; Information Sheet

Appendix 7: Application for Field Study, Ministry of Economy

University of Wales
Trinity Saint David
LONDON

Winchester House
11 Cranmer Road
London
SW9 6EJ
Date: 1st November 2018

To,
The Director
Ministry of Economy
UAE Tower
Al Muroor Street (14th Floor)
Abu Dubai, UAE

Dear Sirs,

Ref: Research on implementation of VAT and its impact on SMEs in the UAE

I am, *Salem Alsaedi*, a PhD student carrying out a research titled '*the Implementation of Value Added Tax and its impact on Small and Medium Sized Businesses in the United Arab Emirates – A post implementation critique*.' This PhD research has been carrying out under The University of Wales Trinity Saint David (UWTSD) London Campus, the UK.

The aim of the study is to evaluate the critical factors associated with the successful implementation of VAT and analyse the impact of VAT on SMEs to establish critical success in implementing VAT in the UAE. One of the five objectives of the study is 'to document the concerns of different stakeholders of SMEs associated with the introduction of VAT in the UAE.' To achieve this objective three, it is necessary for this study to carry out a qualitative research, mainly semi-structured interviews, on policymakers, directors, and managers positions in the Ministry of Economy and The National Program for Small and Medium Enterprises and Project.

A qualitative research will be carried out between 1st December 2018 and 15th January 2019. Therefore, I hereby seek your kind permission to carry out a field study in the Ministry of Economy and the National Programme for SMEs and Project.
Can I also confirm you that there is no risk associated with participating in this field study. We, **The University of Wales Trinity Saint David London Campus, the UK** and I, can grantee **that the data shall be gathered throughout this field study will be treated with utmost anonymity and dealt with strictly private and confidential manner.** The participants are allowed to cancel your participation anytime during this project, between 1st December 2018 and 15th January 2019. In case of withdrawal, they can contact me by writing an email to alsaedi.s@hotmail.com

Now I would be grateful to you if you allow me to carry out a field study in the Ministry of Economy and the National Program for SMEs and Project for the above-mentioned period.

Yours faithfully,



Salem Alsaedi, *PhD Student*
UWTSD London Campus. *Attn*: Topic Guide Question; Consent Form; Information Sheet.

Appendix 8: Information Sheet

University of Wales
Trinity Saint David
LONDON

INFORMATION SHEET

Study Title:

The title of the study is '*The Impact of Culture on the Audit Process and Quality in Corporate Governance: A Comparative Study between the KSA and the UK.'*

Invitation

You are being invited to consider taking part in a PhD research study. This project is being undertaken by me, **Salem Shehail Alsaedi**.

Before you decide whether or not you wish to take part, it is important for you to understand why this research is being done and what it will involve. Please take time to read this information carefully and discuss it with friends and relatives if you wish. Ask me if there is anything that is not clear to you or if you would like more information or any further clarification.

Aims of the Research

The aim of the research is to evaluate the critical factors associated with the successful implementation of VAT and analyse the impact of VAT on SMEs in order to establish a successful framework in implementing VAT in the UAE.

Why have I been invited?

You have been invited because you are policymakers and stakeholders and SMEs in the UAE. The policymakers are holding a policymaker, directors or senior management position at the Ministry of Finance (MoF), and the Federal Taxation Authority (FTA) in the UAE. Stakeholders of SMEs including the employees in the Ministry of Economy, The National Program for Small and Medium Enterprises and Project, finance and accounting professionals, business bankers, managers, workers, suppliers, and consumers of SMEs in the UAE. And, the study considers the owners, directors and senior manager of the SMEs.

You are chosen in this study on the basis of your knowledge, experiences and interests on the Emirati SMEs.

There will be each 10 semi-structured interviews taken from policymakers and stakeholders, and around 250 survey questionnaires on the SMEs in the UAE.

Do I have to take part?

You are free to decide whether you wish to take part or not. If you do decide to take part, you will be asked to read the provided information sheet first prior to your decision to take part in this study. Then you can give your consent by signing the consent form. You are free to withdraw from this study at any time and without giving reasons if you see any conflict of

interest arise or your information impacts an individual at a personal or emotional level or any community interests.

What will happen to any data that has been collected if the participant withdraws?

In case of withdrawal, you can contact me by writing an email to the following email address

1602347@student.uwtsd.ac.uk

In case of withdrawal from the study, the data gathered from you will be destroyed and will not be included in the research. However, once the results of the study are analysed, hoping by 28th February 2019, it will not be possible for you to withdraw your provided data.

What will happen if I take part?

You will be asked to sit down with me for a semi-structured interview if you are required to produce qualitative data for the study. For the survey, you will be given an online survey questionnaire link to complete and submit an online survey.

Prior to the interview, I will sit down with you to provide information about the study and take consent from you. For the survey questionnaire, participants will find information sheet and consent form in the beginning to start the survey questionnaire.

The interview will be a semi-structured interview and taken by face-to-face and discussed certain issues within the topic. The length of each interview will be between 40 minutes to 1 hour.

The survey questionnaire comprises various types of questions on the issues surrounding VATs impacts on SMEs, which will be carried out an online survey. The duration to complete the survey questionnaire will be between 30 minutes and 50 minutes.

What are the benefits (if any) of taking part?

I would like to inform you that your participation will be voluntary. Therefore, please don't expect any monetary gain or any financial reward for participating in the interview or survey. However, it is believed that your provided information will have a huge impact on the taxation policy taken by the UAE government in the most recent past, help government to think about the significance of SMEs and the impacts of VATs on SMEs in the UAE. Additionally, the results of the study will help to increase awareness among stakeholders as well as consumers of the SMEs in the UAE.

What are the risks (if any) of taking part?

I would like to assure you that there is no risk or harm involved in taking part in both qualitative (interview) and quantitative (survey questionnaire) process of this study. To avoid risks, the study has already confirmed that your participation in this study will remain anonymous. Therefore, the study has no intention to seek any personal details such as name, date of birth and address or ask any emotional questions throughout the interview or survey questionnaire which may affect you personally or emotionally. Moreover, the study provides grantee of the confidentiality of your provided data. That means your provided information will be treated private and confidential manner. However, for the recording purpose, the research needs to record your voice as well the answers provided throughout the survey questionnaire. The information will be disclosed to the people associated with this study. The collected information will be destroyed immediately after the result has been published.

How will information about me be used?

The results derive from your delivered information will be submitted to the University of Wales Trinity Saint David London Campus in the UK. Moreover, the results may be published in the academic journals' article or in the research websites. Furthermore, the results might be discussed in the research cohort, presentation, seminars, symposium, conference including international conference. Finally, the results might be reviewed by other researchers in order to analyse and the development of their studies.

Who will have access to information about me?

I do however have to work within the confines of current legislation over such matters as privacy and confidentiality, data protection and human rights and so offers of confidentiality may sometimes be overridden by law. For example, in circumstances whereby I am concerned over any actual or potential harm to yourself or others I must pass this information to the relevant authorities.

Your provided data will protect by:

- Storing securely in a locked filing cabinet and on a password protected computer.
- Data will only be accessed by my supervisor and me.
- The level of identifiability will be random and anonymous.
- That the data will be stored in line with the data protection guidelines at The University of Wales Trinity Saint David University and that the data will be retained by me, as the principal investigator of this study, for at least five years.
- What the longer-term arrangements are for disposing of or keeping the data that they will be securely disposed of.

Who is funding and organising the research?

This research is being funded by The Abu Dhabi Police Headquarter, The Ministry of Interior, the UAE.

What if there is a problem?

If you have a concern about any aspect of this study, you may wish to speak to me as a principal research and I will do my best to answer your questions. You should contact me on

My contact details:

Salem Shehail Alsaedi
PhD Candidate - Business Management
Winchester House
11 Cranmer Road
London
SW9 6EJ

Email: 1602347@student.uwtsd.ac.uk

Mobile: 0044 (0) 7440033344

Or Supervisors details:

1st Supervisor

Professor Jonathan Liu
Professor - Business Management
Winchester House
11 Cranmer Road
London
SW9 6EJ

2nd Supervisor

Dr Isaiah Oino
Senior Lecturer - Business Management
Winchester House
11 Cranmer Road
London
SW9 6EJ

If you remain unhappy about the research and/or wish to raise a complaint about any aspect of the way that you have been approached or treated during the course of the study, please write to research office of UWTSD's contact for complaints regarding research at the following address: -

University of Wales Trinity Saint David
London Campus, Winchester House
11 Cranmer Road
London, SW9 6EJ

Tel: 0207 566 7600

Email: londonadmissions@uwtsd.ac.uk
Website: www.uwtsdlondon.ac.uk

Appendix 9: Consent Form



Informed Consent Form

Could you please read the following statements and tick the box ☑ next to each statement to confirm that your have provided your consent to carry out an interview.

1. I confirm that I have read and understood the information sheet for the above study, I have had the opportunity to consider the information, ask questions and have had answered the questions satisfactory. ☐

2. I hereby confirm that my participation in this project is voluntary by acknowledging that I am totally free to withdraw the information will be given for this research at any time without giving any reason if the information affects patient's care or legal right. ☐

3. I am providing the information for the research by knowing that the information I will provide will be treated in a *"strictly confidential"* manner and my identity will also be kept *"anonymous"* during and after the study. ☐

4. I was informed that this study has been approved by the Ethical Committee of the University of Wales Trinity Saint David London Campus. ☐

5. To the best of my knowledge, without any biases, I would like to confirm my participation provide my consent to carry out an interview in this study. ☐

Signature of the Participant _____ Date: __/__/____

Signature of the Researcher_____ Date: __/__/____

Appendix 10: Permission to Conduct Field Study Received from Ministry of Finance (MoF)

Re: [External Email] طلب تسهيل مهمة بحث دكتوراة

From: Salem Alsaedi (1602347) 1602347@student.uwtsd.ac.uk
To: yalkhoori@mof.gov.ae
Date: Sunday 17 March, 11:42 pm
Application for Field Study - MOF.pdf 128 KB

التاريخ: 17/03/2019م

سعادة / يونس حاجي الخوري
وكيل وزارة المالية
السلام عليكم ورحمة الله وبركاته

أتقدم إلى سعادتكم بأطيب التحايا، كما نشكر سعادتكم على ما تقدمونه من جهد وعمل لدولتنا الغالية. هذا واتقدم إلى سعادتكم انا الطالب / سالم شهيل سالم الساعدي من جامعة ويلز (**University of Wales Trinity Saint David (UWTSD)**) طالب دكتوراه في إدارة الأعمال، أجرى بحثًا بعنوان "تطبيق ضريبة القيمة المضافة وتأثيرها على الشركات الصغيرة والمتوسطة في دولة الإمارات العربية المتحدة - نقد تنفيذي".

الهدف من هذه الدراسة هو تقييم العوامل المرتبطة بالنجاح تطبيق ضريبة القيمة المضافة وتحليل تأثير ضريبة القيمة المضافة على الشركات الصغيرة والمتوسطة في دولة الإمارات العربية المتحدة. ومن أحد الأهداف الخمسة للدراسة التي سوف أقوم بها هو "توثيق اهتمامات ومخاوف أصحاب الشركات الصغيرة والمتوسطة من تطبيق ضريبة القيمة المضافة في دولة الإمارات العربية المتحدة". وعليه ولتحقيق هذا الهدف يتوجب على أن أقوم بإجراء بحث نوعي، وذلك عن طريق المقابلات لصانعي السياسات، والمديرين، ومديري المناصب في وزارة المالية بالإضافة إلى مدير الهيئة الاتحادية للضرائب.

كما أود أن أوضح لسعادتكم بأن البيانات التي سوف يتم الحصول عليها سوف يتم التعامل معها بسرية تامه وذلك وفقاً لسياسة الجامعة. كما يمكن للمشاركين الانسحاب في أي وقت خلال فترة الدراسة وذلك بالاتصال بي شخصياً أو عن طريق إرسال بريد إلكتروني على 1602347student.uwtsd.ac.uk@ أو

1 / 3

Alsaedi.s@hotmail.com

وعليه ارجو من سعادتكم التكرم بالموافقة على طلبي هذا لمنحي الموافقة المبدئية على البدء في إجراءات المقابلات وجمع البيانات وذلك من تاريخ 18 مارس 2019 ولغاية 20 سبتمبر2019. كما أود أن انتهز الفرصة لتحديد موعد مع سعادتكم في الأسبوع الأول من شهر أبريل وفي الوقت الذي يتناسب مع سعادتكم

وتفضلوا بقبول فائق الاحترام والتقدير...

مقدم الطلب/
سـالم شهـيل سـالم السـاعدي
طـالب دكتـوراه بـجامعة ويلـزTSD
هـاتف رقـم 00971509995441

From: Younis Haji Alkhoori yalkhoori@mof.gov.ae
To: Salem Alsaedi (1602347) 1602347@student.uwtsd.ac.uk, Ruba Khalid El Haj rkelhaj@mof.gov.ae
Date: Monday 18 March, 6:50 am

الطالب سالم الساعدي
اسعد الله صباحكم بكل خير
تم اضافة الانسه ربا الحاج للتنسيق للموعد
اما بخصوص مواعيد هيئة الضرائب فيرجى التنسيق معها حيث انها هيئة مستقلة

Best regards
Younis Haji Alkhoori

Sent from my iPhone

From: Salem Alsaedi (1602347) 1602347@student.uwtsd.ac.uk
To: Younis Haji Alkhoori yalkhoori@mof.gov.ae, Ruba Khalid El Haj rkelhaj@mof.gov.ae
Date: Monday 18 March, 11:42 am

سعادة / يونس الخوري

وصباحك الله يطول عمرك
وشاكر لسعادتك سرعة الرد

وسوف اتواصل مع الانسه ريا لتنسيق الاجتماع

وتقبل مني التحيه

Get Outlook for iOS

3 Emails

3 / 3

Appendix 11: Permission to Conduct Field Study Received from Ministry of Economy (MoE)

Re: طلب الموافقة على جمع البيانات

From: Salem Alsaedi (1602347) 1602347@student.uwtsd.ac.uk
To: aalafeefi@economy.ae
Date: Saturday 6 April, 5:18 pm
image001.jpg 14 KB
Letter of Introduction.pdf 112 KB
MOE.pdf 261 KB

سعادة الدكتور / أديب العفيفي

السلام عليكم ورحمة الله وبركاته

أتقدم إلى سعادتكم بأطيب التحايا، كما اشكر سعادتكم على ما تقدمونه من جهد وعمل لدولتنا الغالية. هذا واتقدم إليكم انا الطالب / سالم شهيل سالم الساعدي من جامعة ويلز (**University of Wales Trinity Saint David (UWTSD)**) طالب دكتوراه في إدارة الأعمال، أجرى بحثًا بعنوان "تطبيق ضريبة القيمة المضافة وتأثيرها على الشركات الصغيرة والمتوسطة في دولة الإمارات العربية المتحدة - نقد تنفيذي".

الهدف من هذه الدراسة هو تقييم العوامل المرتبطة بالنجاح تطبيق ضريبة القيمة المضافة وتحليل تأثير ضريبة القيمة المضافة على الشركات الصغيرة والمتوسطة في دولة الإمارات العربية المتحدة. ومن أحد الأهداف الخمسة للدراسة التي سوف أقوم بها هو "توثيق اهتمامات ومخاوف أصحاب الشركات الصغيرة والمتوسطة من تطبيق ضريبة القيمة المضافة في دولة الإمارات العربية المتحدة". وعليه ولتحقيق هذا الهدف يتوجب على أن أقوم بإجراء بحث نوعي، وذلك عن طريق المقابلات لصانعي السياسات، والمديرين، والموظفين بوزارة الإقتصاد بالإضافة إلى أصحاب المشاريع المتوسطة والصغيرة.

كما أود أن أوضح لكم بأن البيانات التي سوف يتم الحصول عليها سوف يتم التعامل معها بسرية تامه وذلك وفقاً لسياسة الجامعة. كما يمكن للمشاركين الانسحاب في أي وقت خلال فترة الدراسة وذلك بالاتصال بي شخصياً أو عن طريق إرسال بريد إلكتروني على Alsaedi.s@hotmail.com أو 1602347student.uwtsd.ac.uk@

وعليه ارجو منكم التكرم بالموافقة على طلبي هذا لمنحي الموافقة المبدئية على البدء في إجراءات المقابلات وجمع البيانات

- تجدون أدناه البريد الإلكتروني المرسل من قبل القيادة العامة لشرطة أبوظبي (جهة عملي)
- مرفق رسالة الجامعة الخاصة ببداء عملية جمع البيانات
- مرفق رسالة البروفسور المشرف على دراستي

1 / 4

وتفضلوا بقبول فائق الاحترام والتقدير...

مقدم الطلب/
سـالم شهـيل سـالم السـاعدي
طـالب دكتـوراه بـجامعة ويلـزTSD
مـاتف رقـم 00971509995441
00447440033344

image001 dot jpg

From: Salem Alsaedi (1602347) 1602347@student.uwtsd.ac.uk
To: AAlafeefi@economy.ae
Date: Sunday 7 April, 11:24 pm
image001.jpg 14 KB
Letter of Introduction.pdf 112 KB
MOE.pdf 261 KB

سعادة الدكتور / أديب العفيفي

السلام عليكم ورحمة الله وبركاته

أتقدم إلى سعادتكم بأطيب التحايا، كما اشكر سعادتكم على ما تقدمونه من جهد وعمل لدولتنا الغالية. هذا واتقدم إليكم انا الطالب / سالم شهيل سالم الساعدي من جامعة ويلز (**University of Wales Trinity Saint David (UWTSD)**) طالب دكتوراه في إدارة الأعمال، أجرى بحثًا بعنوان "تطبيق ضريبة القيمة المضافة وتأثيرها على الشركات الصغيرة والمتوسطة في دولة الإمارات العربية المتحدة - نقد تنفيذي".

الهدف من هذه الدراسة هو تقييم العوامل المرتبطة بالنجاح تطبيق ضريبة القيمة المضافة وتحليل تأثير ضريبة القيمة المضافة على الشركات الصغيرة والمتوسطة في دولة الإمارات العربية المتحدة. ومن أحد الأهداف الخمسة للدراسة التي سوف أقوم بها هو "توثيق اهتمامات ومخاوف أصحاب الشركات الصغيرة والمتوسطة من تطبيق ضريبة القيمة المضافة في دولة الإمارات العربية المتحدة". وعليه ولتحقيق هذا الهدف يتوجب على أن أقوم بإجراء بحث نوعي، وذلك عن طريق المقابلات لصانعي السياسات، والمديرين، والموظفين

بوزارة الإقتصاد بالإضافة إلى أصحاب المشاريع المتوسطة والصغيرة.

كما أود أن أوضح لكم بأن البيانات التي سوف يتم الحصول عليها سوف يتم التعامل معها بسرية تامه وذلك وفقاً لسياسة الجامعة. كما يمكن للمشاركين الانسحاب في أي وقت خلال فترة الدراسة وذلك بالاتصال بي شخصياً أو عن طريق إرسال بريد إلكتروني على Alsaedi.s@hotmail.com أو 1602347student.uwtsd.ac.uk@

وعليه ارجو منكم التكرم بالموافقة على طلبي هذا لمنحي الموافقة المبدئية على البدء في إجراءات المقابلات وجمع البيانات

- تجدون أدناه البريد الإلكتروني المرسل من قبل القيادة العامة لشرطة أبوظبي (جهة عملي)
- مرفق رسالة الجامعة الخاصة ببداء عملية جمع البيانات
- مرفق رسالة البروفسور المشرف على دراستي

وتفضلوا بقبول فائق الاحترام والتقدير...

مقدم الطلب/
سـالم شهـيل سـالم السـاعدي
طـالب دكتـوراه بـجامعة ويلـزTSD
مـاتف رقـم 00971509995441
00447440033344

image001 dot jpg

From: Adeeb Alafeefi AAlafeefi@economy.ae
To: Salem Alsaedi (1602347) 1602347@student.uwtsd.ac.uk
Cc: Mashael AlShehhi MAlShehhi@economy.ae, Maitha Ali. Aldhaheri maldhaheri@economy.ae
Date: Tuesday 9 April, 8:23 pm

الاخ سالم الساعدي المحترم
طالب دكتورة في جامعه ويلز في بريطانيا
بعد التحية
رجوعا الى بريدكم ادناه بطلب ألمساعده في جميع البيانات و اجراء المقابلات بدعم و من خلال البرنامج الوطني للمشاريع الصغيرة و المتوسطة التابع لوزارة الإقتصاد .

3 / 4

فانة يسعدني الموافقة لطلبكم و نحن جميعا في خدمة نجاحكم في الحصول على شهادة الدكتور في هذا الرساله المهمة
.

بالتوفيق

Dr Adeeb Alafeefi
Director, National Program for SMEs and projects.
UAE Ministry of Economy

---

3 Emails

Appendix 12: Ethics Approval Received from the University of Wales Trinity Saint David (UWTSD)

EC365 Request for Ethical Approval - ALSAEDI, Salem Shehail Salam Saeed 1602347 London (REVISED) - APPROVED

Postgrad Research <pgresearch@uwtsd.ac.uk>
Wed 3/13/2019 4:06 PM

To: Salem Alsaedi (1602347) <1602347@student.uwtsd.ac.uk>; 'Alsaedi.s@hotmail.com' <Alsaedi.s@hotmail.com>
Cc: Isaiah Oino <I.Oino@uwtsd.ac.uk>; Jill Venus <j.venus@uwtsd.ac.uk>; John Lang <j.lang@uwtsd.ac.uk>; 'Jonathan Liu' <jonathan.liu@btinternet.com>; Isaiah Oino <I.Oino@uwtsd.ac.uk>; London Student Services <LondonStudentServices@uwtsd.ac.uk>; Jill Venus <j.venus@uwtsd.ac.uk>

Dear Salem Shehail Salam Saeed Alsaedi

Re: EC365 Request for Ethical Approval

I am pleased to confirm that the revised submission of the Ethical Approval on your research '*The Implementation of Value Added Tax and its impact on Small and Medium Sized Businesses in the United Arab Emirates – A post implementation critique.*' has been APPROVED by the University's Ethics Committee. You may now continue with your research.

Please ensure that you are aware of, and use, the University's Research Data Management Policy and the extensive resources on the University's Research Data Management web pages (http://uwtsd.ac.uk/library/research-data-management/).

Please do not hesitate to contact the office should you require any further information on this matter.
Andrea Fay Garner
Academic Office *(Postgraduate Research)*
Carmarthen Campus

Appendix 13: NVivo 12 Coding (Policymakers at MoF and FTA)

History – Ministry of Finance

9 references coded, 1.56% coverage
Reference 1: 0.16% coverage
The Cabinet of the UAE is the main executive body of the country, which was formed in 1971 first. It got reshuffled twice- the first one in 2013 and the second one in 2017. Hamdan Bin Rashid is running this ministry.
Reference 2: 0.19% coverage
the main executive body of the UAE is known as council of ministers. It faced rearrangement twice. The first one was in 2013 and the second one was in 2017. The ministry was established in the year 1971 which is run by Hamdan Bin Rashid is currently.
Reference 3: 0.04% coverage
The ministry was established in the year 1971.
Reference 4: 0.32% coverage
The main executive body of UAE is the cabinet of the United Arab Emirates, which was formed in 1971 first. The UAE Ministry of Finance implements all monetary, fiscal and industrial policies which are connected to the UAE's economic expansion. Among many of its fundamental errands, there are the allocation and distribution of the Federal Budget and the management of the UAE government's financial situation.
Reference 5: 0.30% coverage
Brief history of the Ministry of Finance: The Cabinet of the United Arab Emirates is the main executive body of UAE. It is more commonly known as the Council of Ministers. The first cabinet was established in the year of 1971. The reshuffle which was made last took place on October 20, 2017. The first one took place in 2013. His Highness Hamdan Bin Rashid is in the position of running this ministry.
Reference 6: 0.17% coverage
The chief governing body of the UAE is recognised as council of ministers. In 2013 and in 2017 it faced reshuffle. His highness Hamdan Bin Rashid is presently running this ministry. It was established in the year 1971.
Reference 7: 0.10% coverage
MoF is the main executive authority of the UAE. It was built in the year of 1971. The head of the authority is His Majesty Hamdan Bin Rashid.
Reference 8: 0.16% coverage
United Arab Emirates' cabinet is mostly called the Council of Ministers which is UAE's chief executive body. It was established in 1971. The person who runs this ministry is His Highness Hamdan Bin Rashid.
Reference 9: 0.13% coverage
His Royal Majesty Hamdan Bin Rashid is the person who is running MoF at this moment. MoF was established 48 years ago in 1971. It is the most important authority in the UAE.

History – FTA

10 references coded, 1.64% coverage

Reference 1: 0.09% coverage
The Federal Tax Authority in the UAE is a new which was established under the Federal Law by Decree No. 13 of 2016 in 2016.
Reference 2: 0.13% coverage

FTA was established in accordance with the Federal Law by Decree. The headquarter of FTA is situated in Abu Dhabi. It is operated by a board of directors who work in the MoF.
Reference 3: 0.14% coverage
FTA is responsible for collecting taxes. It is headquartered in Abu Dhabi. It was recognised in agreement with the federal law of decree. It is run by a board of directors who work in the MoF.
Reference 4: 0.19% coverage
FTA or the Federal Tax Authority is responsible for collecting taxes. It is headquartered in Abu Dhabi. It was established in accordance with the federal law of decree and is currently run by a board of directors who work in the ministry of finance.
Reference 5: 0.31% coverage
It was formed in accordance with the Federal Law by Decree. In Abu Dhabi, there is a headquarter of FTA. The UAE does not levy income tax on individual income. Rather, it charges corporate tax on foreign banks as well as on oil companies. VAT is charged on majority of the merchandises and services. Products which are naturally injurious to human health or the atmosphere are charged through excise tax.
Reference 6: 0.20% coverage
Federal Taxation Authority was established in accordance with the Federal Law by Decree. The headquarter of FTA is located in Abu Dhabi. It is run by a board of directors who work in the Ministry of Finance. The main task of this authority is to manage and collect taxes.
Reference 7: 0.12% coverage
It was formed in accordance with the Federal Law by Decree. The headquarter of FTA is in Abu Dhabi. It is functioned by a board of directors who work in the MoF.
Reference 8: 0.14% coverage
FTA was established following the Federal Law. The headquarter of FTA is in Abu Dhabi. It is organized by a group of people who work in the MoF. The chief task of FTA is tax collection.
Reference 9: 0.16% coverage
FTA was built accordingly with Federal Law. The head-quarter is situated in Abu Dhabi. A board of directors from the Ministry of Finance runs FTA. The first job of FTA is the management and collection of tax.
Reference 10: 0.15% coverage
With the help of Federal Law, this authority was established. Its main office is in the capital Abu Dhabi. It is run by a board of directors. FTA's first responsibility is to handle the collection of tax.

Strategy of the Organisation

Strategy

10 references coded, 1.24% coverage
Reference 1: 0.10% coverage
The best strategic plan is to provide the best services to business sectors in Tax administration and, collection and implementation.
Reference 2: 0.10% coverage
The strategy of the Mof is to form a 5 year exhaustive plan concerning the national level policies about all types of transactions.
Reference 3: 0.11% coverage
The strategy of the Mof is to form a 5 year (2017-2022) thorough plan concerning the national level policies about all types of transactions.

Reference 4: 0.17% coverage
The strategy of the organisation is to form a 5 year (2017-2022) detailed plan regarding the national level policies regarding all types of transactions and transfers. It also attempts to follow the international practices.
Reference 5: 0.29% coverage
A strategic plan for 2017-2021 has been adopted by the MoF. Endorsing the fiscal preparation of the federal government, consolidating the UAE's keenness in the fiscal and economic sector, refining the efficiency along with the effectiveness of the budget and enhancing the philosophy of invention in the structural work atmosphere are the most notable strategic planning.
Reference 6: 0.17% coverage
The strategic plan of the Ministry of Finance is a five year plan starting from 2017 to 2021 where the ministry determines to utilize its potential and perform its tasks in accordance with the international practices.
Reference 7: 0.09% coverage
It is to form a 5-year (2017-2022) plan regarding the national level policies about all types of communications.
Reference 8: 0.06% coverage
To perform every task appropriately and follow the international practices.
Reference 9: 0.07% coverage
To perform the tasks properly and maintain them according to the parctices around the globe.
Reference 10: 0.08% coverage
Maintaining the activities properly and following the practices that are maintained globally.

Vision

9 references coded, 0.58% coverage
Reference 1: 0.08% coverage
The vision of the ministry is to lead globally in the fiscal sector and achieve the vision of the UAE.
Reference 2: 0.08% coverage
Achieving the long term vision of UAE and leading the financial sector globally is the vision of Mof.
Reference 3: 0.08% coverage
The vision of the ministry is to achieve the long-term vision of UAE and lead the financial sector globally.
Reference 4: 0.10% coverage
Leading and introducing the fiscal sector universally and thus achieving the vision of the UAE is the vision of the ministry.
Reference 5: 0.08% coverage
The vision of the ministry is to lead globally in the fiscal sector and achieve the vision of the UAE.
Reference 6: 0.06% coverage
It is to is to lead in the fiscal sector universally and attain the vision of the UAE.
Reference 7: 0.04% coverage
To become able to globally lead the sector of finance.
Reference 8: 0.04% coverage
To be able to lead the financial sector globally.
Reference 9: 0.03% coverage
Becoming a leader in this sector.

Mission

9 references coded, 0.72% coverage
Reference 1: 0.11% coverage
Utilizing the financial capitals in an effectual and proactive manner through operative fiscal policies is the mission of the ministry.
Reference 2: 0.09% coverage
Issuing reliable financial policies for efficient management of the financial resources is the mission of Mof.
Reference 3: 0.09% coverage
Mission of the organisation is to issue sound financial policies to better manage the financial resources efficiently.
Reference 4: 0.11% coverage
Utilizing the financial capitals in an effectual and proactive manner through operative fiscal policies is the mission of the ministry.
Reference 5: 0.11% coverage
The mission of the ministry is to manage the financial resources in an efficient and proactive manner through effective fiscal policies.
Reference 6: 0.09% coverage
It is to utilize the financial resources in an effective and practical way through functioning fiscal policies.
Reference 7: 0.05% coverage
To make sure of the utilization of the resources of finance.
Reference 8: 0.05% coverage
To use the financial resources in an effective and efficient manner.
Reference 9: 0.03% coverage
Ensuring the proper use of the resources.

Ministry of Finance – Duties and Responsibilities

9 references coded, 1.23% coverage
Reference 1: 0.16% coverage
MoF: Endorsing the fiscal planning of the federal government worldwide. Improving budget aptitude to apply more strategies. Encouraging the chances of investment to make people interested in venture.
Reference 2: 0.16% coverage
The ministry promotes the fiscal planning as well as improve sustainability. Besides, it improves budget capability to exercise more strategies. It also creates paths to the investment opportunities.
Reference 3: 0.14% coverage
The core duties of MoF are: Promoting the fiscal planning as well as improve sustainability. Promoting the investment opportunities/ Improving the efficiency of the budget.
Reference 4: 0.19% coverage
MoF: 1) Encouraging and endorsing the fiscal planning of the federal government globally. 2) Improving budget competence to exercise more strategies. 3) Promoting the chances of investment to make individuals interested in investment.
Reference 5: 0.18% coverage
Core duties and responsibilities of the Ministry of Finance: Promoting the federal government's fiscal planning and maintaining its sustainability. Improving budget efficiency. Promoting the opportunities of investment.

Reference 6: 0.13% coverage
Core duties of MoF: Endorsing the fiscal planning and improve sustainability. Promoting the investment opportunities. Improving the competence of the budget.
Reference 7: 0.10% coverage
MoF Promoting plans made by the government. Improvement of the budget's efficiency. Promotion of new opportunities for investment.
Reference 8: 0.11% coverage
Ministry of Finance: To promote the planning of the government. To improve the efficiency of budget. To promote investment opportunities.
Reference 9: 0.08% coverage
MoF Spreading the plans that the Government makes. Creating more efficiency in the making of budget.

Federal Tax Authority – Duties and Responsibilities

10 references coded, 1.40% coverage
Reference 1: 0.43% coverage
I can inform you that our core duties and responsibilities are to Tax Administration Tax Collection; and Tax Implementation For Tax Administration, we carry out following duties and responsibilities Excise Goods Price Listing Good Classification Reviewing Price Setting a Policy for Periodically Reviewing Price as a Market Conditions Ensuring the Validity of the Price List and Updating it Where Necessary Examining the retail sector developments regarding selective goods For Tax Collection, we collect through Tax Agents who are FTA registered.
Reference 2: 0.10% coverage
FTA: Maintaining the level of ideal standards. Increasing the tax revenue. Providing high quality service in a maintainable manner.
Reference 3: 0.10% coverage
It increases the volume of tax revenue which builds a healthy economy. Also, it maintains and improves the level of high standards.
Reference 4: 0.14% coverage
Core duties of FTA are: Maintaining and improving the level of high standards. Increasing the tax revenue amount. Providing high quality service in a sustainable pace and manner.
Reference 5: 0.12% coverage
FTA: 1) Providing high quality service. 2) Increasing the volume of tax revenue. 3) Improving services to maintain the transformation of global standards.
Reference 6: 0.16% coverage
Core duties and responsibilities of the Federal Taxation Authority: 1) Rendering service of high quality. 2) Improving services maintaining international standards. 3) Increasing the amount of tax revenue.
Reference 7: 0.12% coverage
Core duties of FTA: Providing high superiority service. Swelling the volume of tax revenue. Refining services to preserve the conversion of global standards.
Reference 8: 0.08% coverage
FTA Rendering better service. Development of the service system. Increase of the revenue of tax.
Reference 9: 0.08% coverage
Federal Taxation Authority: To render quality service. To develop service system. To increase tax revenue.
Reference 10: 0.06% coverage

FTA Ensuring quality service. Developing the ways of providing service.

History of Taxation in the UAE

Current Provision

10 references coded, 1.80% coverage
Reference 1: 0.23% coverage
Current provision for VAT is 5%. At the beginning, we introduced 5% VAT rate to encourage businesses to register and pay Tax. However, we are working towards selecting products to put more higher tax. For example, we imposed 100% Tax on Tobacco products and energy drink, and 50% tax on soft drinks.
Reference 2: 0.11% coverage
For the first time, VAT was imposed 5% and it is very low. If the SMEs, citizens and other related parties get used to it, it can be increased later.
Reference 3: 0.16% coverage
The current VAT rate is only 5% which is apparently very low because all related sectors need to get used to it. If the inflation rate, UAE economy and other issues support the system, it can be increased later.
Reference 4: 0.23% coverage
Current vat percentage in the UAE is 5%. It is very much to help the citizens cope with the changes easily. However, the government plans to increase the rate in the near future but it depends on several factors such as: inflation rate, international business and infrastructural development as well.
Reference 5: 0.21% coverage
The current VAT rate of UAE is 5% which is apparently low. It is entirely a new-introduced and it requires time to adjust with the system. Elevating the tax rate would depend on the economic condition, international transactions, inflation rate, substructure of the country.
Reference 6: 0.22% coverage
The current VAT rate is 5%. It is low because it is completely a new system and people time to adjust with the system. Imposing a higher rate might not work well. Increasing the rate in the future depends on the economy, inflation rate, international business, infrastructure of the country.
Reference 7: 0.11% coverage
It was imposed 5% at the first stage which is very low. If all the SMEs, citizens and other related parties get used to it, it might be increased later.
Reference 8: 0.19% coverage
5% is the current rate of VAT. It is made low because of the people as this system was supposed to bring a huge change in the country. Changing the rate of the VAT is not in our plan now but it may change anytime depending on the condition of the country.
Reference 9: 0.14% coverage
The present rate is 5%. As it is a very new system and a sudden change, it is kept low for the people and the business sector. Increasing it depends on future situation of the economy.
Reference 10: 0.20% coverage
The current provision of the VAT rate is 5%. It is low because there was a huge change the country's people would go against the system if the rate was higher. There is not any plan to do that at this moment. But it may change if the condition of the country requires so.

Expectations

10 references coded, 1.78% coverage
Reference 1: 0.12% coverage
I can inform you that the expectation was great as we have nearly 312,000 VAT registered business at the end of 2019 since we introduced VAT on 1st January 2018.
Reference 2: 0.18% coverage
The understanding was quite satisfying. The MoF created consciousness about VAT adoption, the tackles to succumb VAT was provided. All the SMEs and related agencies were also trained to activate the systems effectively as well.
Reference 3: 0.17% coverage
The last year experience was good. The ministry created awareness about VAT adoption, the tools to submit VAT was provided. All the SMEs as well as related agencies were also trained to operate the systems effectively as well.
Reference 4: 0.33% coverage
The understanding or perception regarding the changes in the VAT percentage and sectors were quite satisfactory as per our expectation. We have done a good amount of promotion to increase awareness in mass level and arranged for necessary training for agents to ensure quality service for residents when they are paying the tax. We have also created a digital level infrastructure to ensure faster service in paying taxes.
Reference 5: 0.23% coverage
By judging the performance of our first year it is noticed that the tax collection went efficiently in the UAE as expected. The awareness about VAT acceptance was created, the tools to submit VAT was provided. Moreover, SME and related agents were also trained to operate the systems effectively.
Reference 6: 0.28% coverage
The expectations were quite in favour of the Government from individual and SMEs perspectives. We created awareness about VAT adoption, provided tools to submit VAT, as well as provided necessary training to the agents and SMEs so that they can run the system and submit VAT efficiently. By looking at the performance of our first year, it went very smoothly in the UAE.
Reference 7: 0.21% coverage
From the act of first year it is perceived that the tax collection was as expected in the UAE. The consciousness about VAT acceptance was created, the tools to submit VAT was provided. Furthermore, SME and other agents were also proficient to operate the systems successfully.
Reference 8: 0.09% coverage
There were great expectations. And the introductory year was very satisfactory for us. We were not disappointed at all.
Reference 9: 0.07% coverage
The expectations were great. The very first year just went by and indeed it was very smooth.
Reference 10: 0.09% coverage
The understandings from the perspective of SMEs became better day by day for which the beginning year went fine for the UAE.

Major Challenges

10 references coded, 1.62% coverage
Reference 1: 0.28% coverage

Some of the major challenges that we faced during the VAT implementation is the UAE were: Setting up a strong revenue administrative system; Identifying the products and services to be levied Taking into account the less impact on the SMEs as well as lifestyles of the residents due to VAT being imposed. Creating awareness among SMEs and Residents to be VAT compliance.
Reference 2: 0.14% coverage
To getting used to the VAT system for businessmen was the most tough part as the economy depends a lot on businesses. Citizens also passed rough time as VAT increased the living cost.
Reference 3: 0.10% coverage
To getting used to the VAT system for businessmen was a tough part. Citizens also had a hard time as VAT increased the living cost.
Reference 4: 0.11% coverage
Implementing a new change in VAT system is always critical. Increase in tax rate means the expenditure in each sector of citizens will increase.
Reference 5: 0.12% coverage
Challenges: 1. The key challenge was for mass people and businessmen to get used to the system. 2. VAT increased the product and so living cost became higher.
Reference 6: 0.16% coverage
The main challenge was the transitional challenge. People and businessmen were not used to this system. VAT would increase prices of goods. Living cost would become higher. These were the challenges.
Reference 7: 0.11% coverage
To getting used to the VAT system for entrepreneurs and capitalists was a hard part. Residents also had a rigid time as VAT amplified the living cost.
Reference 8: 0.19% coverage
Some big challenges showed up in the beginning when the system was introduced and they were expected. The living costs went up. There was price hike. Drastic changes were made in the structure of business. Actually this is why the rate was made low.
Reference 9: 0.16% coverage
There were some huge challenges that came with the introduction of the new system. VAT increased the cost of living. It changed business structure and raised products' prices. That is why the rate was kept low
Reference 10: 0.25% coverage
There were some threatening challenges. Because the most disapproving thing VAT does to the people is that it increases the cost of almost everything. Besides, it brings changes in the overall infrastructure of the country and its economy. Although the rate was only 5% because of these reasons, people were still unhappy.

Overcoming the Challenges

10 references coded, 1.28% coverage
Reference 1: 0.36% coverage
To mitigate the challenges in the VAT implementation, Firstly, we have set up a best possible administrative system to make VAT more effective. This include setting up an easy electronic portal where people can register their business. Secondly, we set out some of the regulations for the VAT agents who can help SMEs to file their quarterly and annual returns. Thirdly, to build up awareness, we propagate 5% VAT implementation in the UAE by the use of different media.
Reference 2: 0.06% coverage

But the related authorities always worked to make this system adjustable.
Reference 3: 0.05% coverage
But the authorities always worked to make this system adaptable.
Reference 4: 0.23% coverage
So, a well thought out percentage is important to help the job holders and businessmen adopt to this new situation. As they are not well habituated to the new change it was necessary to introduce a good percentage but yet unnoticeable in normal lives. These consideration made the first year in UAE smooth.
Reference 5: 0.13% coverage
To overcome: 1. The tax rate was kept 5% so that it was barely noticeable. 2. The regarding administration operated the system so tactfully to run it smoothly and it worked well.
Reference 6: 0.14% coverage
to overcome these, a low rate of 5% was imposed so that it was hardly noticeable. The authority worked efficiently to manage everything which made the first year for the UAE smooth.
Reference 7: 0.06% coverage
But the authorities worked to make this system adaptable from the first.
Reference 8: 0.11% coverage
Besides, both authorities did their best to stabilize the condition of the country. Hence, the introductory year went great for the whole country.
Reference 9: 0.09% coverage
the two organizations worked hard to keep the situation stable, the first year was pretty good for the country.
Reference 10: 0.06% coverage
the executive bodies took proper steps, the challenges were overcome.

Rationale for Imposing VAT in the UAE

10 references coded, 2.49% coverage
Reference 1: 0.09% coverage
One of the core reasons for imposing VAT in the UAE is diversifying economy by reducing the dependency on the crude oil.
Reference 2: 0.28% coverage
The reasons: First reason is the reduction in the price of oil in global markets and the decrease in the amount of national revenue. Next reason is providing inducement to buyers to buy lesser imported foreign products and focus more on national brands. The last reason is to increase the accountability rate of the SMEs and increase the transparency level in government.
Reference 3: 0.27% coverage
The key motives for imposing VAT are that the Government wanted to upsurge and diversify its revenue. VAT is imposed only on non-essential consumer goods so that the consumers can feel less enthused to obtaining foreign goods. Another reason is increasing the answerability rate of the SMEs as well as increasing the transparency level in government.
Reference 4: 0.28% coverage
One reason is due to the decrease in the price of oil in international markets and the reduction in the amount of national revenue. Second reason is to give incentive to buyers to buy lesser imported foreign products and focus more on national brands. The last reason is to increase the accountability rate of the SMEs and increase the transparency level in government.
Reference 5: 0.32% coverage

The main reasons for adopting VAT are that the Government wanted to increase and diversify its revenue. VAT is imposed only on non-essential consumer goods to ensure that the consumers feel less stimulated to purchase foreign items. And in case of the SMEs, VAT is imposed to generate more government accountability and revenue. T is to make sure that the entrepreneurs record accurate transactions of their business.
Reference 6: 0.37% coverage
The main reasons for adopting VAT are that the Government wanted to increase and diversify its revenue due to low oil price and sustain the situation of its economy. VAT is imposed on non-essential consumer items only. This is to make sure that the consumers feel less encouraged to buy imported foreign items. And in case of the SMEs, VAT will make sure that the entrepreneurs keep accurate records of their business. Thus, VAT will create more government accountability and revenue.
Reference 7: 0.27% coverage
Firstly, imposing VAT are that the Government required to expand the revenue goal and diversify it. VAT is imposed only on non-essential buyer goods so that the consumers can feel less stimulated to purchase foreign goods. Another one is increasing the accountability rate of the SMEs and also increasing the transparency level in administration.
Reference 8: 0.21% coverage
VAT was introduced in order to make the consumers feel discouraged to purchase products that are imported from foreign countries. SMEs also have to pay VAT so that they can become more accountable to the government and prepare their transaction records transparently.
Reference 9: 0.15% coverage
VAT system was implemented to discourage the consumers to buy foreign items which are imported. VAT was also imposed on SMEs for ensuring transparent records and creating accountability.
Reference 10: 0.25% coverage
VAT was imposed so that people in the country become less interested to purchase goods which are made in other foreign countries. The main reason for imposing the VAT on the SMEs is to create their accountability and make it mandatory for them to abide by the rules strictly and do their business as transparently as possible.

Organisational Involvement

10 references coded, 0.44% coverage
Reference 1: 0.08% coverage
Ministry of Finance involved in policy making and FTA implements the policy taken by the Ministry of Finance.
Reference 2: 0.02% coverage
The Ministry of Finance.
Reference 3: 0.05% coverage
Mof was involved in the VAT policy and implementation process.
Reference 4: 0.02% coverage
The ministry of finance.
Reference 5: 0.03% coverage
the Ministry of Finance was in charge.
Reference 6: 0.04% coverage
The Ministry of Finance was involved in this regard.
Reference 7: 0.02% coverage
The ministry of finance.

Reference 8: 0.07% coverage
Ministry of Finance was the main authority that was very much involved in this regard.
Reference 9: 0.06% coverage
The Ministry of Finance was actively involved in the policy and process.
Reference 10: 0.06% coverage
Ministry of Finance was involved in the VAT policy and implementation process.

Changes Made to Adapt with VAT in the UAE

10 references coded, 1.43% coverage
Reference 1: 0.15% coverage
Followed by a Unified VAT Agreement at a rate of 5%, Ministry of Finance of the Governemnt of the UAE established The Federal Tax Authority in the UAE under the Federal Law by Decree No. 13 of 2016.
Reference 2: 0.13% coverage
Federal Decree-Law No. (8) was proclaimed on 2017 by the MoF to regulate the local agreement of UAE. It has 85 verses mentioning miscellaneous rules and regulations.
Reference 3: 0.13% coverage
To adjust with this regional agreement, MoF articulated the Federal Decree-Law No. (8) of 2017 on VAT which has 85 articles each defining diverse terms and conditions.
Reference 4: 0.18% coverage
A federal decree-law no (8) of 2017on VAT was introduced by the MoF of UAE in order to adjust with the regional agreement. Applicable from 1st January of 2018, the law consists of 85 articles which include the various terms and conditions.
Reference 5: 0.13% coverage
Federal Decree-Law No. (8) was introduced on 2017 by the Ministry of Finance to adjust the local agreement of UAE. It has 85 articles holding diverse rules and regulations.
Reference 6: 0.24% coverage
To adjust with the regional agreement, Ministry of Finance of the United Arab Emirates formulated a law called Federal Decree-Law No. (8) of 2017 on Value Added Tax. The law has 85 articles define various terms and conditions as well as effective date of the Decree-Law and its Application as of 1st January 2018.
Reference 7: 0.16% coverage
A federal decree-law no (8) of 2017on VAT was familiarized by the MoF of UAE with the aim of adjusting with the regional contract. The law consists of 85 articles which was applicable from 1st January of 2018.
Reference 8: 0.12% coverage
New laws were made, a new authority was established, and necessary policies were formulated by the Ministry of Finance to make the system more suitable.
Reference 9: 0.09% coverage
The Ministry of Finance had to make new laws, establish an authority, and formulate policies to make the system work.
Reference 10: 0.11% coverage
The Ministry of Finance had to establish an authority to accommodate taxation policy. Moreover, it also created suitable laws and policies.

Regional Agreement

10 references coded, 2.03% coverage
Reference 1: 0.41% coverage

From my knowledge and experience, I would say yes there was a regional agreement called the GCC Economic Agreement of 2001 worked to impose a unique VAT policy in the GCC countries such as the United Arab Emirates, the Kingdom of Bahrain, the Kingdom of Saudi Arabia, the Sultanate of Oman, the State of Qatar, and the State of Kuwait. You might have known that a unified VAT agreement at a rate of 5% imposed by the above mentioned GCC countries had been approved by the Supreme Council at its 36th meeting in Riyadh between 9 and 11 December 2015.
Reference 2: 0.15% coverage
Sure, there is. The GCC States decided to levy 5% VAT for the Unified VAT Agreement for the Cooperation Council for the Arab States of the Gulf at its 36th meeting in Riyadh in 9-10 December 2015.
Reference 3: 0.14% coverage
Yes. The GCC States concluded to impose 5% VAT for the Unified VAT Agreement for the Cooperation Council for the Arab States of the Gulf at its 36th meeting in Riyadh in 9-10 December 2015.
Reference 4: 0.36% coverage
There was a call for VAT adoption treaty which influenced a regional agreement regarding this issue. A decision regarding the unified VAT Agreement for the Corporation Council for the Arab States of the gulf was taken which comprised of two days meeting in the 36th meeting hosted in Riyadh. The agenda was the introduction of a unified percentage of VAT estimated at 5%. The decision also states the completion of all necessary activities in order to pass the agreement.
Reference 5: 0.15% coverage
Yes, there surely is. The GCC States decided to impose 5% VAT for the Unified VAT Agreement for the Cooperation Council for the Arab States of the Gulf at its 36th meeting in Riyadh in 9-10 December 2015.
Reference 6: 0.43% coverage
Yes. There is a regional agreement influenced by the Treaty called for the Gulf states in VAT adoption in the country. A decision for the Unified VAT Agreement for the Cooperation Council for the Arab States of the Gulf was taken at its 36th meeting help in Riyadh in between 9 and 10 December 2015 in regard to the uniform imposition by the GCC States of VAT at a rate of 5%. The decision by GCC states also taken delegating to the Financial and Economic Cooperation Committee for Council States the completion of all the requirements necessary to pass the agreement.
Reference 7: 0.14% coverage
Yes. The GCC States settled to impose 5% VAT for the Unified VAT Agreement for the Cooperation Council for the Arab States of the Gulf at its 36th meeting in Riyadh in 9-10 December 2015.
Reference 8: 0.08% coverage
Yes. Countries such as Saudi Arab and Jersey have involved themselves in the implementation of VAT
Reference 9: 0.07% coverage
Yes. Jersey, Saudi Arab and other countries are involved in the VAT implementation.
Reference 10: 0.10% coverage
Yes, there is a regional agreement to impose a VAT in the UAE in which Jersey, Saudia Arabia and some other countries are involved.

VAT Impacts on SMEs' Culture

SMEs Culture Receptivity

10 references coded, 2.35% coverage
Reference 1: 0.25% coverage
Considering culture of the UAE, SMEs in the Emirates are not used to with the VAT practices. However, to make them compliance, we have regulated the SMEs and they must comply with the regulations. By looking at the results, nearly 312,000 VAT registered business at the end of 2019, I would say SMEs in the UAE perceived VAT very well.
Reference 2: 0.07% coverage
It seemed a bit tough at first but subsequently, it was smoothly accepted by SME sector.
Reference 3: 0.06% coverage
Though it was not well accepted by the SMEs at first, it is being effective nowadays.
Reference 4: 0.08% coverage
It was not well received by SMEs but gradually they started to adopt to the new VAT percentage culture.
Reference 5: 0.07% coverage
At first, it seemed a bit tough but consequently, it was smoothly accepted by SME sector.
Reference 6: 0.08% coverage
At first it was not perceived positively but later on, the SMEs culture became receptive to the VAT.
Reference 7: 0.08% coverage
Though at first stage it appeared a bit tough but subsequently, it was slickly accepted by SME sector.
Reference 8: 0.59% coverage
To be realistic, it surely was not perceived very well in the beginning. But to be really honest, it is not like we did not see that coming. The country never saw anything like this and it was a very sudden change which created so much negativity when the system was introduced. To specify, the SMEs gave it a very cold welcome. This created a pressure on the authorities because changing the situation was a crying need for the country. MoF and FTA has to work as hard as they could for a long time to come up with ways to help the SMEs get used to the system. And needless to say, they did a terrific job. The situation is much better now. They gradually became used to the system and things are much better at this moment. It is hoped that in future things will become as perfect as they can be.
Reference 9: 0.45% coverage
To talk about the reality, it was not well-perceived at first but then again, to be honest, it was not really unexpected. This country was never used to this system and a sudden huge change caused a lot of negativity in the beginning. Specifically the SMEs did not give it a warm welcome. To change this scenario, FTA and MoF both had to struggle a lot from their ends for the SMEs to adjust with this system. And now the scenario is much changed. It feels good to say that eventually they adjusted with it and now everything is much better. And with further improvement, things will become smoother.
Reference 10: 0.62% coverage
No, the cultures of the SMEs are not very receptive to the new VAT system. They never had to pay any kind of tax and it was beyond their thinking that this day would come. So obviously, the introduction of the VAT system did not make them happy. They started feeling insecure about themselves and their business. And we were not surprised. We anticipated that this would happen. And so we thought of doing something beforehand to help them deal with this issue. As they did not perceive it well, first we tried to make them

understand the positive outcomes VAT can bring to them and the country. Then we started helping them get used to this system. Within several months, everything started paying off. Of course, there were problems but with their cooperation, things became much better. Now they perceive it well enough.

Institutionalising VAT

10 references coded, 1.77% coverage
Reference 1: 0.39% coverage
First, we have recognised the need of information by SMEs as well as individuals to adapt with 5% VAT. To deliver that effectively, we set up a system which provides all the information require by the SMEs as well as individuals. The information regarding a business must register for VAT if its taxable supplies and imports exceed AED 375,000 per annum. SMEs can voluntarily register for VAT if their supplies and imports exceed AED 187,500. The system can also facilitate VAT registration process and so on.
Reference 2: 0.12% coverage
MoF and FTA provided miscellaneous kinds of technological supports and trainings to make information available for growing transparency on a wide level.
Reference 3: 0.12% coverage
MoF and FTA provided diverse kinds of trainings and technological supports to make information available for increasing transparency on a wide level.
Reference 4: 0.18% coverage
The MoF and the FTA both worked hard to help the SMEs adapted to the VAT percentage. They provided different type of trainings and technological shift in order make information available on a wide level for increasing transparency.
Reference 5: 0.06% coverage
The MoF and the FTA worked hard to ensure VAT as an adaptable term for the SMEs.
Reference 6: 0.12% coverage
The MoF and the FTA worked together and took steps to make VAT adaptable for the SMEs including making new laws, providing technology and other services.
Reference 7: 0.11% coverage
Both the MoF and FTA provided assorted kinds of technical supports and trainings to make info available for mounting transparency on a wide level.
Reference 8: 0.18% coverage
Although the VAT process is really an elongated one, the authorities tried their best to lessen the complexities by regulating new law, taking steps to decrease cost, helping the SMEs financially and all of them panned out just fine.
Reference 9: 0.31% coverage
The VAT collection process is a very lengthy one and as it was the first year, things were not much organized either. Still, MoF and FTA did their best to make it as easy as possible by taking various initiatives like making new VAT laws, providing technology to lessen costs, rendering financial services to make the new system more adaptable for the SMEs. And sooner or later, they all worked out magnificently.
Reference 10: 0.18% coverage
As the new system was not received well by the SMEs, the two organizations had undertaken extra activities to help them in this matter. They regulated a number of new laws, took measurements to lessen compliance and non-compliance costs.

Recognising Professional Bodies

9 references coded, 0.73% coverage
Reference 1: 0.07% coverage
Yes, we as the FTA set some regulations to become authorised agents who can file on behalf of SMEs.
Reference 2: 0.07% coverage
Tax agencies and other professionals are always up for helping SMEs in any critical situation.
Reference 3: 0.06% coverage
Tax agencies and professionals are always up for helping SMEs in any problem.
Reference 4: 0.07% coverage
SMEs can take help from existing tax agencies and professionals if any problem is faced.
Reference 5: 0.07% coverage
Tax agency and some regognised professional bodies can help and advice SMEs regarding VAT.
Reference 6: 0.08% coverage
Tax agencies and also other professionals are always up for serving SMEs in any critical circumstances.
Reference 7: 0.10% coverage
Sure. There are so many reputed agencies for tax and professional consultants to provide their expertise regarding this system.
Reference 8: 0.09% coverage
Yes, I can. There are renowned tax agencies and consultants who can provide professional advice and help regarding VAT.
Reference 9: 0.11% coverage
Of course, I can. There are many agencies and consultancies who have specialized expertise to contribute with their professional advice.

Beliefs on VAT

2 references coded, 0.24% coverage
Reference 1: 0.09% coverage
I would say it has great impact in the SMEs overall. However, the role of VAT makes SMEs more responsible to the UAE
Reference 2: 0.15% coverage
VAT changes the business pattern and increasing cost in SME sector. At the same time, increase in VAT means a change in government revenue, increases business efficiency and uplifts the economy.

Overall Assessment of VAT on the SMEs

10 references coded, 1.71% coverage
Reference 1: 0.13% coverage
I would say, since the revenue generates from the VAT helps the national economy as well as the development of the country, the VAT has an positive impact on the UAE's SMEs.
Reference 2: 0.11% coverage
Increasing the VAT makes the SMEs more efficient. It helps the economy being embellished. It assists to rise the lifestyle of the citizens.
Reference 3: 0.11% coverage

Increase in VAT makes the SMEs more efficient. It helps the economy being flourish. It helps to rise the lifestyle of the mass people in the long run.
Reference 4: 0.20% coverage
I see the change in Vat system in a positive perspective. As increase in VAT makes the SMEs more and more efficient and helps the economy of the country flourish and lastly, it helps the lifestyle of the citizen rise above previous level gradually in the long run.
Reference 5: 0.13% coverage
I consider it positive because in the end, VAT prepares SMEs more eligible, supports the economy and all these make the lifestyle of the mass people of UAE better than before.
Reference 6: 0.17% coverage
I see this as a positive thing because in the long run, VAT makes SMEs more efficient, increases government income, strengthens the economy and all these make the lifestyle of the people in the country way better than before.
Reference 7: 0.18% coverage
I observe the change in VAT system positively. As amplification in VAT makes the SMEs more effectual and assistances the economy of the state curlicue. Lastly, it would benefit the lifestyle of the citizen gradually in the long run.
Reference 8: 0.21% coverage
To be honest, I think it will bring a very good change in the economy within several years. It has already made the business sector more efficient and increased the revenue of the government. After some years, it will be able to change the living system of the nation in a great way.
Reference 9: 0.22% coverage
I think it will turn out to be very helpful in the long run. By making business more efficient and helping government earn more, it will make the living style of the country people better than before. And ultimately, it will be the people and the country that will be benefited by this system.
Reference 10: 0.25% coverage
My overall assessment of VAT in SMEs is very positive. I see this as an opportunity to improve their business condition and the economy of the country. The way VAT impacts the SMEs makes sure that nothing out of the book will happen. If it continues, the SMEs will keep making developments and contributing more to the economy.

Role of VAT in the SMEs

8 references coded, 1.36% coverage
Reference 1: 0.13% coverage
In SME sector, VAT is accountable for altering the business pattern. It boosts government revenues, supports the UAE economy and elevates business competence on other side.
Reference 2: 0.19% coverage
VAT increases cost structure and hence it requires a good supervision of accounts. On other hand, increase in VAT means a change in government revenue, increase in value chain of businesses and lastly, increase in the strength of the economy.
Reference 3: 0.16% coverage
In SME sector, VAT is accountable for changing the business pattern and increasing cost. But on the other side, it boosts government revenues, supports the UAE economy and uplifts business competence.
Reference 4: 0.16% coverage

VAT changes the business structure, increases cost, and strictly requires accountancy. But on the other hand, it increases government revenues; strengthen the economy and increases business efficiency.
Reference 5: 0.12% coverage
In the SME sector, VAT is answerable for shifting the business outline and cumulative cost. But it lifts government revenues and supports the UAE economy.
Reference 6: 0.20% coverage
Just like other things, this too has both good and bad impacts. It makes opportunities for investment, maximizes government's revenue and helps business grow. On the other hand, all of these come at the cost of increased living costs and changed business structure.
Reference 7: 0.23% coverage
VAT has both negative and positive effects on SMEs. While VAT is increasing costs, changing the structure of business, requiring transparent records very strictly, it is also creating investment opportunities, increasing the revenue of the government and enhancing the growth of business.
Reference 8: 0.17% coverage
Just like other things, this too has both good and bad impacts. It maximizes Government's income and helps business grow. On the other hand, all of these come at the cost of increased living costs and changed business structure.

VAT Impact on the Structure of the SMEs

VAT Effects on the SMEs' Structure

10 references coded, 2.15% coverage
Reference 1: 0.13% coverage
From my experience, I do not see any impact on the SMEs structure due to 5% VAT was being imposed. However, it could impact the SMEs if the VAT rate is higher than what we imposed.
Reference 2: 0.18% coverage
Employee size and ownership will not be affected but vat must be paid if the supplies and import exceed 375000 AED per year. Not all SMEs will be affected by this provision as the annual turnover of SMEs are well below this line normally.
Reference 3: 0.13% coverage
If the SMEs' taxable imports and supplies cross AED 375,00 per tax year, it should get registered for VAT. But as far I observed, the mentioned issues are not affected at all.
Reference 4: 0.19% coverage
As per my knowledge employee size and ownership will not be affected but vat must be paid if the supplies and import exceeds 375000 AED per year. Not all SMEs will be affected by this provision as the annual turnover of SMEs are well below this line normally.
Reference 5: 0.12% coverage
As far as I know VAT has no impact on employee size or ownership. Every SME should register for VAT if its taxable imports and supplies cross AED 375,00 per tax year.
Reference 6: 0.26% coverage
I can confirm you that all SMEs will not be affected by the VAT implementation. All of the SMEs should register for VAT if its taxable supplies and imports exceed AED 375,00 per tax year. However, any businesses whose supplies and imports exceed AED 187, 500 per tax year. As per as I am aware there is no impact of VAT on employee size or ownership.
Reference 7: 0.13% coverage

If the SMEs' taxable imports and supplies exceed AED 375,00 per tax year, it should get listed for VAT. But as my observation, these cited issues are not affected at all.
Reference 8: 0.32% coverage
VAT has many impacts on SMEs. To do the tasks, SMEs need extra employees which makes the employee size bigger. This again enlarges the size of business and ownership both. Apparently, annual turnover becomes bigger for that. That is why, although there are some unwelcome impacts, it can easily be concluded that VAT is being helpful for the betterment of the economy and the lifestyle of the people of the country.
Reference 9: 0.35% coverage
VAT has significant effects on SMEs in a lot of ways. Due to the recording and accounting process and other tasks, employee size becomes bigger. This results in bigger business size and larger ownership. And this ultimately makes a positive chance on the annual turnover. So, despite some unwanted changes, it can be said that VAT is making many positive changes in the sector of business which amplifies the economy and betters the lifestyle of the whole nation.
Reference 10: 0.33% coverage
VAT affected the SMEs structure such as employee size, ownership, and annual turnover. Although VAT causes the increase of costs and new business structure, it also makes more employment for the country. It creates opportunities to make investment which makes more ownership. As a result, the turnover at the end of the year increases as well. So it is very clear that VAT has a number of good impacts on the mentioned factors.

Relationships Between MoF, FTA, and SMEs

11 references coded, 1.70% coverage
Reference 1: 0.27% coverage
I have observed that some of the most visible changes in the relationships between MOF, FTA and SMEs are Responsibilities to national development. Transparency in doing business in the UAE Trustworthiness. Building trust among MoF, FTA and SMEs. Pursuing a common goal which is contributing to the national economy in order to the development of the UAE.
Reference 2: 0.10% coverage
The most visible change seen due to the new VAT system is the alliance among the MoF, FTA and SMEs as they need to work with this.
Reference 3: 0.08% coverage
The collaboration is the most visible change and their work pattern reflects a sound relationship.
Reference 4: 0.11% coverage
The most visible change seen due to the new VAT system is the collaboration among the MoF, FTA and SMEs as they need to join hands to make this work.
Reference 5: 0.09% coverage
These three are now more connected than before. This will bring out a positive outcome in near future hopefully.
Reference 6: 0.17% coverage
The most visible change among MoF, FTA and SMEs is that they are now more connected as they have to work together for the VAT system. There is a huge chance that this will make a positive effect on the economy in the long run.
Reference 7: 0.09% coverage
These institutions are now more associated than before. This will bring out a optimistic outcome in future confidently.

Reference 8: 0.26% coverage
Three authorities - SMEs, FTA, MoF, are working with each other which is the most remarkable thing about them. This way, they can be more connected which gives us hopes that they will be able to turn the system to something better following the international practices. If they can do that, the country's economy will be positively affected.
Reference 9: 0.24% coverage
The most noteworthy change in SMEs, MoF and FTA is the fact that these three are working together joining hands and that makes them more connected. And so, it raises high hopes that they can change the system to something even better and make a great outcome which will be very effective on the economy of the country.
Reference 10: 0.01% coverage
.
Reference 11: 0.29% coverage
The most visible change that I observe in the relationships among SMEs, MoF and FTA is that now they are sharing the same goal and are working hard to accomplish that. It is a very good sign for the economy. If they can keep it up, the country can soon catch up with the international practices of other countries. This will take the situation to another new level of development.

Impact on the Accountability and Management

Ensuring VAT Management

10 references coded, 1.95% coverage
Reference 1: 0.54% coverage
VAT accountabilities are ensured throughout a number of stages and these include: For the registration A legal person in business must register for VAT if the taxable suppliers made by that person exceed AED 375,000 or over the previous 12 months. Visit FTA website www.tax.gov.ae Select e-sevice Cleate an account by clicking sign up Once the email has been verified, log in and register your business. For the Product Registration Visit the FTA website Select e-Services Request to add a product Upload the necessary documents to register the product For VAT Return There are four stages to submit a VAT Return Login to the FTA eServices portal Complete the Form Submit the Form Settle the Payable VAT
Reference 2: 0.10% coverage
FTA and MoF ensure those. With all the required initiatives taken, they can accomplish everything so that the process runs well.
Reference 3: 0.07% coverage
Both of the MoF and FTA are working hard to provide SMEs with better help and to make it easier.
Reference 4: 0.05% coverage
To smoothen the process MoF and FTA are working hard together.
Reference 5: 0.11% coverage
FTA and MoF have taken initiatives ensure the VAT management and registration by which they can operate the whole system to run it efficiently.
Reference 6: 0.14% coverage
Federal Taxation Authority and Ministry of Finance work together to ensure those. With all the necessary initiatives taken, they can manage everything so that the process goes well.
Reference 7: 0.12% coverage

FTA and MoF ensure these issues. With all the obligatory initiatives taken, they can achieve the whole lot so that the process can be operated in a well manner.
Reference 8: 0.36% coverage
The overall system is longer than expected due to the steps that need to be followed. FTA and MoF both are working together to ensure that the SMEs go through each of the steps properly. The system has to be modified to a great extent to provide better service and complications have to be lessened. Both authorities are currently working on that. At present, VAT management is dealing with the system for the SMEs to help them with the VAT collection and submission process.
Reference 9: 0.22% coverage
The whole process consists of a number of steps. To make sure that each of them is thoroughly followed and maintained, both MoF and FTA work together. As it is still new, there are rooms for development and both are trying to improve it as much as possible so that the complexities can be minimized.
Reference 10: 0.23% coverage
The authorities do most of the tasks to make sure of that. Because this is a new process which is very tiring. Ensuring everything properly is not an easy thing to do. The process and the tasks are new for the authorities too. They are getting better everyday but they need more time to stabilize the situation.

Ease of VAT Management

10 references coded, 0.98% coverage
Reference 1: 0.15% coverage
By looking at the responses, I can say that the VAT registration to VAT return is the easiest VAT management system for SMEs. I can also confirm you that total VAT registration can take up to 20 minutes.
Reference 2: 0.09% coverage
The VAT management system is providing SMEs with enough help currently. In future, it will develop even more hopefully.
Reference 3: 0.06% coverage
The managerial team also works too hard to ensure the registration and refund part.
Reference 4: 0.08% coverage
I think the current VAT management system is very helpful for the SMEs and it will improve further in future.
Reference 5: 0.08% coverage
The SMEs are being privileged by the management bodies and in future it would be better hopefully.
Reference 6: 0.09% coverage
Currently the VAT management system is providing SMEs with enough help and in future, hopefully it will develop even more.
Reference 7: 0.09% coverage
The VAT management system is providing SMEs with sufficient help now. In future, it will progress more expectantly.
Reference 8: 0.11% coverage
It depends on the situation. If there is any mismatch between the output and input, we look into the matter internally to understand the problem.
Reference 9: 0.11% coverage
At this moment, the system of VAT management is handling the whole process with for the SMEs and with time, it will surely be more sophisticated.

Reference 10: 0.11% coverage
Well, from the perspective of the SMEs, the current VAT management system is not as easy as they expect. They need more time to cope with it.

Mechanism to Ensure Accountability

10 references coded, 1.31% coverage
Reference 1: 0.11% coverage
Since we regulate VAT, one of the mechanism we follow to penalise SMEs if they do not register their business on time. The penalty is AED 20,000
Reference 2: 0.07% coverage
Keeping the records as well as examining those by specialists are the chief mechanisms.
Reference 3: 0.07% coverage
Keeping all the records and also checking those by professionals are the chief mechanisms.
Reference 4: 0.12% coverage
The ministry provides tools for the SMEs to work according to the rules and this gives the ministry an opportunity to monitor their activities closely as well.
Reference 5: 0.11% coverage
The ministry keeps records of their activities and they are also checked after a time period regularly. It certifies the accountability of the SMEs.
Reference 6: 0.16% coverage
Checking on them once in a while is what works well in this case. Plus, as the ministry is providing facilities, it helps the ministry get the track of their activities which ensures the accountability of the SMEs.
Reference 7: 0.12% coverage
The ministry affords tools for the SMEs to work conferring to the rules and this provides the ministry with a chance to monitor their doings carefully as well.
Reference 8: 0.19% coverage
Monitoring the SMEs strictly is mostly what does the trick. Regular supervision helps to have a track of their performance. This makes them follow the rules and keep the accounts transparent and enables us to make corrections when necessary.
Reference 9: 0.20% coverage
The first thing is to monitor them properly and supervising everything throughout the whole process. This makes it easier to maintain the transparency of their accounts. It helps us have the track of how they are doing and rectify what they are doing if needed.
Reference 10: 0.16% coverage
Usually we don’t do anything. We just make sure that the SMEs are monitored strictly. That way, we always know what they are up to, if they are maintaining the rules; so we can correct anything if it is necessary.

Measuring VAT Performance

8 references coded, 0.81% coverage
Reference 1: 0.08% coverage
We monitor performace of SMEs time to time by accessing the information they provide during tax return.
Reference 2: 0.05% coverage
The VAT system concentrates on the transparency of business of SMEs.
Reference 3: 0.09% coverage

It usually emphasises on the clarity of business of SMEs. If any mismatch is found, the documents are checked in detail.
Reference 4: 0.05% coverage
VAT system focuses on the transparency of business of SMEs.
Reference 5: 0.08% coverage
VAT system is used to ensure the transparency of a business which helps to assess the performance of SMEs.
Reference 6: 0.15% coverage
The new VAT system is applied to make the SMEs more accountable. This makes them prepare records of every transaction properly. It makes their performance better and increases the growth of business.
Reference 7: 0.14% coverage
VAT system is implemented to make them accountable so that they keep a record of everything and maintain transparency in their performance. This also enhances their business growth.
Reference 8: 0.16% coverage
The VAT system is used to assess the performance of the SMEs by making them keep transparent accounts. In that way, there remains no chance for the SMEs to do anything illegally which helps them perform well.

Using Information for Internal Affairs

8 references coded, 0.87% coverage
Reference 1: 0.07% coverage
For taking and reviewing policy and procedures, we use the information provided by the SMEs.
Reference 2: 0.10% coverage
It is used for evaluating internal affairs and looks for any types of inconsistency and alerts the system whenever identifies one.
Reference 3: 0.10% coverage
It is used for assessing internal affairs and looks for any kind of discrepancy and alerts the system whenever identifies one.
Reference 4: 0.14% coverage
The business transparency is checked by the tax authority and if any discrepancy is found there, the tax documents are matched with internal documents and checked over to rectify that.
Reference 5: 0.14% coverage
Yes, it is used for internal affairs. If any discrepancy is noticed in the internal activities, then the records shown in the VAT report are matched with other records to rectify that.
Reference 6: 0.15% coverage
The business transparency is checked by the tax consultant and if any incongruity is originated there, the tax papers are co-ordinated with internal documents and checked over to fix that.
Reference 7: 0.13% coverage
Yes, it is often used in internal affairs when needed. If the outcome seems dubious or rectification is needed, the records and the outcomes are matched to see what is wrong.
Reference 8: 0.04% coverage
Sometimes, if the situation requires that measure.

Communication Channel

10 references coded, 0.98% coverage
Reference 1: 0.24% coverage
We have three different communication channels in place to communicate with SMEs and they, In person SMEs has the opportunities to meet our nominated agents in person. By Mail We communicate with SMEs by sending mail. By email We send notifications to their email. By telephone SMEs can contact us by making phone call.
Reference 2: 0.07% coverage
Online channels are mainly used in that case though offline ones are not out of consideration.
Reference 3: 0.08% coverage
Though online channels are mostly preferable but both online and offline take place in communication.
Reference 4: 0.08% coverage
Online and offline both channel of communications are used with higher emphasis on online platform.
Reference 5: 0.08% coverage
Both the offline and online communications are available but online channels are preferred in such issues.
Reference 6: 0.09% coverage
Online communication channels are mostly used in that case although offline ones are not out of consideration.
Reference 7: 0.08% coverage
Both the offline and online communications are available but online channels are favoured in such issues.
Reference 8: 0.07% coverage
There are two kinds of channels: offline and online. Both of them are used frequently.
Reference 9: 0.13% coverage
Online communication channels through email is the most effective one in this regard whereas the offline communication channel such as postal method can be vital as well.
Reference 10: 0.05% coverage
Both online and offline channels are available in case of any default.

Impact on SMEs' Daily Activities

Support and Services

10 references coded, 1.14% coverage
Reference 1: 0.22% coverage
Yes, we provide support and services to SMEs including e-services. However, we don't provide them any software in person. We provide proforma to submit tax invoice. SMEs must follow the proforma to be compliant. Otherwise, there is an administrative penalty for violating Tax Invoice.
Reference 2: 0.16% coverage
Yes, sure. To accelerate day-to-day financial service, we've promoted the online platform. Additionally, there are invoicing and credit control to take care of VAT system which are done as supporting doings.
Reference 3: 0.14% coverage

Sure thing. To accelerate day-to-day financial service, we've opened online platform. Furthermore, invoicing and credit control to look out of VAT are done as supporting activities.
Reference 4: 0.13% coverage
Yes, we offer online supports to manage day to day activities to take care of VAT system in SMEs. It uses invoice, control of credit and many others to take care of VAT.
Reference 5: 0.15% coverage
Sure, online platform are provided as support and service to accomplish day-to-day financial operations. The support activities comprise invoicing and credit control to look out of VAT.
Reference 6: 0.14% coverage
Yes, we provide support and services including online platform to manage day-to-day financial activities. The activities include invoicing, credit control to take care of VAT
Reference 7: 0.15% coverage
Definitely. To quicken day-to-day financial service, we've launched an online platform. Additionally, invoicing and credit control to look out of VAT are done as secondary activities.
Reference 8: 0.01% coverage
Of course, we do.
Reference 9: 0.01% coverage
Yes, we do.
Reference 10: 0.03% coverage
Yes, we provide that support and service.

System Used to Provide Supports and Deliver Services

10 references coded, 1.43% coverage
Reference 1: 0.06% coverage
We support SMEs by agents and e-services to register and submit their VAT.
Reference 2: 0.06% coverage
Well, it is making the practice of submitting VAT easy for all the SMEs in UAE .
Reference 3: 0.07% coverage
SMEs are running the process of VAT submission in ease with the help of these services.
Reference 4: 0.06% coverage
It is being very helpful for the SMEs to submit their amount of VAT payment.
Reference 5: 0.05% coverage
Well, it is making the procedure of submitting VAT easy for SMEs.
Reference 6: 0.07% coverage
Well, it's doing good. It helps the SMEs to go along with the process of VAT submission easily.
Reference 7: 0.06% coverage
Well, it is making the practice of succumbing VAT relaxed for all the SMEs in UAE .
Reference 8: 0.35% coverage
The performance of our support and service system has been tremendous. It has helped the SMEs to a great extent.SMEs have been able to go along with the VAT system in a step by step process in an easy way. Moreover, with our service system, they can decrease their cost of compliance and non-compliance and become more VAT compliant. This in exchange helps us to collect the VAT with less complexity. That is why we are trying to render them quality service
Reference 9: 0.46% coverage

Well, it can be said that our support system's performance is quite satisfactory. It is of a great help to the SMEs. It assists them throughout the whole process and makes a positive experience for them. With the help of the support and service, SMEs can go through the process with less havoc and submit their VAT in a much easier manner. Our support and service helps them lessen their compliance and non-compliance cost both and makes them more compliant. In this way, we approach the SMEs and encourage them to follow the rules and submit their VAT which in return makes our task of VAT collection easier.
Reference 10: 0.20% coverage
As it is the beginning, we provide them with day to day support and services to take care of the recording system and other activities so that they can adopt the new system fast and get used to it. This way, the support and service system affects the SMEs very positively.

Impact on VAT Process, Efficiencies and Daily Business and Work

VAT Administrative System

10 references coded, 1.60% coverage
Reference 1: 0.03% coverage
I would say our VAT system is very easy.
Reference 2: 0.14% coverage
The VAT administrative system is working on making the VAT practice easier and more acceptable. It requires to be more digitalized in online and the offline method is an extensive one.
Reference 3: 0.18% coverage
The VAT administrative system is working to make the VAT procedure easier. The digital system helps to fasten the VAT payment service as it takes less time and workforce to submit due to the increase in internet penetration in UAE.
Reference 4: 0.12% coverage
The digital system helps to fasten the VAT payment service as it takes less time and workforce to submit due to the increase in internet penetration in UAE.
Reference 5: 0.16% coverage
The VAT administrative system is working to make the VAT procedure easier. in online, it requires to be more digitalized and in offline, it is an extensive method. Both are being worked out to be faster and better
Reference 6: 0.19% coverage
The VAT administrative system is affecting positively to make the VAT activities easier. In offline activities it is a lengthy process and in online, it needs to be more digitalized. The administration will work on both to make things better.
Reference 7: 0.16% coverage
The VAT administrative system is occupied to make the VAT practice easier. In online, it needs to be more digitalized. In offline, it is a widespread way. Both are being functioned to be quicker and better
Reference 8: 0.19% coverage
VAT administration is trying to make the activities in this process easier. So apparently, it affects the system positively. Both offline and online platforms need more modifications and the administration is tirelessly working to make that happen.
Reference 9: 0.21% coverage

The system of VAT administration making the VAT activities easier which shows how positively effective it is. Offline activities are lengthy and online platform needs more digitalization. The administration will soon take initiatives to make both platforms better.
Reference 10: 0.23% coverage
When it comes to offline activities, things take more time. The pace of the activities gets slower. But in case of online activities, things get done in a minute. But people are not used to online activities. The administration is trying to improve both of the ways to fasten the pace of the activities.

Satisfactions with the Response

10 references coded, 0.72% coverage
Reference 1: 0.09% coverage
Yes, I am satisfied with the level of responses including VAT registration and VAT return received in the last year.
Reference 2: 0.08% coverage
I am satisfied according to my recent experience. In the meantime, it brought out quite pleasing result.
Reference 3: 0.06% coverage
Till now, the received responses are quite satisfactory as this is only one year.
Reference 4: 0.05% coverage
The response has been satisfactory as it has only been one year.
Reference 5: 0.10% coverage
According to the experience of one year, I am satisfied. In the short span of time, it brought out quite satisfactory result.
Reference 6: 0.09% coverage
Yes. It has been just one year. Comparing to this short period, the response we received is quite satisfactory.
Reference 7: 0.05% coverage
The response has been quite pleasing as it has only been one year.
Reference 8: 0.08% coverage
Yes. The response we got is remarkable. Although the first year has passed, we are very hopeful for the future.
Reference 9: 0.07% coverage
Yes. It is just one year. Within such a short time, we received a satisfactory response.
Reference 10: 0.05% coverage
Of course we are. The response we got in the first year is tremendous.

Any Changes Required to Achieve Efficiencies

10 references coded, 1.01% coverage
Reference 1: 0.06% coverage
There is always room for the changes. I would say updating the system is mandatory.
Reference 2: 0.10% coverage
Likewise, other systems ask for changes to be adaptable with time, this also does. It will be changed in near future as needed.
Reference 3: 0.06% coverage
Every system improves as further demand and so will this as required in future.
Reference 4: 0.10% coverage

The system is still in the introductory level and it needs more improvement and we are planning to do so using customer level feedback.
Reference 5: 0.11% coverage
It has just been one year. So, yes, changes are required according to the situations and hopefully it will be better with the passage of time.
Reference 6: 0.11% coverage
Everything about the system is still new here. So yes, improvement is needed and hopefully it will be perfected eventually with the passage of time.
Reference 7: 0.08% coverage
As every system improves with time according to further demand, so will this as essential in future.
Reference 8: 0.11% coverage
The system is still new and needs development. Authorities are working in this regard. So it can be said that by the time it will get a lot better.
Reference 9: 0.11% coverage
Everything in this system is still developing. And betterment is surely needed. It can be hoped that the system will get better with time.
Reference 10: 0.17% coverage
The system is still new and needs development. Authorities are working in this regard. So it can be said that by the time it will get a lot better. Yes, there are. By time, the system will become more modified and simplified.

VAT Impacts on Profitability of the SMEs

Direct and Indirect Cost

10 references coded, 0.71% coverage
Reference 1: 0.08% coverage
Indeed, I am totally aware of the direct and indirect costs associated with SMEs being VAT compliant.
Reference 2: 0.10% coverage
Sure. There are some administrative costs allied with the SMEs to be VAT compliant which may influence the productivity of the SMEs.
Reference 3: 0.10% coverage
Surely, I am. There are operational costs associated with the SMEs to be VAT acquiescent. It can grab the production power of the SMEs.
Reference 4: 0.08% coverage
Administrative cost as well as the profit line of SMEs may be affected with the changes in the VAT system.
Reference 5: 0.10% coverage
Yes, I am. There are managerial costs allied with the SMEs to be VAT acquiescent. It can influence the productivity of the SMEs.
Reference 6: 0.10% coverage
Yes, I am. There are administrative costs associated with the SMEs to be VAT compliant. This may impact the profitability of the SMEs.
Reference 7: 0.10% coverage
Surely. There are so many direct and indirect costs allied with the SMEs to be VAT compliant. It can grab the production power of the SMEs.
Reference 8: 0.01% coverage

Surely I am.
Reference 9: 0.01% coverage
Of course, I am.
Reference 10: 0.02% coverage
Yes. Surely I am aware of that.

Limiting the VAT Impacts on SMEs

10 references coded, 1.10% coverage
Reference 1: 0.14% coverage
We are consistently working to limit the cost incurred by imposing 5% VAT on SMEs. We encourage SMEs to be compliant in terms of registration and VAT return to get away from penalties.
Reference 2: 0.06% coverage
Though MoF is working to resolve this issue but we have no such system right now.
Reference 3: 0.13% coverage
As my department is working on this currently, we are about to plan something to make the system simplified which will assist the SMEs to lessen their compliance expenses.
Reference 4: 0.06% coverage
Currently we have no such system but my department is working to resolve this issue.
Reference 5: 0.09% coverage
The MoF is occupied on it. It is trying to ease the VAT system which will aid the SMEs to reduce their compliance charges.
Reference 6: 0.12% coverage
My department is currently working on it. Our plan is to make the VAT system into a simplified system which will help the SMEs to decrease their compliance costs.
Reference 7: 0.10% coverage
The MoF is engaged on it. It is trying to comfort the VAT system which will assist the SMEs to decrease their compliance charges.
Reference 8: 0.12% coverage
My department is now seeing to this matter with a view to materializing the plan of turning the system into an easier one so that the compliance cost can be lessened.
Reference 9: 0.14% coverage
My sector is now working on this matter in order to materialize the plan of making the VAT collection system more simplified so that it can increase the compliance cost of the SMEs.
Reference 10: 0.13% coverage
Yes. Some measures have been and will be taken to limit the costs. We are doing some of the tasks for them to decrease the costs. We are developing their accounting systems too.

Suggestions

Suggestion to the Ministry of Finance and Federal Tax Authority

10 references coded, 1.26% coverage
Reference 1: 0.07% coverage
I suggest providing more financial supports to the SMEs so that they can grow their businesses.
Reference 2: 0.13% coverage

Though the rate is very low, it can be lowered more in some SME cases to inspire them to be more enthusiastic. Even Mof and FTA can take the issue of monetary help in consideration.
Reference 3: 0.10% coverage
In this case, my suggestion is to provide them with necessary monetary help. The VAT can also be lowered a bit if it gets a big trouble.
Reference 4: 0.18% coverage
Since, personal level income holders try to build SMEs, increase in VAT may discourage them to go for SMEs as there is a probability of increase in tax rate. Hence, my suggestion is to decrease tax further to attract new investors.
Reference 5: 0.11% coverage
The rate can be lowered particularly for SMEs which will encourage small start-ups. Providing them with monetary funding can work as well.
Reference 6: 0.16% coverage
The MoF and FTA can lower the rate particularly for SMEs. It is already low enough but it can make people discouraged to make a small start-up business. Also, providing them with financial support can work well too.
Reference 7: 0.17% coverage
Since, personal income holders try to build SMEs, the increasing VAT may daunt them to go for SMEs as there is a chance of growth in the tax rate. Henceforth, my recommendation is to reduction in tax rate to attract new investors.
Reference 8: 0.12% coverage
Although the rate is already low, it can be lowered specifically for SMEs for a certain period of time. Financial support will also be provided if needed.
Reference 9: 0.07% coverage
The rate can be lowered for SMEs. Financial support can be provided to help them in this regard.
Reference 10: 0.14% coverage
Yes, I have. The rate can be lowered specifically for the SMEs. It may be changed later depending on the future situation. Also, we can support them financially to help with this.

Suggestions to the SMEs

10 references coded, 1.04% coverage
Reference 1: 0.12% coverage
I can suggest them to allocate right skilled people for right jobs. Trustworthiness is a key issue which need to be established throughout VAT return.
Reference 2: 0.08% coverage
I would suggest SMEs to hire more competent employees and train them to be more adaptable to the VAT system.
Reference 3: 0.09% coverage
SMEs should hire more skilled employees. Existing employees should also be trained and introduced well to the VAT system.
Reference 4: 0.10% coverage
SMEs should employ better accountants and use improved Vat management system to collect VAT and submit it more efficiently.
Reference 5: 0.11% coverage
Suggestions: Improving their accounting procedure, Training the stuffs, Emerging the VAT collecting scheme to be more VAT compliant.
Reference 6: 0.10% coverage

They can train their stuff, improve their accounting process, and develop their VAT collecting system to become more VAT compliant.
Reference 7: 0.10% coverage
From my observation, I would suggest SMEs to hire more capable employees and train them to be further compliant to the VAT system.
Reference 8: 0.10% coverage
SMEs can train their staff well; improve their recording system and academic process in order to become more VAT compliant.
Reference 9: 0.12% coverage
The stuff can be trained properly, accounting process can be improved; the system of VAT collection can be improved in order to increase VAT compliance.
Reference 10: 0.13% coverage
Well, to increase the VAT compliance, SMEs have to train their employees properly. Moreover, they have to develop their system of making and maintaining accounting records.

Appendix 14: NVivo 12 Coding: Qualitative Data Analysis (Stakeholders)

Understanding Taxation Policy, VAT in the UAE

Awareness

Files\\Interview Transcripts Stakeholders
10 references coded, 0.85% coverage
Reference 1: 0.01% coverage
Sure.
Reference 2: 0.02% coverage
Yes, I am.
Reference 3: 0.03% coverage
Yes, obviously.
Reference 4: 0.10% coverage
Yes, I am entirely aware of the introduction of the VAT in the UAE.
Reference 5: 0.02% coverage
Yes, surely.
Reference 6: 0.11% coverage
I am very much aware of the fact of introduction of the VAT in the UAE.
Reference 7: 0.14% coverage
Yes, I am aware of introduction of the VAT in the UAE. VAT was introduced on 1st January 2018.
Reference 8: 0.07% coverage
Yes, VAT was introduced on 1st January 2018.
Reference 9: 0.20% coverage
I am completely aware of the VAT inception in the UAE. VAT has imposed by the government of UAE effected from 1st January 2018.
Reference 10: 0.16% coverage
O yes, I do aware of 5 per cent VAT impose in the UAE. The VAT in the UAE was incepted on January 1, 2018.

Current Provision of VAT

Files\\Interview Transcripts Stakeholders
10 references coded, 1.90% coverage
Reference 1: 0.13% coverage
Yes, I do. It is 5% which would be well utilized by government for public welfare.
Reference 2: 0.24% coverage
Yes, I know. The VAT rate is 5% right now which is mainly imposed to improve the quality of government sectors and influence the lifestyle of mass people.
Reference 3: 0.10% coverage
The current rate of VAT is 5% in the UAE and I am well aware of it.
Reference 4: 0.07% coverage
The current VAT rate is 5% in the UAE, as I know.
Reference 5: 0.05% coverage
Yes, I know. It is 5% in present.
Reference 6: 0.19% coverage
Yes, I do. The VAT rate is currently 5 percent which would be utilized in the public services of UAE ensuring high quality.

Reference 7: 0.12% coverage
Yes, the VAT rate is 5 percent which is imposed on certain goods and services.
Reference 8: 0.32% coverage
As per as I know, current VAT provision is 5 percent on goods and services. However, VAT may differ by product by product. For example, cigarette, soft drink and energy drink has more VAT rate than usual.
Reference 9: 0.31% coverage
Yes, current provision for VAT is 5 percent. Although it is not fixed for all goods and services. For example, VAT rate is more for the goods such as cigarette, soft drink, and energy drink than usual.
Reference 10: 0.37% coverage
Yes indeed, current provision of the VAT is 5 per cent which apply on goods and services. The 5 per cent VAT may differ from one product to the other. For example, for tobacco and energy drink the VAT rate ranges from 50 per cent to 100 per cent.

Exception in the VAT

Files\\Interview Transcripts Stakeholders
10 references coded, 2.57% coverage
Reference 1: 0.12% coverage
Real estate industry is an exception in the VAT registration and payment.
Reference 2: 0.16% coverage
Among many exceptions in the VAT registration and payment system, real estate firms are exceptional.
Reference 3: 0.15% coverage
Real estate is such a sector which is exceptional in the VAT registration and payment procedure.
Reference 4: 0.11% coverage
Real estate. It is an exception in the VAT registration and payment.
Reference 5: 0.11% coverage
I can mention the name of real estate industry here as an exception.
Reference 6: 0.19% coverage
There are many exceptions in the VAT registration and payment that can be availed of. Real estate is one of the sectors.
Reference 7: 0.47% coverage
I can tell you that a business must comply with the VAT regulation if their supplies and imports exceed AED 375,000 per annum. It is voluntary for a business to register for a VAT if its supply and imports is over AED187,500 per annum. Some of the industries such as real estate business is exempt from VAT.
Reference 8: 0.32% coverage
What I know is business does not have to register for VAT if their supply or export exceeds AED375000 per annum. However, business can voluntarily register for if their income exceeds AED 185000 per annum.
Reference 9: 0.48% coverage
Business are taken as exception if the annual business turnover is lower than AED 375000. However, it is compulsory for the business to register their business if their annual turnover is more than AED 375000. Business can voluntarily register for VAT if their annual turnover is more than AED 185000.
Reference 10: 0.46% coverage

Government set out a minimum annual turnover threshold which is AED 375000. Hence, it is not mandatory for any small businesses whose annual business turnover is less than AED 375000. However, business can still register for VAT voluntarily if their annual turnover exceeds AED 185000.

Factors Impacting the Adoption of VAT in the UAE

Globalisation

Files\\Interview Transcripts Stakeholders
11 references coded, 1.67% coverage
Reference 1: 0.15% coverage
Looking at the global economy shows us that almost every country asks for VAT from citizens.
Reference 2: 0.10% coverage
That worldwide system motivated UAE to impose the system in UAE.
Reference 3: 0.13% coverage
The newly imposed VAT rate is 5% and apparently, it is a result of globalization.
Reference 4: 0.13% coverage
the adoption of VAT in UAE is stimulated by globalization and there is no doubt in it.
Reference 5: 0.15% coverage
The VAT rate which has been imposed newly is 5% and seemingly, it is a result of globalization.
Reference 6: 0.13% coverage
In order for globalization, other countries are getting significant amount of VAT.
Reference 7: 0.14% coverage
I would say both globalisation and political factors attribute to impose VAT in the UAE.
Reference 8: 0.16% coverage
I found both golobalisation and political factors contributed substantially to adopt VAT in the UAE.
Reference 9: 0.23% coverage
I can say globalisaiton is because IMF has been suggesting UAE government to impose VAT for years in the process of economic diversification.
Reference 10: 0.17% coverage
I believe globalization and political factors both are equally responsible to the VAT impose in the UAE.
Reference 11: 0.19% coverage
I notice that regional politics and globalization both contribute significantly in the inception of VAT in the UAE.

Reasons for Globalisation

Files\\Interview Transcripts Stakeholders
9 references coded, 2.54% coverage
Reference 1: 0.17% coverage
So, UAE got inspired from this and imposed VAT to collect money and to spend it on welfare of public services.
Reference 2: 0.22% coverage
Almost every government of other countries have VAT regulations which amount they use in welfare of the countries and other related issues.

Reference 3: 0.18% coverage
Each country collects VAT to amplify the GDP, so their economy. UAE imposed the VAT for the same reason, I think.
Reference 4: 0.26% coverage
Every country should follow the global regulation. As the way of it, UAE is following the VAT rule. In the long run, accepting this global VAT regulation will help UAE.
Reference 5: 0.22% coverage
That international VAT system inspired UAE government to impose the system in UAE. It will impact the GDP to rise and so will the economy.
Reference 6: 0.20% coverage
Somehow, that motivated UAE as well to introduce the VAT system as a peer country fact. No countries want to lag behind the race.
Reference 7: 0.43% coverage
due to the globalization economy is diversified than ever. Hence, the government of the UAE cannot sit back and look at the economy to grow. Therefore, the government has taken initiative to go for economic diversification and putting less stress on natural resources.
Reference 8: 0.44% coverage
In description, on the one hand, I would say in the age of globalization country cannot rely on a single source of income especially natural resources. They must look for a diversifying economy. Hence, IMF has been prescribing VAT impose to the government of the UAE for years.
Reference 9: 0.43% coverage
There was a global pressure to implement VAT in the UAE. IMF has been prescribing VAT for the UAE since 2010. As you might know VAT is a form of indirect tax and is levied in more than 180 countries around the world. This has encouraged UAE to impose 5 per cent VAT in the Emirates.

Political

Files\\Interview Transcripts Stakeholders
5 references coded, 0.95% coverage
Reference 1: 0.14% coverage
I would say both globalisation and political factors attribute to impose VAT in the UAE.
Reference 2: 0.16% coverage
I found both globalisation and political factors contributed substantially to adopt VAT in the UAE.
Reference 3: 0.17% coverage
I believe globalization and political factors both are equally responsible to the VAT impose in the UAE.
Reference 4: 0.19% coverage
I notice that regional politics and globalization both contribute significantly in the inception of VAT in the UAE.
Reference 5: 0.30% coverage
As per as I know, imposing a unified 5 per cent VAT is the result of an agreement among GCC countries. Within the agreement both the KSA and Saudi Arabia introduced VAT on 1st of January 2018.

Reason

Files\\Interview Transcripts Stakeholders

3 references coded, 0.59% coverage
Reference 1: 0.17% coverage
In terms of politics, I would say because of the agreement with the GCC, a unified VAT is applied in the UAE.
Reference 2: 0.20% coverage
Political factor such as regional agreement will GCC countries contribute significantly to impose a unified VAT in the UAE.
Reference 3: 0.22% coverage
On the other hand, regional politics especially agreement with GCC countries play a big part in the introduction of a unified VAT in the UAE.

Economical

Files\\Interview Transcripts Stakeholders
6 references coded, 2.20% coverage
Reference 1: 0.27% coverage
The collected money from VAT will be contributing in the economy and to grow the GDP rate. So, these financial factors have been attributed to the adoption of VAT in the UAE.
Reference 2: 0.30% coverage
Financial factors are involved in it, as I think. Depending on an oil revenue can be vulnerable for a UAE's economy. So, to get a new revenue source can be the VAT system, which is effective.
Reference 3: 0.23% coverage
The collected money from VAT will help to grow the GDP and so the economy will go to a better position. Thus, the UAE is being financially driven.
Reference 4: 0.46% coverage
I find financial elements active here. UAE economy depends on an oil revenue to run the whole state which can be susceptible for the economy of UAE. Hence, to get a new revenue source can be the VAT system, which is effective. Both the government and citizens will get the advantage in the long run.
Reference 5: 0.35% coverage
Depending only on the oil revenue cannot be the only income source of a country. So, government of UAE has taken the decision of imposing VAT to earn a new amount of revenue which will be invested in so many public services.
Reference 6: 0.60% coverage
Financial factors attribute much towards embracing the VAT system in the UAE.UAE used to be dependent on its oil-generated revenue for which it could be vulnerable for a country in the long run. That's why they have decided to invest more on the economy by introducing VAT. To add to that, fiscal deficits was one the reasons when UAE thought of levying VAT on the goods and services.

Rationale for Imposing a VAT on the SMEs in the UAE

Main Reasons for the UAE Government behind Imposing 5% VAT in the Emirates

Files\\Interview Transcripts Stakeholders
10 references coded, 4.04% coverage
Reference 1: 0.51% coverage

Each and every country collects VAT to contribute to the economy and to contribute to the public service. In UAE, the VAT is 5% and the main reason of collecting VAT is to contribute to the economy through developing public transports, creating recreation spots, better infrastructure, educational institutions and so on.
Reference 2: 0.39% coverage
The main reason is to increase the revenue undoubtedly. Though citizens are contributing 5% of their income but they are getting other facilities like medical supports, public transport or recreation facilities provided by UAE government.
Reference 3: 0.61% coverage
Undoubtedly, the reason behind imposing the VAT is reaching to the peak of the economy. This would help the government to collect money which are about to spend for public welfare. By this step, contribution like medical facilities, better transportation, better infrastructure, public schools, parks, waste control and many other things can be reached to a sustainable position.
Reference 4: 0.44% coverage
Getting a flourished economy and the making the GDP higher is the main target of imposing the VAT. By getting 5% VAT, the mass people will be given a lot of facilities like medical supports, public transport or recreation facilities which will offer citizens a better lifestyle.
Reference 5: 0.44% coverage
Increasing the GDP and marking a stamp on world economy is the key reason of imposing 5% VAT. By this step, contributing to medical facilities, better transportation, better infrastructure, public schools, parks, waste control and many other things will also be possible.
Reference 6: 0.63% coverage
Undoubtedly, the main reason for the government to impose 5% VAT in the Emirates is to increase the revenue which they were losing for last few years. Through this revenue, government plans to offer various types of public services like medical facilities, better transportation, better infrastructure, public schools, parks, waste control and many more to get economically more sustainable.
Reference 7: 0.32% coverage
Indeed, some of the main reasons to introduce VAT in the UAE are: To diversify economy; To reduce dependency on oil; To find a new source of income to utilize them to provide high-quality public services.
Reference 8: 0.17% coverage
I think it is due to diversify economy in the UAE and collecting revenue to fund public sector organizations.
Reference 9: 0.25% coverage
I certainly believe that 5 per cent VAT to help government move towards its vision of reducing dependence on oil and other hydrocarbons as a source of revenue.
Reference 10: 0.29% coverage
There is no doubt about by imposing 5 per cent VAT in the country, government wants to achieve its Vision 2030 which is economic diversification, and reduce dependency on crude oil.

Supporting 5% VAT Introduction

Files\\Interview Transcripts Stakeholders
9 references coded, 3.79% coverage
Reference 1: 0.58% coverage

At the very first sight, it seemed opposing but in the long run, it will contribute a lot to the economy and lifestyle of people. The GDP will rise, the national savings will increase, people will be benefitted by the government in public services and more advisory firms will be established to help general people regarding this issue. So, I support this to the fullest.
Reference 2: 0.47% coverage
Even if it seems opposing on first time, but the VAT collection will help the whole system in long run. Though the government imposed 5% VAT, it will provide SME sector with additional benefits. The sector will be able to contribute in economy more. The whole economy will be flourished than before.
Reference 3: 0.62% coverage
It does not sound convincing, that SMEs have to pay a significant amount of money as VAT but in the long run it will result in satisfying way. The amount would be used in the development SME sector. Right now, government is offering some non- monetary help to the SMEs. I hope, in future, if government continues to receive the money like now, government can extend the help to monetary form as well.
Reference 4: 0.42% coverage
Considering the long-term effects of VAT, it cannot be denied that it would benefit the UAE in so many ways even if it seemed contradictory as first. The economy will get a new vibe and the lifestyle of people depends a lot on this. So, there is no room for opposing VAT.
Reference 5: 0.37% coverage
Definitely I support the introduction of VAT. The SME sector will be able to contribute in economy more. This will not only help the SME sector to grow up, but also the whole economy will be benefitted, and the lifestyle will upsurge.
Reference 6: 0.34% coverage
Although VAT incurred some extra cost on the business as well as lifestyle, I support 5% VAT introduction. One of the core reasons it that I feel proud to contribute to the national economy and development of the UAE.
Reference 7: 0.32% coverage
Although imposing 5% VAT largely impact our lifestyle in the UAE, I support that. The reason behind my support is by paying 5% VAT I can contribute substantially to the national economy of the country.
Reference 8: 0.30% coverage
I support the initiative although 5 per cent VAT impose impact SMEs significantly. The reason for my support is I feel valued when I see my contribution is used for the development of the nation.
Reference 9: 0.38% coverage
As a responsible citizen, I support government initiative to impose 5 per cent VAT. The reason for my support is I feed proud when I see my contribution throughout VAT is helping the national economy as well as developing out public services.

Opposing the Introducing VAT

Files\\Interview Transcripts Stakeholders
1 reference coded, 0.88% coverage
Reference 1: 0.88% coverage
Seemingly it seems to be opposing to the VAT introduction on SMEs in the UAE. But in a way this is more effective on the long run. If VAT is proposed on the SMEs, chances are these small and medium enterprises will face more patronization from the government. The businesses will have more flourished infrastructure. The VAT implementation will create more advisory firms on VAT which in turn would make revenue and contribute to the total

economy of UAE. Cherry on the top, businesses will try to exercise streamlining by running the business more efficiently.

Justification of 5% VAT Introduction

Files\\Interview Transcripts Stakeholders
10 references coded, 3.98% coverage
Reference 1: 0.32% coverage
As it is introduced for the first time, I think the 5% rate is alright for present situation. It is neither less nor no high. But if all the related parties get used to this easily, it can be increased later.
Reference 2: 0.49% coverage
According to present condition, this is the justified VAT rate, I think. This would not create burden upon the citizens and related parties and at the same time, it would help to collect a huge amount which can be used in many development tasks. This will help to increase the GDP as well, which fell in past years.
Reference 3: 0.29% coverage
I think it is completely justified; neither so high now so low. It is easily payable by all remaining classes and paying regular VAT will amplify the UAE economy in a better position.
Reference 4: 0.10% coverage
I find it completely justified. Nothing more, nothing less.
Reference 5: 0.26% coverage
I find it proper. It is not unbearable for even lower classes. All social class will get the opportunity to contribute through VAT. It is neither too much nor so less.
Reference 6: 0.66% coverage
The total GDP of UAE in 2018 was 414,179M$ which was a growth rate of 1.4% compared to the last year. Not only that, GDP per capita is $43,005 which is an increase of 6.6% from the last year. Considering all the numbers, I think 5% VAT for now is totally justified. Probably government could have increased the VAT upfront, but for now, 5% VAT is neither too less nor too much. This is in an equilibrium point to my point of view.
Reference 7: 0.54% coverage
I think 5% VAT is justified in the UAE for an introductory purpose. Comparing to western countries 5% VAT is low. However, we also pay Islamic way of paying Zakat every year which is 2.5% of our total wealth. Paying 5% VAT plus 2.5% Zakat accumulates 7.5%. By taking that into account, I believe government will not increase VAT rate any further.
Reference 8: 0.29% coverage
Despite 5 percent VAT is lower than western counties, I found it justified for the UAE from economic and cultural perspectives. 5 percent VAT is not too much or too less at this moment.
Reference 9: 0.52% coverage
To be used to with the VAT, I think 5 per cent VAT is justified. Comparing to other 180 countries, who practices VAT, 5 per cent VAT seems a bit low. However, we pay 2.5 per cent zakat every year. Therefore, I believe actually we are paying 7.5 per cent VAT on our business and wealth every year. On that basis, I think 5 per cent VAT is okay.
Reference 10: 0.53% coverage
From the cultural perspective, I can confirm you 5 per cent VAT is justified in the country and do not think it is too high or too low. You may have known that in addition to this 5 per cent tax we as a Muslim has to pay our zakat of 2.5 per cent on our wealth. Therefore, including 2.5 per cent we are ultimately paying 7.5 per cent on our business.

VAT Impacts on SMEs

Extent to which VAT impact SMEs

Files\\Interview Transcripts Stakeholders
10 references coded, 3.16% coverage
Reference 1: 0.45% coverage
The impact depends on the proportion of the consumption in the economy of UAE. Businesses of which values cross the amount AED 375,000 must pay VAT. So, the business firms will face the main impact of this. Though they face some non-monetary impacts, those are very delicate to count.
Reference 2: 0.33% coverage
The financial impact on the firms would be great, I think. If the business value exceeds AED 375,000, then it needs to get registered and pay VAT. Though there are few non-monetary effects, those are very elusive.
Reference 3: 0.49% coverage
The impact depends on the proportion of the consumption in the economy of UAE. The main impact would be financial impact to the businesses. Businesses of which values exceed AED 375,000 or is same to this amount need to pay VAT against them. Although there are some non-monetary impacts, those are very subtle.
Reference 4: 0.35% coverage
Consumption regulates the economy of the UAE. Businesses of which values more AED 375,000 have to pay VAT. Organizations will be financially affected. Although there are some non-monetary impacts, those are very subtle.
Reference 5: 0.36% coverage
In my opinion, the financial impact on the firms would be great. If any business values AED 375,000 or more than that, then it needs to get registered to pay VAT. Though there are few non-monetary effects, those are very elusive.
Reference 6: 0.45% coverage
The impact depends on the proportion of the consumption in the economy of UAE. The main impact would be financial impact to the businesses. Businesses of which values exceed AED 375,000 need to pay VAT against them. Although there is some non-monetary impact, those are very subtle.
Reference 7: 0.12% coverage
I believe VAT impact SMEs in a large extent especially growth of the business.
Reference 8: 0.09% coverage
I could say 5 per cent VAT impact SMEs at a large extent.
Reference 9: 0.24% coverage
From my experience I can confirm you that VAT impact my business a great extent. This include annual turnover as well as profitability of the business.
Reference 10: 0.28% coverage
See imposing 5 per cent VAT impact daily life in the Emirates as well as businesses. I can say the impact is huge especially on the SMEs as their profit are shared by the 5 per cent VAT.

Direct Impact of VAT on SMEs

Files\\Interview Transcripts Stakeholders
10 references coded, 2.94% coverage
Reference 1: 0.30% coverage

Directly, it can be noticed that the SMEs will be losing some money as the 5% VAT. On the other side, the government will be able to contribute to public service to make citizens' life better.
Reference 2: 0.23% coverage
The first impact will be the losing of money from the SMEs as 5% VAT. But opposite of that, SMEs will also be benefitted in many ways by governments.
Reference 3: 0.42% coverage
The key impact will fall on the SMEs. They will be paying a particular amount of money after a particular period of time. But in return, government will also contribute to public services like academic institutions, parks, hospitals and many other infrastructures.
Reference 4: 0.29% coverage
It is observed that the SMEs will be losing some money as the 5% VAT. But the money will be invested by the UAE government in national welfare. These are the markable direct impacts, I see.
Reference 5: 0.37% coverage
There exist two-sided direct effects. Firstly, the SMEs will have to pay a fixed amount of money and on the other side, government will collect loads of money and will get the opportunity to invest those for public service betterment.
Reference 6: 0.50% coverage
The SMEs will be losing some money. Apparently, this seems to the direct impact of the 5% imposing VAT. On the other flip of the coin, this is also seen that the UAE government will also be able to make a lot a contribution to the public services. These two impacts are apparently visible to the eyes of general people of UAE.
Reference 7: 0.23% coverage
Direct impact is the cost incurred by the administration such as day to day account management, filling tax, tax return, invoicing, and VAT itself.
Reference 8: 0.18% coverage
Yes, there is a direct impact on the SME. One of the direct impacts is cost incurred by VAT management and Tax return.
Reference 9: 0.14% coverage
Director impacts of the VAT on SMEs are cost incurred by managing Tax as well as tax return.
Reference 10: 0.27% coverage
From my experience, direct cost is largely administrative cost incurred by VAT administration and submission. Besides, direct cost is huge besides 5 per cent of the VAT.

Indirect Impacts of VAT on SMEs

Files\\Interview Transcripts Stakeholders
10 references coded, 2.96% coverage
Reference 1: 0.40% coverage
An even transparency will be created between these two parties- the SMEs and the government. SMEs will know where there monetary contribution is being invested. If they get great benefits, perhaps they will be interested in investing more in future.
Reference 2: 0.34% coverage
The most vital indirect impact can be mentioned as the super-transparency between the SMEs and the government. Though the SMEs the compelled to pay 5% of their revenue, they know where the money is being invested.
Reference 3: 0.41% coverage

As a result of giving VAT, there will grow a transparency between the SMEs and the government. The SMEs will get the opportunities to know where they are actually investing and that's how the relationship between these two parties will reach in better position.
Reference 4: 0.35% coverage
The growing transparency is a noticeable impact of VAT to me. This was not happening ever before. But for paying VAT, the SMEs and the UAE government is interacting and as a result, there is a clear relationship between them.
Reference 5: 0.30% coverage
A clear and friendly relation between SMEs and the government will grow up and get a position which will help the SME sector to go further and government to put more concentration to this as well.
Reference 6: 0.46% coverage
With introducing the VAT in UAE, despite a influx in cash flow, there would be some strong transparency between the government and the SMEs. The SMEs would get to know where the VAT is being contributed to. Thus, VAT exercise is creating transparency between the business and the government.
Reference 7: 0.18% coverage
Indirect impact of the VAT is on the lifestyle. The daily expenditure of the residents has increased due to the VAT.
Reference 8: 0.16% coverage
Some of the indirect impact is VAT impacts on the daily life. Hence, business is slower than before.
Reference 9: 0.14% coverage
One of the indirect impacts are growth of the business due to VAT impacts on the lifestyle.
Reference 10: 0.21% coverage
Indirect cost is also huge as 5 per cent VAT impact resident's buying capabilities which impact on the annual turnover of the business.

VAT Impact SMEs in the UAE Unequally

Files\\Interview Transcripts Stakeholders
10 references coded, 3.53% coverage
Reference 1: 0.46% coverage
As per my understanding, VAT will impact the SMEs unequally. Emirates alike Abu Dhabi and Dubai have more dealings that those in Ajman, Sharjah. So, rechecking the VAT according to the Emirates is needed. Emirates with relatively lower income rate can have an access to the lower VAT rate.
Reference 2: 0.30% coverage
It is kind of unfair for the SMEs to meet the VAT, to some extent. Abu Dhabi and Dubai have more dealings that those in Ajman, Sharjah. So, rechecking the VAT according to the Emirates is needed.
Reference 3: 0.42% coverage
I do think that VAT would affect SMEs in the Emirates unequally. Abu Dhabi and Dubai have higher commercial transactions. So, the VAT demands to be rechecked according to the Emirates. Emirates with reasonably lower income rate may have an access to the lower VAT rate.
Reference 4: 0.44% coverage
In my observation, yes. Abu Dhabi and Dubai have higher commercial transactions that UAE. So, the VAT demands to be checked again according to the Emirates. Emirates with

practically lower income rate might have an access to the lower VAT rate. So, the impact is unequal, as I see.
Reference 5: 0.35% coverage
Yes, I do think that there's an inequality. Abu Dhabi and Dubai are two emirates who operate more dealings that those in Ajman, Sharjah. So, rechecking the VAT according to the Emirates is needed to get rid of this problem.
Reference 6: 0.50% coverage
To my point of view, VAT will impact SMEs in the Emirates unequally. Emirates like Abu Dhabi and Dubai have higher business transactions that those in Ajman, Sharjah. Hence, the VAT needs to be rechecked according to the Emirates. Emirates with comparatively lower income rate can have a access to the lower VAT rate.
Reference 7: 0.19% coverage
Yes, I think so. The impact on the SMEs will be greater than that of cooperate. Therefore, inequality will take place.
Reference 8: 0.26% coverage
Yes, definitely, since equal 5% VAT impose for all regardless of the size of the business. Large orgnisation will take cost advantage from it where SMEs will suffer.
Reference 9: 0.36% coverage
Since 5 per cent VAT is applicable to any business whose annual turnover is higher than AED 375000, SMEs at the lower end will suffer from the cost incurred by direct and indirect cost. SMEs will suffer from the VAT at a large extent.
Reference 10: 0.25% coverage
Definitely, VAT will impact SMEs in Emirates unequally. It is because the direct and indirect cost for the large corporations and small businesses are same.

The VAT Unfairly Impact Small Enterprises

Files\\Interview Transcripts Stakeholders
10 references coded, 2.50% coverage
Reference 1: 0.37% coverage
I do think it is a bit unfair to small enterprises. Government could consider the VAT for two years for small enterprises. Also, these enterprises could be provided with monetary help which would encourage more people in ventures.
Reference 2: 0.24% coverage
As small enterprises struggle a lot, it is bit unfair to them. Government could exempt two years VAT for them to give the opportunity for growing more.
Reference 3: 0.31% coverage
This is a bit unfair for the small enterprises to confront to the VAT. If government could a step like exempting the VAT for this sector for one or two years, that would be better for small enterprises.
Reference 4: 0.26% coverage
Yes, I think so. Small enterprises are not capable of paying a lot of money at this time. So, the government should give them the time to get ready and steady to pay VAT.
Reference 5: 0.26% coverage
Small enterprises could be given some time by the government as they are not completely prepared to pay VAT. In this context, I don't think it was a fair judgement.
Reference 6: 0.47% coverage
To some extent, this is a bit unfair for the small enterprises to confront to the VAT. What government could have done, government could have exempted VAT on the small businesses

for at least two years so that they can cope up with the primary financial uncertainty and get ready for paying the VAT.
Reference 7: 0.20% coverage
Yes, I think so. It is because the administrative cost is almost same for the small enterprise compare to the large corporate.
Reference 8: 0.07% coverage
Yes, I think VAT will unfairly impact SMEs
Reference 9: 0.15% coverage
From my experience, I can say there is no doubt about that VAT impact small enterprises unfairly.
Reference 10: 0.18% coverage
Small business will experience from the hurdle of 5 per cent VAT more than medium sized businesses and corporation.

Support and Services Provided by the UAE Government

The UAE government provides adequate supports and services to grow SMEs along with VAT

Files\\Interview Transcripts Stakeholders
10 references coded, 2.57% coverage
Reference 1: 0.37% coverage
Though government in UAE supports the SMEs, I think this is not enough. Government can provide the SMEs with financial help sometimes. SMEs need more consultancy to turn out in better form. Government should take care of these things.
Reference 2: 0.24% coverage
The UAE government provide some non-monetary helps to SMEs but regarding the VAT issue, UAE government is not providing sufficient supports to SMEs.
Reference 3: 0.27% coverage
Perhaps the government is planning to do so in near future but till now government is not providing enough supports and services to grow SMEs along with VAT at this moment.
Reference 4: 0.30% coverage
The services provided by the UAE government is surely appreciable but SMEs should be supported more than this. Besides these, they should be supported financially when it is an emergency.
Reference 5: 0.24% coverage
No, I don’t. I expect more monetary help besides non-monetary services like consultancy, developing suggestions, better infrastructure and so on.
Reference 6: 0.42% coverage
UAE government should be much more convenient towards the SMEs. As for the support, UAE government should open adequate consultancy for the well- off of the SMEs in order to cope up with the growing VAT costs and in order to keep pace with the existing counterparts.
Reference 7: 0.25% coverage
Although supports and services to grow SMEs along with 5% VAT provision in place, to access into the support and services is difficult and a complex process.
Reference 8: 0.14% coverage
For me, they provide only online support and services which is not adequate at this moment.
Reference 9: 0.13% coverage
Expect providing online services, I don’t see any support and services to grow SMEs.
Reference 10: 0.21% coverage

I think so as government provides enough information support and services through its online and offline services such as agents.

Happy with the VAT registration process

Files\\Interview Transcripts Stakeholders
10 references coded, 2.98% coverage
Reference 1: 0.37% coverage
I think it is a quite easy process to be registered for VAT. Firstly, I need to apply for the registration opening an e-service account. After getting the register I need to fill up the registration form which will allow me to pay the VAT.
Reference 2: 0.39% coverage
Surely. It is an interesting as well as easy method to get registered. By opening an e-service account, I can apply to be registered. After being registered, all I need to do is filling up a form with my information. After that, I am ready to pay VAT.
Reference 3: 0.57% coverage
I found it as an easy procedure, and I am quite comfortable with the process. All I need to do is open an e-service account first. Then I have to apply for VAT registration. If everything is fair and sound, I will see register for vat in my account. The rest is very clear. I have to put down necessary information on the vat registration from and I am good to go with the VAT.
Reference 4: 0.22% coverage
I am happy with the system as it is not complicated. Opening an account in e-service and filling a form is enough for being eligible to pay VAT.
Reference 5: 0.29% coverage
Completely. I find it very simple for all. Anyone with basic knowledge can get into the e-service account and all they have to do is to fill up a form. After that they can start giving VAT.
Reference 6: 0.52% coverage
I am quite comfortable with the process. All I need to do is open an e-service account first. Then I have to apply for VAT registration. If everything is fair and sound, I will see register for vat in my account. The rest is very clear. I have to put down necessary information on the vat registration from and I am good to go with the VAT.
Reference 7: 0.13% coverage
Yes, I am happy with the VAT registration process as it is easy and time efficient.
Reference 8: 0.12% coverage
Yes, VAT online registration is easy, flexible, and time and cost efficient.
Reference 9: 0.20% coverage
I am content about the electronic services provided by the Federal Tax Authority. This includes VAT registration to VAT return.
Reference 10: 0.16% coverage
Yes, I certainly am happy with the VAT registration process as it is easy, flexible and time efficient.

Government provide a VAT management system to the SMEs

Files\\Interview Transcripts Stakeholders
10 references coded, 2.11% coverage
Reference 1: 0.22% coverage
No, the government is not providing any management system for VAT to the SMEs. But a management team should be formed soon to help the SMEs.

Reference 2: 0.20% coverage
Not yet. But I think government is planning something like forming a management system to operate the system more smoothly.
Reference 3: 0.28% coverage
Government will come up with such plan and will establish managerial teams for VAT management system hopefully but till now government has not taken any kind of managerial help.
Reference 4: 0.25% coverage
Not yet but I think government it is planning something like that. I also believe establishing such a system would help the VAT system to make more feasible.
Reference 5: 0.13% coverage
Government is not providing with managerial help yet. It is yet to come, I think.
Reference 6: 0.26% coverage
As far my concern, government is not so ready yet to provide a VAT management system to the SMEs. I hope they would soon be ready to provide the SMEs with such services.
Reference 7: 0.26% coverage
As per as I am aware the government does not provide any VAT management system to the SMEs except online system where we can register our business as well as return VAT.
Reference 8: 0.13% coverage
As per as I know, government does not provide any VAT management system to the SMEs.
Reference 9: 0.22% coverage
I would say government there is no specific system to management account provide by the Ministry of Finance or the Federal Tax Authority.
Reference 10: 0.17% coverage
Although they do not provide any software system, there is an enough guidance and information on the website.

Government agencies help SMEs to be compliant

Files\\Interview Transcripts Stakeholders
10 references coded, 1.73% coverage
Reference 1: 0.16% coverage
Government agencies are not ready yet to help SMEs to be compliant. But I hope, they will be very soon.
Reference 2: 0.17% coverage
Government agencies are not contributing to the SMEs to be VAT compliant that much. But hopefully, they will.
Reference 3: 0.19% coverage
Agency-based help is not being rendered to the SMEs but I think such agencies will be helping SMEs to be VAT compliant.
Reference 4: 0.16% coverage
Though it is not happening, I think it should be. Agencies should come up to help SMEs to be VAT compliant.
Reference 5: 0.25% coverage
No, but agencies should show more friendliness to SMEs in my opinion. That would create a great bonding between them also both parties will get benefitted.
Reference 6: 0.23% coverage
I think government agencies are not yet ready to make the SMEs compliant enough. Soon, they will be taking necessary steps to make them compliant.
Reference 7: 0.02% coverage

Yes, I think so.
Reference 8: 0.07% coverage
Yes, they regulate us heavily with penalties.
Reference 9: 0.19% coverage
I believe government should provide more opportunities to register and pay VAT instead of imposing burden of penalties.
Reference 10: 0.28% coverage
I think government is imposing penalties on the businesses to be a VAT compliant. For example, AED 20000 penalties incurred if an eligible business does not register for VAT.

SMEs need more supports and services from the government

Files\\Interview Transcripts Stakeholders
10 references coded, 2.96% coverage
Reference 1: 0.35% coverage
Though SMEs are already getting so many non-monetary helps form government, like improved infrastructure, advisory; they hope to get more from the government. Monetary help in some case can help them from collapsing.
Reference 2: 0.37% coverage
Though SMEs are getting non- monetary supports like, counselling, better infrastructure, better environment; sometimes they can be financial in trouble. At that moment, some financial help can turn out great from government.
Reference 3: 0.50% coverage
Services like furnished infrastructure, increased business sufficiency, consultancy and counselling opportunities are already being provided but sometimes SMEs might be in need of monetary help. So, I think it will be great if the government can provide some monetary help to the SMEs who are really in need of.
Reference 4: 0.34% coverage
I think, yes. Though government is providing so many non-monetary helps as I mentioned earlier, it cannot be helpful when they are in need of money. So, the government should plan some practical monetary help I guess.
Reference 5: 0.36% coverage
Government is already providing so many helps like advising in critical situations, making a better workplace, improving the infrastructure and many more. So, I think, SMEs need more supports and services from the government.
Reference 6: 0.39% coverage
SMEs are already taking a bunch of non-monetary support from the government like improved infrastructure, increased business sufficiency, advisory opportunities and many more which in turn are already a big support for the SMEs themselves.
Reference 7: 0.19% coverage
Definitely, I think government should provide more supports and services to the SMEs so that they can grow their business.
Reference 8: 0.11% coverage
Of course, SMEs require more supports and services from government.
Reference 9: 0.14% coverage
I certainly think SMEs need more supports and services in order to grow their business.
Reference 10: 0.21% coverage
I think support and services provide by the government agencies are not adequate. More support and services needed to be compliant.

Recommendations

Creating Friendly Environment

Files\\Interview Transcripts Stakeholders
4 references coded, 0.81% coverage
Reference 1: 0.13% coverage
They need to introduce a friendly environment where the SMEs are keen to pay VAT.
Reference 2: 0.28% coverage
the UAE government to create such an ecofriendly environment for paying VAT so that the SMEs can get used to pay VAT. Government must show the direct effects of paying VAT to SMEs.
Reference 3: 0.16% coverage
I think the most important thing here is to create an understanding relationship between both of them.
Reference 4: 0.24% coverage
to create a good relationship between SMEs and the UAE government so that SMEs feel interested in the VAT issue rather than considering it as a burden.

Creating More Advisor Firms

Files\\Interview Transcripts Stakeholders
2 references coded, 0.29% coverage
Reference 1: 0.15% coverage
More advisory firms should be formed to provide any help regarding this VAT-related issue.
Reference 2: 0.14% coverage
Consultancy regarded to VAT must be provided to the SMEs to take best decisions about this.

Creating Positive Impression

Files\\Interview Transcripts Stakeholders
3 references coded, 0.42% coverage
Reference 1: 0.17% coverage
A positive impression of paying VAT should be introduced so that the SMEs get more interested in paying VAT.
Reference 2: 0.13% coverage
Government needs to make sure the SMEs are accepting the VAT system positively.
Reference 3: 0.12% coverage
government needs to make sure the SMEs are taking the VAT system positively.

Ease of Accessing the Fund

Files\\Interview Transcripts Stakeholders
3 references coded, 0.18% coverage
Reference 1: 0.04% coverage
Ease of accessing the fund
Reference 2: 0.08% coverage
Government should provide more funding to grow SMEs

Reference 3: 0.05% coverage
Ease of funding to grow business

Educate Entrepreneur

Files\\Interview Transcripts Stakeholders
6 references coded, 0.97% coverage
Reference 1: 0.18% coverage
Besides, government needs to make the SMEs realize the contribution of the SMEs in the economy and in rise of GDP.
Reference 2: 0.10% coverage
The related market must be given the right education about this.
Reference 3: 0.26% coverage
The VAT education must be spread among all of the related parties, the advantages of paying VAT should be highlighted so that they get the enthusiasm of paying VAT.
Reference 4: 0.07% coverage
The VAT education is also very important.
Reference 5: 0.31% coverage
government can take steps on educating the market as well through which the SMEs can earn more than before so that they will not bother paying 5 percent of VAT against the total sold goods and services.
Reference 6: 0.05% coverage
Provide training and development

Rewarding Small Enterprise

Files\\Interview Transcripts Stakeholders
1 reference coded, 0.08% coverage
Reference 1: 0.08% coverage
Providing incentives for the VAT administration

Providing Detailed Information Regarding the Use of Revenue from VAT

Files\\Interview Transcripts Stakeholders
5 references coded, 1.03% coverage
Reference 1: 0.26% coverage
Each related party who contributes to the VAT deserves to know where their money is being invested to. So, the government should create such opportunity for SMEs.
Reference 2: 0.18% coverage
Besides, government needs to make the SMEs realize the contribution of the SMEs in the economy and in rise of GDP.
Reference 3: 0.10% coverage
Their contribution in the economy should be reported to them.
Reference 4: 0.22% coverage
SMEs must be shown how their money is helping the economy to stand out globally. This will also inspire other classes of the society to pay VAT.
Reference 5: 0.27% coverage
government needs to make the SMEs realize that they are creating huge contribution to the economy of UAE government which in turn will strengthen the GDP of UAE in a whole.

Providing System for Day to Day Account Management

Files\\Interview Transcripts Stakeholders
2 references coded, 0.16% coverage
Reference 1: 0.08% coverage
Providing system for day to day account management
Reference 2: 0.08% coverage
Providing day to day account management system

Reducing Burden of Penalties

Files\\Interview Transcripts Stakeholders
3 references coded, 0.29% coverage
Reference 1: 0.03% coverage
Reducing penalties
Reference 2: 0.11% coverage
Give opportunities and reminders instead of imposing penalties.
Reference 3: 0.15% coverage
government should take out the penalty option and provide with more opportunities to pay TAX.

Appendix 15: Data Analysis-Pilot Study

Data Analysis (Pilot Study)

15.0 Introduction

The aim of this chapter is to provide a detailed data analysis which has been derived from primary research of this study. The chapter presents the data derived from a pilot study and consists of three different parts. Part 1 provides analysis of the qualitative data received from the policymakers of the Ministry of Finance (MoF) and the Federal Tax Authority (FTA) of the UAE; Part 2 offers analysis of the qualitative data received from the stakeholders of SMEs in the UAE; and Part 3 gives a detailed analysis for the quantitative data received from the SMEs in the UAE.

Pilot study was conducted on 1 of the policymakers of MoF and FTA, 1 of the stakeholders of SMEs in the UAE, and 50 SMEs of 475 registered SMEs in the UAE.

A detailed data analysis is in the following:

15.1 Part A: Qualitative Data Analysis: Policymaker of MoF and FTA

The aim of the interview with policymaker is to achieve objective two, to evaluate the current fiscal policies and implication of VAT and its impact on the SMEs, of the research study. Throughout the semi-structured interview, this study tried to understand the fiscal policies and impaction of VAT and its impacts on the SMEs from policymakers' viewpoints where policymakers' knowledge and their personal experiences with the introduction of the VAT in the UAE have been taken into consideration. The topic guide comprises of ten following themes.

Theme 1: Demographics;

Theme 2: History of Ministry of Finance and the Federal Tax Authority

Theme 3: History of Taxation in the UAE

Theme 4: VAT Impacts on SMEs' Culture

Theme 5: VAT Impacts on the Structure of the SMEs

Theme 6: Impact on the Accountability and Management System

Theme 7: Impact on SMEs' Daily Activities

Theme 8: Impact on VAT Process, Efficiencies and Daily Business and Work

Theme 9: VAT Impacts of Profitability of the SMEs

Theme 10: Suggestions

Because the pilot study carried out on only qualitative interview, qualitative data has not been analysed by the use of QSR NVivo at this study. Following is the data analysis conducted under each theme.

15.1.1 Demographic of the interviewee

It has been revealed from the interview that participant interviewee was employed in the department of Strategy and Future of the Federation Taxation Authority of the Ministry of Finance in the UAE. The interviewee held a "Deputy Director' position. The interviewee was approximately "51 years old". The highest qualification of the interviewee was "a PhD in strategic finance from a renowned UK university." Regarding the experience, interviewee had approximately 5 years of experiences in Deputy Director position and more than 15 years of experience in the MoF. However, the interviewee nearly 25 years of experience in the financial sector in various public and private orgnisation.

Considering the above, it can be said that the interview has enough knowledge and experiences in financial sector especially in the FTA of MoF of the UAE.

15.1.2 History of Ministry of Finance (MoF) and the Federal Taxation Authority (FTA)

Brief History of MoF : According to participant interviewee, "the Cabinet of the United Arab Emirates is the main executive body of UAE. It is more commonly known as the Council of Ministers. The first cabinet was established in the year of 1971. The reshuffle which was made last took place on October 20, 2017. The first one took place in 2013. His Highness Hamdan Bin Rashid is in the position of running this ministry."

Brief History of FTA: It has been revealed from the qualitative data that "Federal Taxation Authority was established in accordance with the Federal Law by Decree. The headquarter of FTA is located in Abu Dhabi. It is run by a board of directors who work in the Ministry of Finance. The main task of this authority is to manage and collect taxes.

The strategy, mission and vision of the MOF: As per the policymaker, the strategy, mission and vision of the MOF are as follows:

"The strategic plan of the Ministry of Finance is a five-year plan starting from 2017 to 2021 where the ministry determines to utilize its potential and perform its tasks in accordance with the international practices. The mission of the ministry is to manage the financial resources in an efficient and proactive manner through effective fiscal policies. The vision of the ministry is to lead globally in the fiscal sector and achieve the vision of the UAE."

Core Duties and Responsibilities of the MoF and the FTA: It has been revealed form the interview that the core duties and responsibilities of the Ministry of Finance are "1) Promoting the federal government's fiscal planning and maintaining its sustainability. 2) Improving budget efficiency.

3) Promoting the opportunities of investment." In addition to the above, the interviewee confirmed that the core duties and responsibilities of the FTA as "1) Rendering service of high quality. 2) Improving services maintaining international standards. 3) Increasing the amount of tax revenue."

15.1.3 History of Taxation in the UAE

The history of Taxation in the UAE: According to the policymaker interviewee, **"**the federal government in UAE does not impose any tax on the income of an individual or the wealth of a company. It imposes tax only on foreign banks and corporate oil companies. This is the old system. But in 2017 and 2018, excise tax and VAT have been introduced in the taxation system respectively. In this new system, tax is imposed on consumer items that are non-essential."

Reasons for Imposing VAT on the Consumers and the SMEs**:** The interviewee stated the reason for VAT adoption in the UAE as "Government wanted to increase and diversify its revenue due to low oil price and sustain the situation of its economy." The participant further added, "VAT is imposed on non-essential consumer items only. This is to make sure that the consumers feel less encouraged to buy imported foreign items. And in case of the SMEs, VAT will make sure that the entrepreneurs keep accurate records of their business. Thus, VAT will create more government accountability and revenue."

Current Provision of VAT Rate**:** According to participant policymaker, "the current VAT rate is 5%." The policymaker further provided with the rationale to impose low rate VAT as "it is

low because it is completely a new system and people time to adjust with the system. Imposing a higher rate might not work well." Besides, the interviewee added that "Increasing the rate in the future depends on the economy, inflation rate, international business, infrastructure of the country."

Managing VAT expectations/understanding: It has found from the qualitative data that "the expectations were quite in favor of the Government from individual and SMEs perspectives." To meet the expectation, the policymaker interviewee confirmed that "we created awareness about VAT adoption, provided tools to submit VAT, as well as provided necessary training to the agents and SMEs so that they can run the system and submit VAT efficiently." Regarding the performance, it is revealed from the interviewee that "by looking at the performance of our first year, it went very smoothly in the UAE."

***Who was involved in the VAT policy and implementation process?*:** It has revealed from the qualitative interview that "the Ministry of Finance was involved in this regard."

Regional agreement to impose a VAT in the UAE: From qualitative interview it has found out that ". There is a regional agreement influenced by the Treaty called for the Gulf states in VAT adoption in the country. A decision for the Unified VAT Agreement for the Cooperation Council for the Arab States of the Gulf was taken at its 36th meeting help in Riyadh in between 9 and 10 December 2015 in regards to the uniform imposition by the GCC States of VAT at a rate of 5%."

The regional entities collaborate in the VAT implementation: Respondent interviewee stated that "The decision by GCC states also taken delegating to the Financial and Economic Cooperation Committee for Council States the completion of all the requirements necessary to pass the agreement."

Changes were made in the law and in the Ministry of Finance to accommodate taxation policy: According to Policymaker interviewee, "To adjust with the regional agreement, Ministry of Finance of the United Arab Emirates formulated a law called Federal Decree-Law No. (8) of 2017 on Value Added Tax." The interviewee further added that "the law has 85 articles define various terms and conditions as well as effective date of the Decree-Law and its Application as of 1st January 2018."

The major challenges of implementation the VAT in the UAE: It is found from the interview that "The main challenge was the transitional challenge. People and businessmen were not used to this system. VAT would increase prices of goods. Living cost would become higher."

How the challenges were overcome: As per policymaker interviewee, "to overcome these (challenges), a low rate of 5% was imposed so that it was hardly noticeable. The authority worked efficiently to manage everything which made the first year for the UAE smooth."

15.1.4 VAT Impacts on SMEs' Culture

SMEs culture receptive to the VAT: It has found from the qualitative interview that "At first it was not perceived positively but later on, the SMEs culture became receptive to the VAT."

Institutionalising VAT: The policymaker interviewee confirmed that "The MoF and the FTA worked together and took steps to make VAT adaptable for the SMEs including making new laws, providing technology and other services. Tax agency can help and advice SMEs regarding VAT."

Recognising any professional bodies or agencies in the country who can help and advice SMEs regarding VAT: According to interviewee, "Tax agency and some recognized professional bodies can help and advice SMEs regarding VAT."

Belief on VAT:

The role of VAT in the SMEs overall: As per policymaker interviewee, "VAT changes the business structure, increases cost, and strictly requires accountancy. But on the other hand, it increases government revenues; strengthen the economy and increases business efficiency."

Overall assessment of VAT in SMEs: The participant interviewee stated that "I see this as a positive thing because in the long run, VAT makes SMEs more efficient, increases government income, strengthens the economy and all these make the lifestyle of the people in the country way better than before."

15.1.5 VAT Impacts on the Structure of the SMEs

Effects of VAT on the SMEs structure: From qualitative interview analysis it has been found out that "all of the SMEs will not be affected by the VAT implementation. The SMEs should register for VAT if its taxable supplies and imports exceed AED 375,00 per tax year. However, any businesses whose supplies and imports exceed AED 187, 500 per tax year. "

Relationships between MoF, FTA and SMEs: According to the policymaker interviewee, "the most visible change among MoF, FTA and SMEs is that they are now more connected as they have to work together for the VAT system. There is a huge chance that this will make a positive effect on the economy in the long run."

15.1.6 Impact on the Accountability and Management System

Ensuring VAT management including VAT registration to annual return and VAT refund: From the qualitative data analysis, it is found out that "Federal Taxation Authority and Ministry of Finance work together to ensure those. With all the necessary initiatives taken, they can manage everything so that the process goes well."

Ease of the VAT management system for SMEs: According to policymaker interviewee, "currently the VAT management system is providing SMEs with enough help and in future, hopefully it will develop even more."

Mechanisms that are followed to make SMEs more accountable to pay tax: It is revealed from the interviewee that some of the mechanisms are "checking on them once in a while is what works well in this case. Plus, as the ministry is providing facilities, it helps the ministry get the track of their activities which ensures the accountability of the SMEs."

The VAT system is used to assess the performance of SMEs: As per qualitative interview, "VAT system is used to ensure the transparency of a business which helps to assess the performance of SMEs."

Use of VAT system for internal affairs: The policymaker interviewee confirmed that "yes, it is used for internal affairs. If any discrepancy is noticed in the internal activities, then the records shown in the VAT report are matched with other records to rectify that."

Communication channels in place to communicate with SMEs: According to interviewee, "online communication channels are mostly used in that case although offline ones are not out of consideration."

15.1.7 Impacts on SMEs' Daily Activities

***Facilitating support and services to take care of VAT*:** From the participant interviewee it has found out that "yes, we provide support and services including online platform to manage day-to-day financial activities. The activities include invoicing, credit control to take care of VAT."

Effect of support and services on the SMEs' approach to submit VAT: It has found out from qualitative interview that "it's doing good. It helps the SMEs to go along with the process of VAT submission easily."

15.1.8 Impact on VAT Process, Efficiencies and Daily Business and Work

Effects of VAT Administration System: It has found out from qualitative interview that "The VAT administrative system is affecting positively to make the VAT activities easier. In offline activities it is a lengthy process and in online, it needs to be more digitalised. The administration will work on both to make things better."

Satisfaction on the level of response from SMEs: As per the interviewee, "yes. It has been just one year. Comparing to this short period, the response we received is quite satisfactory."

Updating the Systems: From the qualitative data analysis, it has revealed that "Everything about the system is still new here. So yes, improvement is needed and hopefully it will be perfected eventually with the passage of time."

15.1.9 VAT impacts of Profitability of the SMEs

Impacts on Profitability of the SMEs: According to interviewee, "there are administrative costs associated with the SMEs to be VAT compliant. This may impact the profitability of the SMEs."

Measures in Place to Limit the Impacts: From the qualitative interview, "my department is currently working on it. Our plan is to make the VAT system into a simplified system which will help the SMEs to decrease their compliance costs."

15.1.10 Suggestions

Suggestions for MoF and FTA: According to Policymaker interviewee, "the MoF and FTA can lower the rate particularly for SMEs. It is already low enough, but it can make people discouraged to make a small start-up business. Also, providing them with financial support can work well too."

Suggestions for SMEs: From the qualitative data analysis, it has found out that "they (SMEs) can train their stuff, improve their accounting process, and develop their VAT collecting system to become more VAT compliant."

15.2 Part 2: Qualitative Data Analysis: Stakeholders of SMEs in the UAE

The aim of this semi-structured interview with stakeholders of SMEs in the UAE is to achieve objective three, to document the concerns of different stakeholders of SMEs associated with the introduction of VAT in the UAE, of this research study. Seven different themes comprise of the topic guide questions and they are in the following.

Theme 1: Demographics

Theme 2: Understanding taxation policy, VAT in the UAE

Theme 3: Factors impacting the adoption of VAT in the UAE

Theme 4: Rationale for imposing VAT on the SMEs in the UAE

Theme 5: VAT impacts on SMEs

Theme 6: Support and services provided by the UAE government

Theme 7: Recommendations

Because of only interview carried out by this pilot study, the qualitative data has been analysed manually at this stage. A qualitative data analysis software called NVivo will be used in the final stage of the study. A detailed analysis is in the following.

15.2.1 Demographics

Your Gender □ Male	Your Age Range □ 41-50	As stakeholders of SMEs in the UAE, can you provide your identity □ Shareholders
Your Residency in the UAE □ Emirati	Are you knowledgeable about VAT? □ Yes	Have you researched VAT issues that could impact SMEs in the UAE? □ Yes

15.2.2 Understanding taxation policy, VAT in the UAE

Awareness: From the qualitative analysis, interviewee stated that "I am very much aware of the fact of introduction of the VAT in the UAE. VAT was introduced in the UAE on 1st January 2018."

Current provision of the VAT rate in the UAE: It has been revealed from the qualitative interview that "The VAT rate is currently 5 percent which would be utilized in the public services of UAE ensuring high quality."

Exception in the VAT registration and payment: It is found out from the qualitative interview that "There are many exceptions in the VAT registration and payment that can be availed of. Real estate is one of them. Some of the exceptions are A business must register for VAT if its taxable supplies and imports exceed AED 375,000 per annum." The interviewee further added that "It is optional for businesses whose supplies and imports exceed AED 187,500 per annum."

15.2.3 Factors impacting the adoption of VAT in the UAE

Globalisation: According to stakeholder, "In order for globalization, other countries are getting significant amount of VAT. Somehow, that motivated UAE as well to introduce the VAT system as a peer country fact. No countries want to lag behind the race."

Political: It is found out from stakeholder's interview that "there's nothing political about introducing VAT system in the UAE economy to my point of view."

Financial: From the qualitative interview analysis, the financial factor influences in VAT adoption in the UAE. According to interviewee, "Financial factors attribute much towards embracing the VAT system in the UAE.UAE used to be dependent on its oil-generated revenue for which it could be vulnerable for a country in the long run. That's why they have decided to invest more on the economy by introducing VAT. To add to that, fiscal deficits was one the reasons when UAE thought of levying VAT on the goods and services."

15.2.4 Rationale for imposing VAT on the SMEs in the UAE

Reasons for the UAE government to impose 5% VAT in the UAE: According to the participant stakeholder, "the main reason for the government to impose 5% VAT in the Emirates is to increase the revenue which they were losing for last few years. Through this

revenue, government plans to offer various types of public services like medical facilities, better transportation, better infrastructure, public schools, parks, waste control and many more to get economically more sustainable."

Supporting or Opposing the VAT on SMEs in the UAE: It has been found out from the qualitative data analysis that the stakeholder opposes the VAT on SMEs in the UAE. As per the stakeholder, "Seemingly it seems to be opposing to the VAT introduction on SMEs in the UAE. But in a way this is more effective on the long run."

The reason for opposing the VAT: According to stakeholder, "If VAT is proposed on the SMEs, chances are these small and medium enterprises will face more patronization from the government. The businesses will have more flourished infrastructure. The VAT implementation will create more advisory firms on VAT which in turn would make revenue and contribute to the total economy of UAE. Cherry on the top, businesses will try to exercise streamlining by running the business more efficiently."

Justification of 5% VAT: Too less or too much: It has found from the qualitative interview that "The total GDP of UAE in 2018 was 414,179M$ which was a growth rate of 1.4% compared to the last year. Not only that, GDP per capita is $43,005 which is an increase of 6.6% from the last year. Considering all the numbers, I think 5% VAT for now is totally justified. Probably government could have increased the VAT upfront, but for now, 5% VAT is neither too less nor too much. This is in an equilibrium point to my point of view."

15.2.5 VAT impacts on SMEs

Extent that VAT impact SMEs: From the qualitative interview analysis, it has found that stakeholder think there is a financial impact on the business. According to stakeholder interviewee, "the impact depends on the proportion of the consumption in the economy of UAE. The main impact would be financial impact to the businesses. Businesses of which values exceed AED 375,000 need to pay VAT against them. Although there are some non-monetary impacts, those are very subtle."

Direct impact of VAT on SMEs: According to stakeholder interview, "the SMEs will be losing some money. Apparently, this seems to the direct impact of the 5% imposing VAT. On the other flip of the coin, this is also seen that the UAE government will also be able to make a lot a contribution to the public services. These two impacts are apparently visible to the eyes of general people of UAE."

Indirect impact of VAT on SMEs: From the qualitative analysis, there are some indirect impact associated in VAT implementation. As per stakeholder, "With introducing the VAT in UAE, despite an influx in cash flow, there would be some strong transparency between the government and the SMEs. The SMEs would get to know where the VAT is being contributed to. Thus, VAT exercise is creating transparency between the business and the government."

The VAT impact SMEs in the UAE unequally: According to stakeholder, "To my point of view, VAT will impact SMEs in the Emirates unequally."

Extent that VAT impact SMEs in the UAE unequally: From the qualitative interview analysis, it has found out form stakeholder that "Emirates like Abu Dhabi and Dubai have higher business transactions that those in Ajman, Sharjah. Hence, the VAT needs to be rechecked according to the Emirates. Emirates with comparatively lower income rate can have access to the lower VAT rate."

The VAT unfairly impact small enterprises: From stakeholder perspective, "to some extent, this is a bit unfair for the small enterprises to confront to the VAT. What government could have done, government could have exempted VAT on the small businesses for at least two years so that they can cope up with the primary financial uncertainty and get ready for paying the VAT."

15.2.6 Support and services provided by the UAE government

Adequate supports and services from the UAE government to grow SMEs along with VAT: According to the participant stakeholder, "UAE government should be much more convenient towards the SMEs. As for the support, UAE government should open adequate consultancy for the well- off of the SMEs in order to cope up with the growing VAT costs and in order to keep pace with the existing counterparts."

Happy with the VAT registration process: From the qualitative interview, it has found out that the stakeholder is quite content about the VAT registration process. According to stakeholder, "I am quite comfortable with the process. All I need to do is open an e-service account first. Then I have to apply for VAT registration. If everything is fair and sound, I will see register for vat in my account. The rest is very clear. I have to put down necessary information on the vat registration from and I am good to go with the VAT."

VAT management system: From the stakeholder viewpoint, "As far my concern, government is not so ready yet to provide a VAT management system to the SMEs. I hope they would soon be ready to provide the SMEs with such services."

Help from government agencies to make SMEs to be compliant: According to stakeholder, "I think government agencies are not yet ready to make the SMEs compliant enough. Soon, they will be taking necessary steps to make them compliant."

SME need any more supports and services from the government: From the qualitative data analysis, it has found that more supports and services from government can improve the business performance. According to stakeholder, "SMEs are already taking a bunch of non-monetary support from the government like improved infrastructure, increased business sufficiency, advisory opportunities and many more which in turn are already a big support for the SMEs themselves."

15.2.7 Recommendations

From qualitative data analysis, there are some suggestions received from the stakeholder. As per stakeholder, "First of all, government needs to make sure the SMEs are taking the VAT system positively. They need to introduce an ecosystem where the SMEs are willing to pay VAT. Moreover, government can take steps on educating the market as well through which the SMEs can earn more than before so that they will not bother paying 5 percent of VAT against the total sold goods and services. At the same time, government needs to make the SMEs realize that they are creating huge contribution to the economy of UAE government which in turn will strengthen the GDP of UAE in a whole."

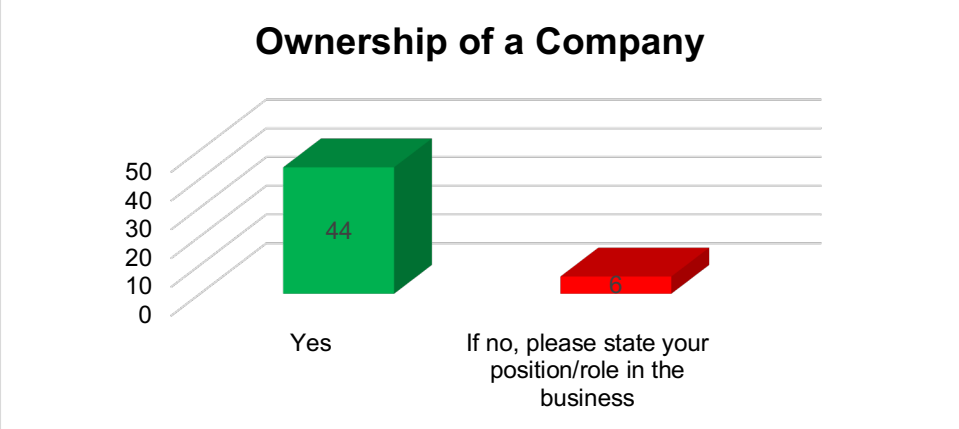
15.3 Part 3: Quantitative Data Analysis: SMEs in the UAE

The aim of the survey is to figure out the Implementation of VAT and Its Impact on SMEs in the UAE. This pilot study helps the trial the survey questionnaire will be used in the main study. There were 50 SMEs participated in this pilot study. Throughout this quantitative data analysis, due to the small number of participants, this study has not carried out chi-square test. With the large number of quantitative data a chi-square test will be conducted to analyse the VAT impact on SMEs and some questionnaire requires chi-square test,

15.3.1 The ownership of the business

Total responses are accumulated to 50. According to the graph (*see* figure 1), there are only two options to choose from whether the respondents are owners of the business or not. Among the participants, 44 respondents confirmed that they are owners of a business whereas six respondents mentioned they hold significant positions in a business (*see* figure 1). However, each of the six respondents' positions is executive director, HR manager, Administrative manager, sales director, director, and accountant.

Figure 15.1: Ownership of a Company



Thus, according to table 1, minimum and maximum value is 1.00 and 2.00 respectively. Mean is 1.12 which suggests that responses are close to the minimum value. Standard deviation is very low which is 0.32 indicating the responses are very close to the mean. Variance is 0.11 which suggests that the responses are not resided very far from the mean value.

Table 15.1: Statistical Analysis of the Ownership of a Company

#	Field	Minimum	Maximum	Mean	Standard Deviation	Variance	Count
1	Please indicate if you are the owner of the business - Selected Choice	1.00	2.00	1.12	0.32	0.11	50

In addition, from table 2, it can confirm that the mean is followed by from table 1 since the response "Yes" has been recorded 88% whereas "No" has been recorded only 12% of all the responses. That also confirms the closeness of standard deviation. Also, the variance has confirmed since most of the responses are recorded in the minimum value of the data set; hence, stay close to the mean value.

Table 15.2: Results of the Ownership of a Company

#	Answer	%	Count
1	Yes	88.00%	44
2	If no, please state your position/role in the business	12.00%	6
	Total	100%	50

Therefore, it can be said that most of the respondents are the owner of different businesses.

15.3.2 Understanding status of participant's company

Total responses are accumulated to 50. According to the graph (*see* figure 3), there are 8 options to choose from.

Thus, according to table 15.3, minimum and maximum value is 1.00 and 8.00 respectively. Mean is 3.32 which suggest that responses are close to the minimum value. Standard deviation is very high which is 1.97 indicating the responses are very scattered from the mean. Variance is 3.90 which suggest that the responses are resided very far from the mean value.

Table 15.3: Statistical Analysis of Participant's Company

#	Field	Minimum	Maximum	Mean	Std Deviation	Variance	Count
1	How would you describe your company status? - Selected Choice	1.00	7.00	3.32	1.97	3.90	50

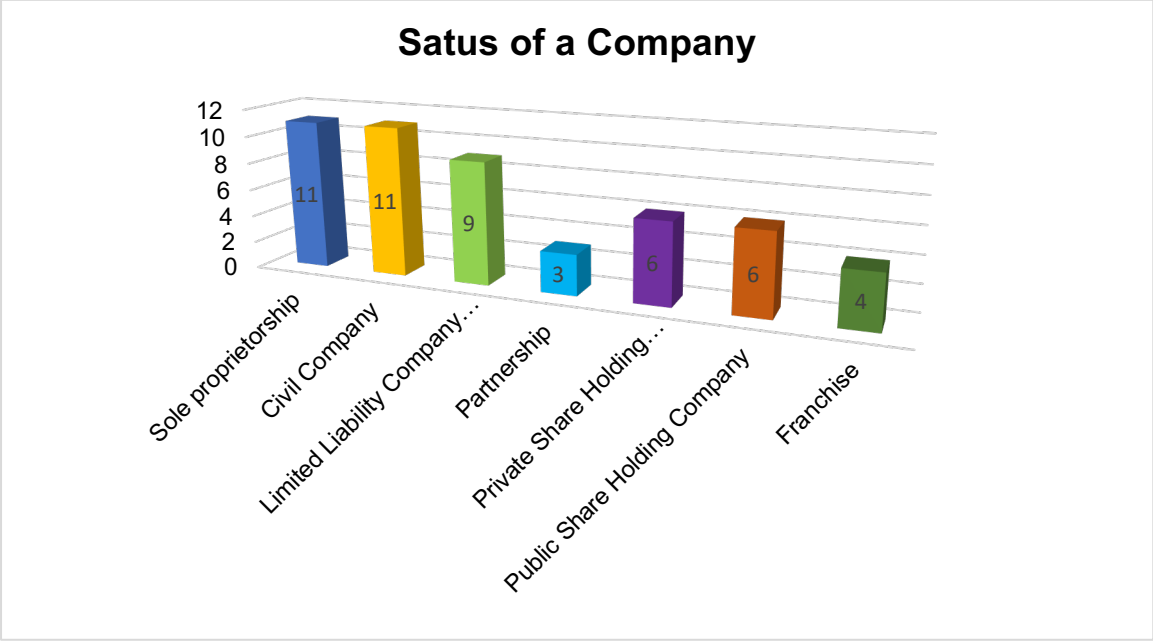
In addition, from table 15.4, it can confirm that the mean is followed by from table 1 since the response "Sole Proprietorship", Civil Company", "Limited Liability Company" altogether 60% of the responses. That ensures the spread out of the standard deviation and the variance, in addition, the variance has confirmed since most of the responses are recorded in the minimum value of the data set; hence, stay close to the mean value.

Table 15.4: Ratio Analysis of the Status of Participant's Company

#	Answer	%	Count
1	Sole proprietorship	22.00%	11
2	Civil Company	22.00%	11
3	Limited Liability Company (LLC)	18.00%	9
4	Partnership	6.00%	3
5	Private Share Holding Company	12.00%	6
6	Public Share Holding Company	12.00%	6
7	Franchise	8.00%	4
8	If other, please specify	0.00%	0
	Total	100%	50

Following figure 15.2, is drawn from the table four, shows that most of the respondents have Sole Proprietorships, Civil Companies and Limited Liability Companies.

Figure 15.2: Status of a Company



15.3.3 Total number of employees in participant's business

Total responses are accumulated to 50. According to the graph (see figure 3), there are 5 options to choose from.

Thus, according to table 15.5, minimum and maximum value is 1.00 and 5.00 respectively. Mean is 2.32 which suggest that responses are close to the minimum value. Standard deviation

is low which is 1.21 indicating the responses are not very scattered from the mean. Variance is 1.46 which suggests that the responses are resided close to the mean value.

Table 15.5: Statistical Analysis of Total number of employees in participant's business

#	Field	Minimum	Maximum	Mean	Std Deviation	Variance	Count
1	How many employees in total does the business employ?	1.00	5.00	2.32	1.21	1.46	50

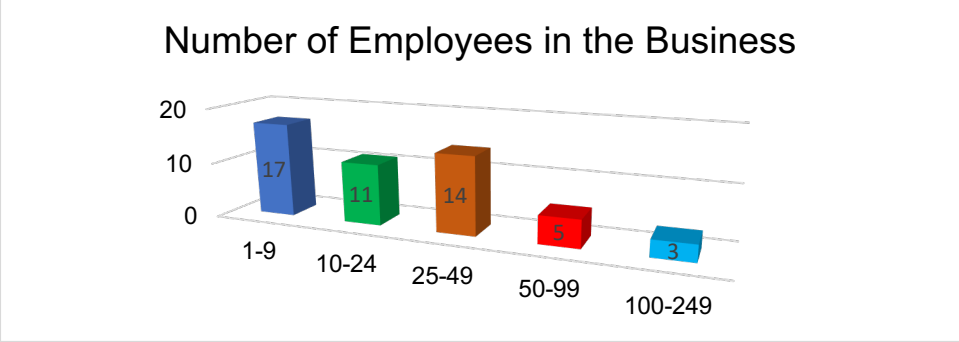
In addition, from table 15.6, it can confirm that the mean is followed by from table 1 since the response "1-9", "10-24", "25-49" altogether 84% of the responses. That ensures the spread out of the standard deviation and the variance, in addition, resides far from the mean value due to other 16% of all the responses.

Table 15.6: Ratio analysis of total number of employees in participant's business

#	Answer	%	Count
1	1-9	34.00%	17
2	10-24	22.00%	11
3	25-49	28.00%	14
4	50-99	10.00%	5
5	100-249	6.00%	3
	Total	100%	50

Therefore, it can be said that most of the respondents have total employability in between 1-49.

Figure 15.3: Number of Employees in a Business



15.3.4 Participant Business Location

Total responses are accumulated to 50. According to the graph (*see* figure 4), there are 7 options to choose from.

Thus, according to table 15.7, minimum and maximum value is 1.00 and 7.00 respectively. Mean is 3.00 which suggest that responses are close to the minimum value. Standard deviation is a bit high which is 1.78 indicating the responses are scattered from the mean. Variance is 3.16 which suggest that the responses are not very close to the mean value.

Table 15.7: Statistical Analysis of Participants' Business Locations

#	Field	Minimum	Maximum	Mean	Std Deviation	Variance	Count
1	What is the location of your business?	1.00	7.00	3.00	1.78	3.16	50

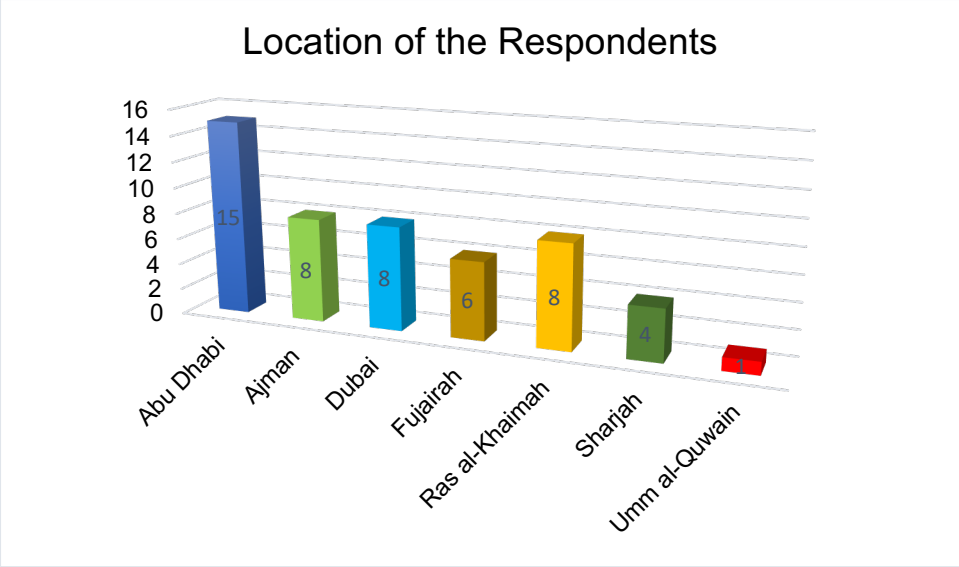
In addition, from table 15.8, it can confirm that the mean is followed by from table 1 since the response "Abu Dhabi", "Ajman", "Dubai" altogether 62% of the responses. That ensures the spread out of the standard deviation and the variance, in addition, resides far from the mean value due to other 38% of all the responses.

Table 15.8: Ratio Analysis of Participants' Business Locations

#	Answer	%	Count
1	Abu Dhabi	30.00%	15
2	Ajman	16.00%	8
3	Dubai	16.00%	8
4	Fujairah	12.00%	6
5	Ras al-Khaimah	16.00%	8
6	Sharjah	8.00%	4
7	Umm al-Quwain	2.00%	1
	Total	100%	50

Therefore, it can be said that most of the locations of the businesses of all the respondents are mainly located in Abu Dhabi, Ajman and Dubai.

Figure 15.4: Respondents Location



15.3.5 Business Sector

Total responses are accumulated to 50. According to the graph, there are 9 options to choose from.

Thus, according to table 15.9, minimum and maximum value is 1.00 and 9.00 respectively. Mean is 3.78 which suggest that responses are close to the minimum value. Standard deviation is a bit high which is 2.30 indicating the responses are scattered from the mean. Variance is 5.29 which suggest that the responses are very far from the mean value.

Table 15.9: Statistical Analysis of Business Sector

#	Field	Minimum	Maximum	Mean	Std Deviation	Variance	Count
1	What business sector do you operate in? - Selected Choice	1.00	9.00	3.78	2.30	5.29	50

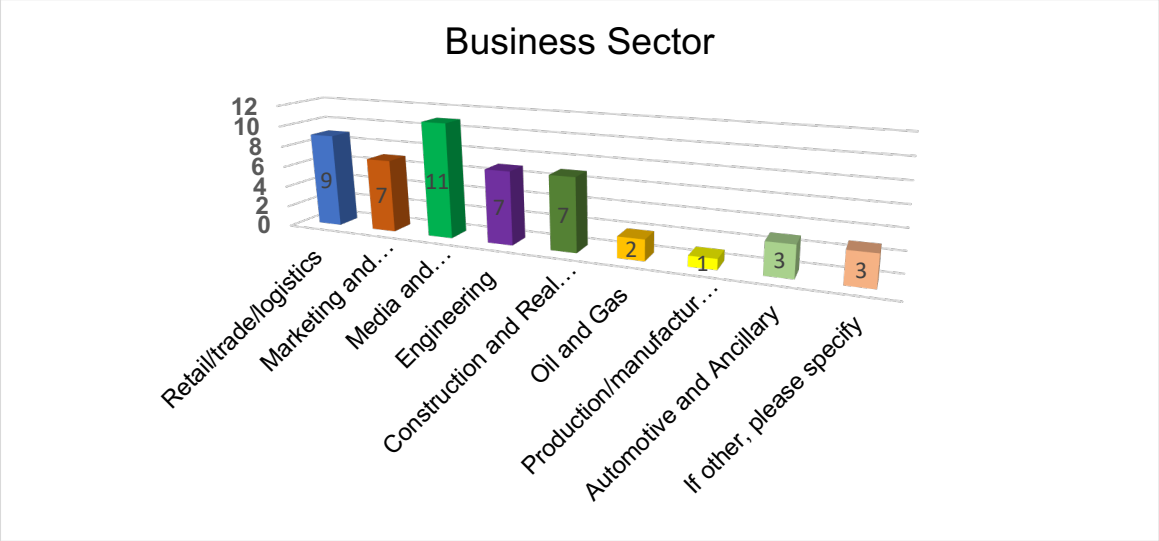
In addition, from table 15.10, it can confirm that the mean is followed by from table 1 since the response "Retail/trade/logistics", "Marketing and Advertising", "Media and Entertainment" altogether 54% of the responses. That ensures the spread out of the standard deviation and the variance, in addition, resides far from the mean value due to other 46% of all the responses.

Table 15.10: Ratio Analysis of Business Sector

#	Answer	%	Count
1	Retail/trade/logistics	18.00%	9
2	Marketing and Advertising	14.00%	7
3	Media and Entertainment	22.00%	11
4	Engineering	14.00%	7
5	Construction and Real Estate	14.00%	7
6	Oil and Gas	4.00%	2
7	Production/manufacturing	2.00%	1
8	Automotive and Ancillary	6.00%	3
9	If other, please specify	6.00%	3
	Total	100%	50

Therefore, it can be said that most of the respondents have businesses which are based on Retail/trade/logistics, Marketing and Advertising, and Media and Entertainment.

Figure 15.5: Business Sector



15.3.6 Can you please inform me the approximate turnover of your business in the past 12 months?

Total responses are accumulated to 50. According to the graph, there are 3 options to choose from.

Thus, according to table 15.11, minimum and maximum value is 1.00 and 3.00 respectively. Mean is 1.22 which suggests that responses are close to the minimum value. Standard deviation

is very low which is 0.50 indicating the responses are close to the mean. Variance is 0.25 which suggests that the responses are very close to the mean value.

Table 15.11: Statistical Analysis of Business Turnover in the Past 12 Months

#	Field	Minimum	Maximum	Mean	Std Deviation	Variance	Count
1	Can you please inform me the approximate turnover of your business in the past 12 months? - Selected Choice	1.00	3.00	1.22	0.50	0.25	50

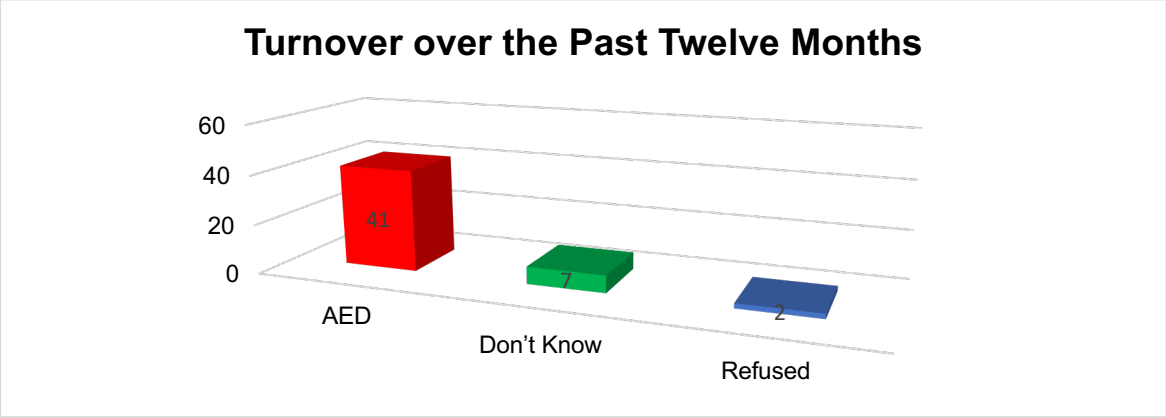
In addition, from table 15.12, it can confirm that the mean is followed by from table 1 since the response "AED" possesses 82% of the responses. That ensures the closeness of the standard deviation and the variance, in addition, resides close to the mean value since only 18% of all the responses are left with which is rarely significant.

Table 15.12: Ratio Analysis of Business Turnover in the Past 12 Months

#	Answer	%	Count
1	AED	82.00%	41
2	Don't Know	14.00%	7
3	Refused	4.00%	2
	Total	100%	50

Therefore, most of the respondents have said that their approximate turnover is AED.

Figure 15.6: Business Turnover in the Past 12 Months



15.3.7 Years of Business Operation

Total responses are accumulated to 50. According to the graph, there are 9 options to choose from.

Thus, according to table 15.13, minimum and maximum value is 1.00 and 9.00 respectively. Mean is 3.64 which suggest that responses are close to the minimum value. Standard deviation is low which is 1.95 indicating the responses are close to the mean. Variance is 3.79 which suggest that the responses are not very far from the mean value.

Table 15.13: Statistical Analysis of Years of Business Operation

#	Field	Minimum	Maximum	Mean	Std Deviation	Variance	Count
1	How many years has the business been in operation?	1.00	9.00	3.64	1.95	3.79	50

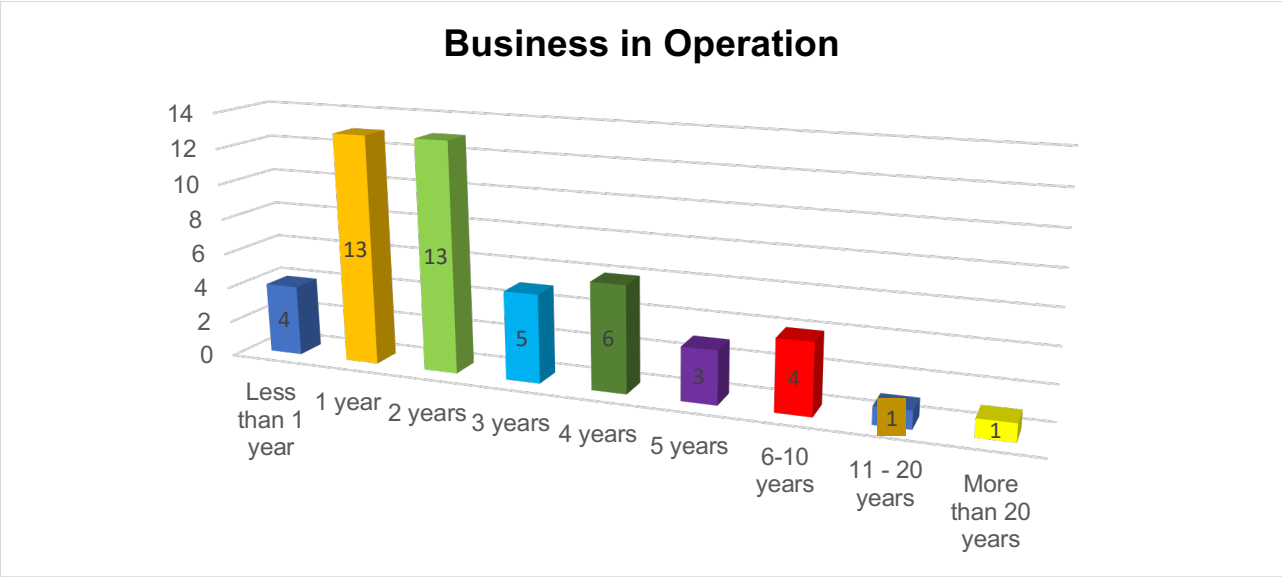
In addition, from table 15.14, it can confirm that the mean is followed by from table 1 since the response “Less than one year”, “1 year”, 2 years” altogether 60% of the responses. That ensures the spread out of the standard deviation and the variance, in addition, resides far from the mean value due to other 40% of all the responses.

Table 15.14: Ratio Analysis of Years of Business Operation

#	Answer	%	Count
1	Less than one year	8.00%	4
2	1 year	26.00%	13
3	2 years	26.00%	13
4	3 years	10.00%	5
5	4 years	12.00%	6
6	5 years	6.00%	3
7	6-10 years	8.00%	4
8	11 - 20 years	2.00%	1
9	More than 20 years	2.00%	1
	Total	100%	50

Therefore, it can be said that most of the respondents have their businesses which are not more than 2 years old.

Figure 15.7: Length of Business Operation



15.3.8 The biggest obstacle to the success of business

Total responses are accumulated to 50. According to the graph, there are 16 options to choose from.

Thus, according to table 15.15, minimum and maximum value is 1.00 and 16.00 respectively. Mean is 4.98 which suggest that responses are close to the minimum value. Standard deviation is 3.79 indicating the responses are scattered around the mean value. Variance is 14.38 which suggest that the responses reside far from the mean value.

Table 15.15: Statistical Analysis of Challenges to the Success of Business

#	Field	Minimum	Maximum	Mean	Std Deviation	Variance	Count
1	From the following list of issues, which represents the biggest obstacle to the success of your business? - Selected Choice	1.00	15.00	4.98	3.79	14.38	50

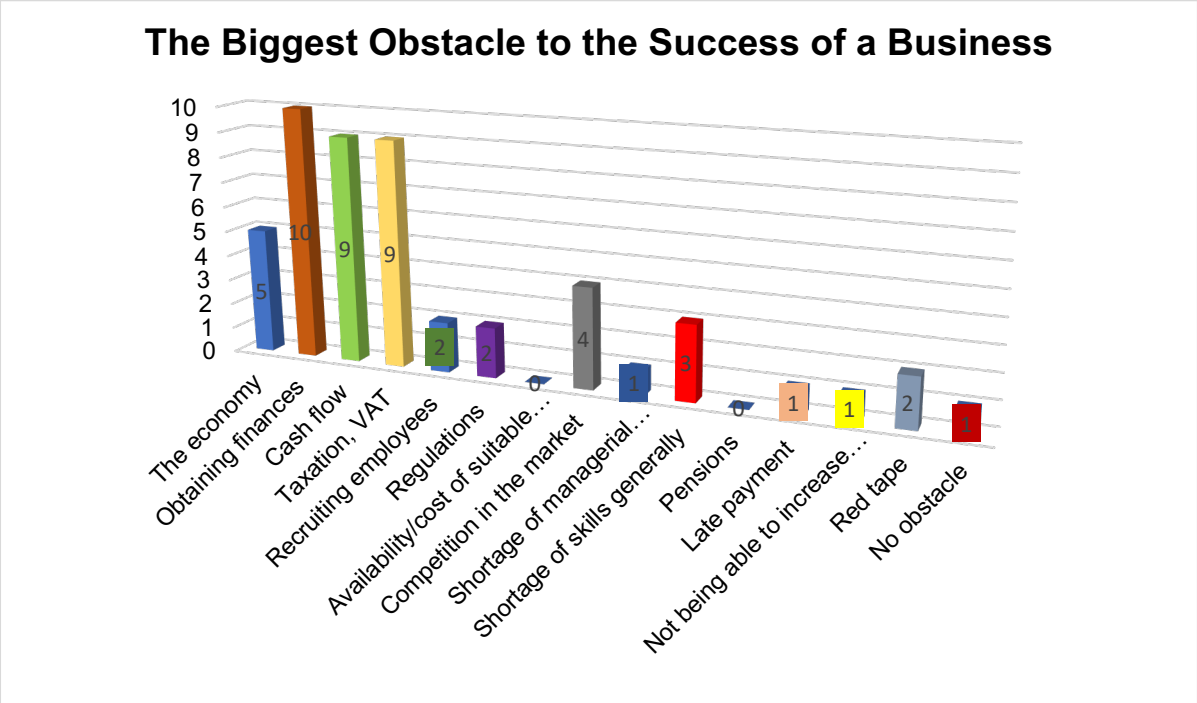
In addition, from table 15.16, it can confirm that the mean is followed by from table 1 since the response “The economy”, “Obtaining finances”, and “Cash flow” altogether 48% of the responses. That ensures the spread out of the standard deviation and the variance, in addition, resides far from the mean value due to other 52% of all the responses.

Table 15.16: Ratio Analysis of Challenges to the Success of Business

#	Answer	%	Count
1	The economy	10.00%	5
2	Obtaining finances	20.00%	10
3	Cash flow	18.00%	9
4	Taxation, VAT	18.00%	9
5	Recruiting employees	4.00%	2
6	Regulations	4.00%	2
7	Availability/cost of suitable premises	0.00%	0
8	Competition in the market	8.00%	4
9	Shortage of managerial skills/expertise	2.00%	1
10	Shortage of skills generally	6.00%	3
11	Pensions	0.00%	0
12	Late payment	2.00%	1
13	Not being able to increase prices/fees	2.00%	1
14	Red tape	4.00%	2
15	No obstacle	2.00%	1
16	Any other obstacle, please specify	0.00%	0
	Total	100%	50

Therefore, it can be said that most of the respondents have understood their obstacles which are related to the economy, obtaining the resources and the cash flow.

Table 15.17: The Challenges to the Success of a Business



15.3.9 Are you aware of the implementation 5% of VAT in the UAE?

Total responses are accumulated to 50. According to the graph, there are 2 options to choose from.

Thus, according to table 15.18, minimum and maximum value is 1.00 and 2.00 respectively. Mean is 1.16 which suggests that responses are close to the minimum value. Standard deviation is 0.37 indicating the responses are close to the mean value. Variance is 0.13 which suggests that the responses reside close to the mean value.

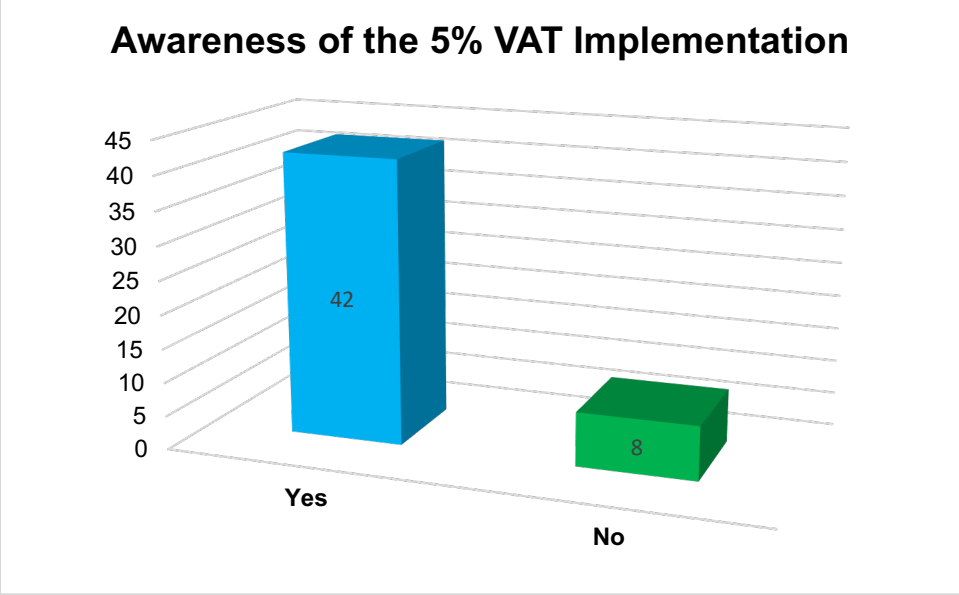
Table 15.18: Statistical Analysis of the Awareness of the Implementation 5% of VAT in the UAE

#	Field	Minimum	Maximum	Mean	Std Deviation	Variance	Count
1	Are you aware of the implementation 5% of VAT in the UAE?	1.00	2.00	1.16	0.37	0.13	50

In addition, it can confirm that the mean is followed by from figure 15.8 since the response "YES" is 84% of all the responses. That ensures the closeness of all the data sets in the standard deviation and the variance, in addition, resides close to the mean value irrespective of 52% of all the other responses.

Therefore, it can be said that most of the respondents have said that they are aware of the 5% VAT implementation in the UAE.

Figure 15.8: Awareness of the 5% VAT Implementation



15.3.10 Are you exceed DH 375,000 over the last 12 months?

Total responses are accumulated to 50. According to the graph, there are 3 options to choose from.

Thus, according to table 15.19, minimum and maximum value is 1.00 and 3.00 respectively. Mean is 1.78 which suggests that responses are close to the minimum value. Standard deviation is 0.61 indicating the responses are close to the mean value. Variance is 0.37 which suggests that the responses reside close to the mean value.

Table 15.19: Statistical Analysis of Business Exceeding AED 375,000 Over the Last 12 Months

#	Field	Minimum	Maximum	Mean	Std Deviation	Variance	Count
1	Are you exceed DH375,000 over the last 12 months?	1.00	3.00	1.78	0.61	0.37	50

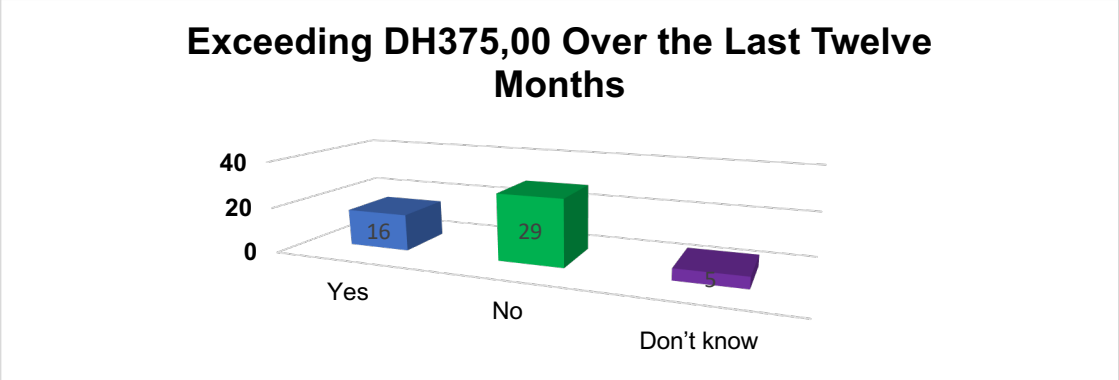
In addition, from Table 15.20, it can confirm that the mean is followed by from table 1 since the response "YES" and "NO" are accumulated to 90% of all the responses whereas "No" itself possesses 58%. That ensures the closeness of all the data sets in the standard deviation and the variance, in addition, resides close to the mean value irrespective of 10% of all the other responses.

Table 15.20: Ratio Analysis of Business Exceeding AED 375,000 Over the Last 12 Months

#	Answer	%	Count
1	Yes	32.00%	16
2	No	58.00%	29
3	Don't know	10.00%	5
	Total	100%	50

Therefore, it can be said that most of the respondents have not exceeded DH375,000 in last 12 months (see Figure 15.9).

Figure 15.9: Business Exceeding AED 375,000 Over the Last 12 Months



15.3.11 VAT Registered Business

Total responses are accumulated to 50. According to the graph, there are 3 options to choose from.

Thus, according to table 15.21, minimum and maximum value is 1.00 and 3.00 respectively. Mean is 1.50 which suggests that responses are close to the minimum value. Standard deviation is 0.54 indicating the responses are close to the mean value. Variance is 0.29 which suggests that the responses reside close to the mean value.

Table 15.21: Statistical Analysis of Business being VAT Registered

#	Field	Minimum	Maximum	Mean	Std Deviation	Variance	Count
1	Is your business VAT registered?	1.00	3.00	1.50	0.54	0.29	50

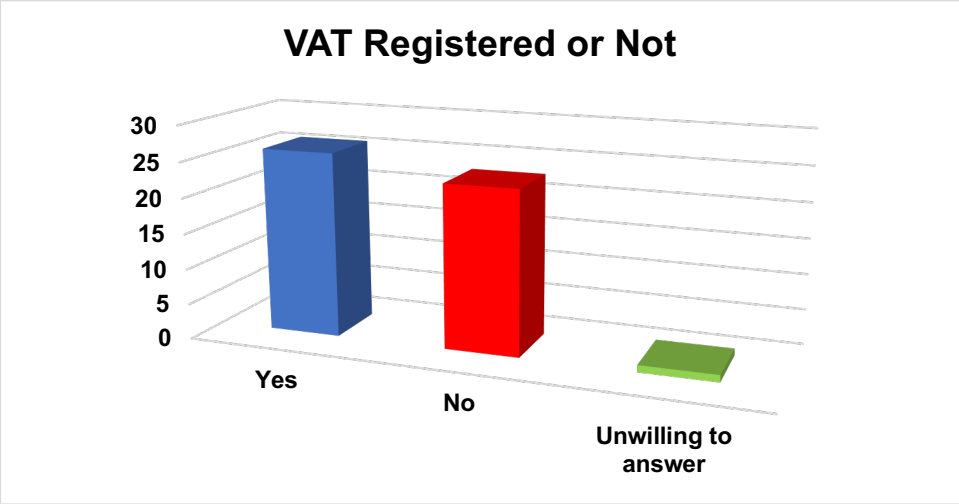
In addition, from table 15.22, it can confirm that the mean is followed by from table 1 since the response "Yes" and "No" are accumulated to 98% of all the responses. That ensures the closeness of all the data sets in the standard deviation and the variance, in addition, resides close to the mean value irrespective of 2% of all the other responses.

Table 15.22: Ratio Analysis of Business being VAT Registered

#	Answer	%	Count
1	Yes	52.00%	26
2	No	46.00%	23
3	Unwilling to answer	2.00%	1
	Total	100%	50

Therefore, it can be said that most of the respondents' businesses are VAT registered whereas a handful number of respondents claim that their businesses are not VAT registered.

Figure 15.10: Business being VAT Registered or Not



15.3.12 Ease of VAT Registration Process

Total responses are accumulated to 50. According to the graph, there are 5 options to choose from.

Thus, according to table 15.23, minimum and maximum value is 1.00 and 4.00 respectively. Mean is 2.46 which suggest that responses are close to the minimum value. Standard deviation is 0.78 indicating the responses are close to the mean value. Variance is 0.61 which suggests that the responses reside close to the mean value.

Table 15.23: Statistical Analysis of Ease of Registration Process

#	Field	Minimum	Maximum	Mean	Std Deviation	Variance	Count
1	How easy did you find the VAT registration process?	1.00	4.00	2.46	0.78	0.61	28

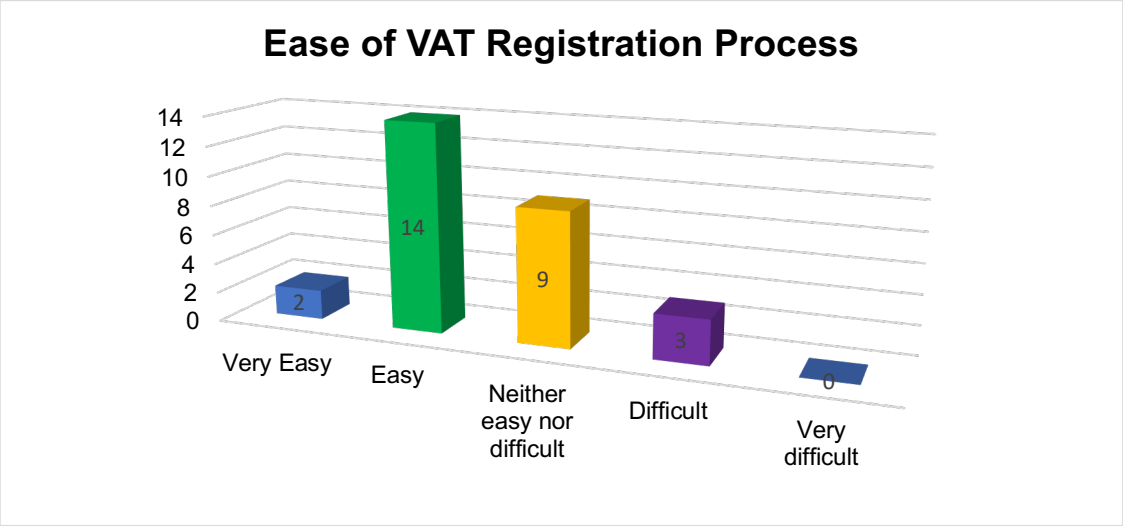
In addition, from Table 15.24, it can confirm that the mean is followed by from table 1 since the response "Very Easy", "Easy" and "Neither easy nor difficult" are accumulated to almost 89% of all the responses. That ensures the closeness of all the data sets in the standard deviation and the variance, in addition, resides close to the mean value irrespective of almost 11% of all the other responses.

Table 15.24: Ratio Analysis of Ease of Registration Process

#	Answer	%	Count
1	Very Easy	7.14%	2
2	Easy	50.00%	14
3	Neither easy nor difficult	32.14%	9
4	Difficult	10.71%	3
5	Very difficult	0.00%	0
	Total	100%	28

Therefore, it can be said that most of the respondents have found the VAT registration process easy whereas some respondents were indifferent in this respect (see Figure 15.11).

Figure 15.11: Ease of VAT Registration Process



15.3.13 Overall Impact of VAT on Business

Total responses are accumulated to 50. According to the graph, there are 3 options to choose from.

Thus, according to table 15.25, minimum and maximum value is 1.00 and 3.00 respectively. Mean is 2.08 which suggest that responses are close to the minimum value. Standard deviation is 0.66 indicating the responses are close to the mean value. Variance is 0.43 which suggests that the responses reside close to the mean value.

Table 15.25: Statistical Analysis of the Overall Impact of VAT on Business

#	Field	Minimum	Maximum	Mean	Std Deviation	Variance	Count
1	What is the overall impact of VAT on your business?	1.00	3.00	2.08	0.66	0.43	50

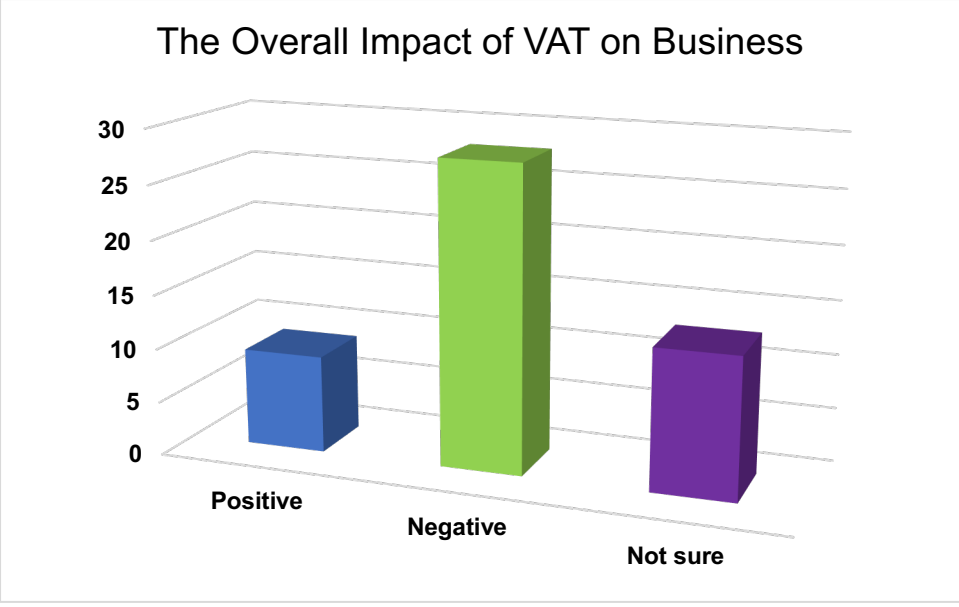
In addition, from Table 15.26, it can confirm that the mean is followed by from table 1 since the response "Positive" and "Negative" are accumulated to 74% of all the responses whereas "Negative" itself possesses 56%. That ensures the closeness of all the data sets in the standard deviation and the variance, in addition, resides close to the mean value irrespective of 26% of all the other responses.

Table 15.26: Ratio Analysis of the Overall Impact of VAT on Business

#	Answer	%	Count
1	Positive	18.00%	9
2	Negative	56.00%	28
3	Not sure	26.00%	13
	Total	100%	50

Therefore, it can be said that most of the respondents have found that their businesses have been negatively impacted by VAT (see Figure 15.12).

Figure 15.12: The Overall Impact of VAT on Business



15.3.14 Considering Imposing 5% VAT is an obstacle to the Success of Business

Total responses are accumulated to 50. According to the graph, there are 3 options to choose from.

Thus, according to table 15.27, minimum and maximum value is 1.00 and 3.00 respectively. Mean is 1.82 which suggests that responses are close to the minimum value. Standard deviation is 0.55 indicating the responses are close to the mean value. Variance is 0.31 which suggests that the responses reside close to the mean value.

Table 15.27: Statistical Analysis of Imposing 5% VAT is an obstacle to the success of your business

#	Field	Minimum	Maximum	Mean	Std Deviation	Variance	Count
1	Do you consider imposing 5% VAT is an obstacle to the success of your business?	1.00	3.00	1.82	0.55	0.31	50

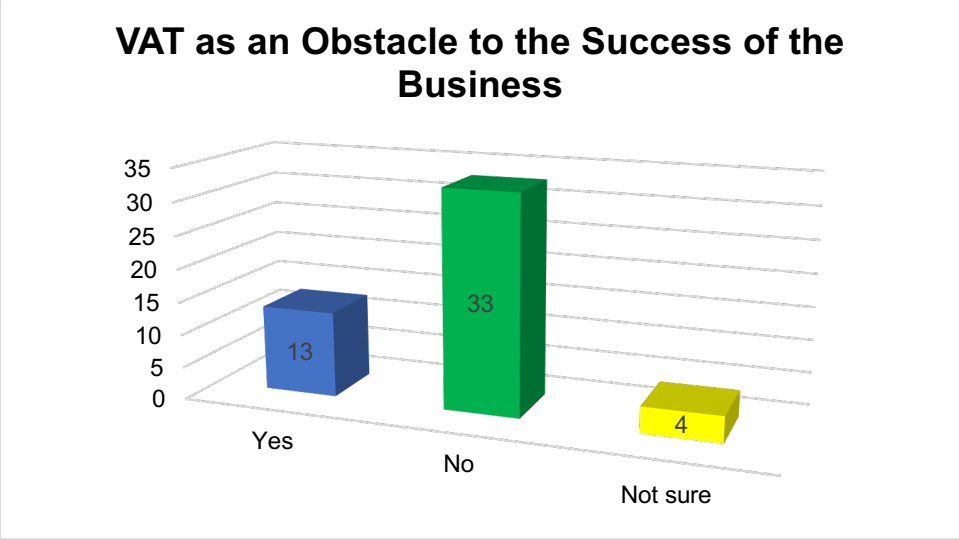
In addition, from table 15.28, it can confirm that the mean is followed by from table 1 since the response “Yes” and “No” are accumulated to 92% of all the responses whereas “No” possesses 66%. That ensures the closeness of all the data sets in the standard deviation and the variance, in addition, resides close to the mean value irrespective of 8% of all the other responses.

Table 15.28: Ratio Analysis of 5% VAT is an obstacle to the success of your business

#	Answer	%	Count
1	Yes	26.00%	13
2	No	66.00%	33
3	Not sure	8.00%	4
	Total	100%	50

Therefore, it can be said that most of the respondents have not acknowledged VAT as an indicator of an obstacle to success (see Figure 15.13).

Figure 15.13: 5% VAT is an obstacle to the success of your business



15.3.15 Factors that influence compliance

This part of the survey relates to factors that influence compliance (make you bound to pay VAT). This information you provide will help to inform Government Agencies/VAT practitioners understanding of the issues that influence your (taxpayer) behaviour in relation to compliance. On the scale of 1 to 4, where 1 is no influence and 4 is a high influence, how would you rate the influence of each of the following factors on whether you pay your correct taxes and duties honestly and on time? Please cycle your rating in each case.

15.3.15.1 Because it is a law

Table 15.29 shows the statistical analysis of the factor especially law that influence compliance. From the survey results it has been found out that n50 participants attended the survey question and maximum 4.00 and minimum 2.00 believed that law that influence compliance. From the statistical analysis participants mean is 3.20 and standard deviation is 0.57 and their variance was 0.33.

From Table 15.30, it has figured out that highest number of respondents approximately 63.27% believed that law has a moderate influence on compliance. 28.57% respondents thought that law has a high influence whereas 8.16% people considered low influence on compliance.

Table 4.29: Statistical Analysis of Law factor influences compliance

#	Field	Minimum	Maximum	Mean	Std Deviation	Variance	Count
1	Because it is a law	2.00	4.00	3.20	0.57	0.33	50

Table 15.30: Ratio Analysis of Law Factor Influences Compliance

#	Question	No Influence		Low Influence		Moderate Influence		High Influence		Total
1	Because it is a law	0.00%	0	8.16%	4	63.27%	31	28.57%	15	50

15.3.15.2 Concerning at having to pay interest charges for late payment of tax

Table 15.31 shows the statistical demonstration of the fact that concerning at having to pay interest charges for late payment of tax. Total 50 respondents took participation in this survey. Maximum 4 and minimum 2 people are aware of this regarding fact. The mean of the respondents is 3.02. The standard deviation and variance are 0.51 and 0.26 accordingly.

From Table 15.32, most of the respondents falls in moderate influence category as it is 73.47%. On the other hand, 14.29% people think of high influence and 12.24% are of low influence regarding this issue. No one among them thinks of no influence at all.

Table 15.31: Statistical Analysis of Concerning at Having to Pay Interest Charges for Late Payment of Tax

#	Field	Minimum	Maximum	Mean	Std Deviation	Variance	Count
2	Concerning at having to pay interest charges for late payment of tax	2.00	4.00	3.02	0.51	0.26	50

Table 15.32: Ratio Analysis of Concerning at Having to Pay Interest Charges for Late Payment of Tax

#	Question	No Influence		Low Influence		Moderate Influence		High Influence		Total
2	Concerning at having to pay interest charges for late payment of tax	0.00%	0	12.24%	6	73.47%	36	14.29%	7	50

15.3.15.3 Concern at having goods seized by the Federal Tax Authority for failure to pay tax

Table 15.33, the fact that, concerns at having goods seized by the Federal Tax Authority for failure to pay tax is statistically presented. Number of respondents are 50. Maximum 4 and minimum 2 people agree to this fact. The mean of the respondents is 2.84. 0.61 as well as 0.37 are standard deviation and variance of this table accordingly.

In the matter of influence, 60% of the participants vote for moderate influence. Other than that, 28% people go for low influence and 12% of them go for high influence. In the case of no influence, no one goes for it (see Table 15.34).

Table 15.33: Statistical Analysis of Concern at having goods seized by the Federal Tax Authority for failure to pay tax

#	Field	Minimum	Maximum	Mean	Std Deviation	Variance	Count
3	Concern at having goods seized by the Federal Tax Authority for failure to pay tax	2.00	4.00	2.84	0.61	0.37	50

Table 15.34: Ratio Analysis of Concern at having goods seized by the Federal Tax Authority for failure to pay tax

#	Question	No Influence		Low Influence		Moderate Influence		High Influence		Total
3	Concern at having goods seized by the Federal Tax Authority for failure to pay tax	0.00%	0	28.00%	14	60.00%	30	12.00%	6	50

15.3.15.4 Belief that other taxpayers are declaring and paying honestly

In Table 15.35, it is presented that, among 50 participants, maximum 4 person and minimum 1 person believe that other taxpayers are declaring and paying honestly. Afterwards, the mean calculated in this table is 2.98. The standard deviation is 0.68 and variance is 0.46.

Moving to the next, around 30 persons think that it influences moderately which is in percentage 60%. 10 people vote for the option of high influence, in percentage 20%. Also, 18% of the people think of low influence and 2% think of no influence at all. In number, there are 9 and 1 person accordingly (see Table 15.36).

Table 15.35: Statistical Analysis of Belief that Other Taxpayers are Declaring and Paying Honestly

#	Field	Minimum	Maximum	Mean	Std Deviation	Variance	Count
4	Belief that other taxpayers are declaring and paying honestly	1.00	4.00	2.98	0.68	0.46	50

Table 15.36: Ratio Analysis of Belief that Other Taxpayers are Declaring and Paying Honestly

#	Question	No Influence		Low Influence		Moderate Influence		High Influence		Total
4	Belief that other taxpayers are declaring and paying honestly	2.00%	1	18.00%	9	60.00%	30	20.00%	10	50

15.3.15.5 Concern that a third party (e.g. a bank), owing money to you, will be ordered to pay that money over to the Federal Tax Authority

Table 15.37 shows the statistical demonstration of the issue that concern that a third party (e.g. a bank), owing money to you, will be ordered to pay that money over to the Federal Tax Authority. Total 50 respondents participated in this survey. Maximum 4 and minimum 1 people are aware of this regarding fact. The mean of the respondents is 2.92. The standard deviation and variance are 0.63 and 0.39 accordingly.

In the next portion, around 36 persons think that it influences moderately which is in percentage 72%. 6 people vote for the option of high influence, in percentage 12%. 12% of the people think of low influence and 4% think of no influence at all. In number, there are 6 and 2 persons accordingly (see Table 15.38).

Table 15.37: Statistical Analysis of Concern that a third party (e.g. a bank), owing money to you, will be ordered to pay that money over to the Federal Tax Authority

#	Field	Minimum	Maximum	Mean	Std Deviation	Variance	Count
5	Concern that a third party (e.g. a bank), owing money to you, will be ordered to pay that money over to the Federal Tax Authority	1.00	4.00	2.92	0.63	0.39	50

Table 15.38: Ratio Analysis of Concern that a third party (e.g. a bank), owing money to you, will be ordered to pay that money over to the Federal Tax Authority

#	Question	No Influence		Low Influence		Moderate Influence		High Influence		Total
5	Concern that a third party (e.g. a bank), owing money to you, will be ordered to pay that money over to the Federal Tax Authority	4.00%	2	12.00%	6	72.00%	36	12.00%	6	50

15.3.15.6 That fact that the Federal Tax Authority presumes that you have been honest in your dealings with them

Table 15.39 shows the statistical analysis of the factor that the Federal Tax Authority presumes that the respondents have been honest in their dealings with them. From the survey results it has been found out that 50 participants attended the survey question and maximum 4 and minimum 1 believed that law that influence compliance. From the statistical analysis participants mean is 2.96 and standard deviation is 0.66 and their variance was 0.44 as calculated.

From Table 15.40, it has figured out that highest number of respondents approximately 62% believed that the Federal Tax Authority presumes that they have been honest in their dealings

with the authority. Along with that, 18% respondents thought of high influence whereas 18% people considered low influence in this issue. 2% of them thought of creating no influence.

Table 15.39: Statistical Analysis of the Fact that the Federal Tax Authority Presumes that You Have been Honest in Your Dealings with Them

#	Field	Minimum	Maximum	Mean	Std Deviation	Variance	Count
6	That fact that the Federal Tax Authority presumes that you have been honest in your dealings with them	1.00	4.00	2.96	0.66	0.44	50

Table 15.40: Ratio Analysis of the Fact that the Federal Tax Authority Presumes that You Have been Honest in Your Dealings with Them

#	Question	No Influence		Low Influence		Moderate Influence		High Influence		Total
6	That fact that the Federal Tax Authority presumes that you have been honest in your dealings with them	2.00%	1	18.00%	9	62.00%	31	18.00%	9	50

15.3.15.7 Concern that the Federal Tax Authority will obtain a court judgment against you for failure to pay tax and publish details of that judgment

The concerning fact that the Federal Tax Authority will obtain a court judgment against the respondents' failure to pay tax and publish details of that judgment is statistically noted in table 7. Among the 50 participants of this survey, the mean comes out as 3.02. The maximum and minimum who considers this fact are accordingly 4 and 1 in number. Here, 0.71 is denoted as standard deviation and variance is calculated, which is 0.50.

For the probability of influence, most of the respondents thinks it puts moderate influence who are 31 in number, 62% in percentage. Along with them, 22% and 12% people think that it influences highly and lowly, 11 and 6 in number accordingly. 4% of the people don't find any influence of it as well.

Table 15.41: Statistical Analysis of the Concern that the Federal Tax Authority will Obtain a Court Judgment Against you for Failure To Pay Tax and Publish Details of that Judgment

#	Field	Minimum	Maximum	Mean	Std Deviation	Variance	Count
7	Concern that the Federal Tax Authority will obtain a court judgment against you for failure to pay tax and publish details of that judgment	1.00	4.00	3.02	0.71	0.50	50

Table 15.42: Ratio Analysis of the Concern that the Federal Tax Authority will Obtain a Court Judgment Against you for Failure To Pay Tax and Publish Details of that Judgment

#	Question	No Influence		Low Influence		Moderate Influence		High Influence		Total
7	Concern that the Federal Tax Authority will obtain a court judgment against you for failure to pay tax and publish details of that judgment	4.00%	2	12.00%	6	62.00%	31	22.00%	11	50

15.3.15.8 Your personal belief that you should do the 'right thing'

In case of personal belief, the mean of the participants is 3.14. Among 50 respondents, maximum 4 persons and minimum 1 people agree to the issue that they would do the 'right thing' according to them. In the next, the standard deviation and the variance calculated for this table are 0.63 and 0.40 respectively (see Table 15.43).

Moving to the next part, around 32 persons think that it influences moderately which is in percentage 64%. 13 people opt for the option of high influence, in percentage 26%. Other than that, 8% of the people think of low influence as well as 2% think of no influence at all. In number, there are 4 and 1 persons accordingly (see Table 15.44).

Table 15.43: Statistical Analysis of Your Personal Belief that You Should Do the 'Right Thing'

#	Field	Minimum	Maximum	Mean	Std Deviation	Variance	Count
8	Your personal belief that you should do the 'right thing'	1.00	4.00	3.14	0.63	0.40	50

Table 15.44: Ratio Analysis of Your Personal Belief that You Should Do the 'Right Thing'

#	Question	No Influence		Low Influence		Moderate Influence		High Influence		Total
8	Your personal belief that you should do the 'right thing'	2.00%	1	8.00%	4	64.00%	32	26.00%	13	50

15.3.15.9 Concern that you will be audited by the Federal Tax Authority

Table 15.45 represents the statistical analysis of the factor that the respondents will be audited by the Federal Tax Authority. From the survey results it has been instituted out that 50 participants attended the survey question. Among all of them, maximum 4 and minimum 1 supposed that they will be audited by the Federal Tax Authority. From this statistical analysis applicants mean is 2.90 and standard deviation is 0.64 and their variance was 0.41.

It has been figured out that highest number of respondents, nearly 64% believed that they will be audited by the Federal Tax Authority. 14% respondents thought that it has a high influence whereas 20% people considered low influence on compliance. 2% of them found no influence of Federal Tax Authority regarding this issue (see Table 15.46).

Table 15.45: Statistical Analysis of the Concern that You will be audited by the Federal Tax Authority

#	Field	Minimum	Maximum	Mean	Std Deviation	Variance	Count
9	Concern that you will be audited by the Federal Tax Authority	1.00	4.00	2.90	0.64	0.41	50

Table 15.46: Ratio Analysis of the Concern that You will be audited by the Federal Tax Authority

#	Question	No Influence		Low Influence		Moderate Influence		High Influence		Total
9	Concern that you will be audited by the Federal Tax Authority	2.00%	1	20.00%	10	64.00%	32	14.00%	7	50

15.3.15.10 Concern that your name will be published on the Federal Tax Authority's Quarterly List of Defaulters

Next comes to table 15.47 and it demonstrates the statistical analysis of the mentioned factor. From the results noted in the table, it can be concluded that among the 50 contestants, maximum 4 persons and minimum 1 person agreed to this. 3.16 is their mean value and 0.64 and 0.41 are calculated as standard deviation and variance respectively.

In the following Table 15.48, most of the respondents have elected for moderate influence. In percentage, it is 62% and 31 in numerical state. 28% of them think that it is highly influenced and 8% of them think of low influence.

Table 15.47: Statistical Analysis of the Concern that Your Name will be Published on the Federal Tax Authority's Quarterly List of Defaulters

#	Field	Minimum	Maximum	Mean	Std Deviation	Variance	Count
10	Concern that your name will be published on the Federal Tax Authority's Quarterly List of Defaulters	1.00	4.00	3.16	0.64	0.41	50

Table 15.48: Ratio Analysis of the Concern that Your Name will be Published on the Federal Tax Authority's Quarterly List of Defaulters

#	Question	No Influence		Low Influence		Moderate Influence		High Influence		Total
10	Concern that your name will be published on the Federal Tax Authority's Quarterly List of Defaulters	2.00%	1	8.00%	4	62.00%	31	28.00%	14	50

15.3.15.11 Knowing that the Federal Tax Authority has the power to receive certain information about you from 3rd parties (e.g. payments, rental income, interest, dividends)

Next comes table 15.49 which represents another significant part of the review and reactions of respondents to the fact that the Federal Tax Authority has the power to receive certain information about the respondents from 3rd parties (e.g. payments, rental income, interest, dividends). The respondent number is same 50 as always. The mean value of them is 2.94. Opinions of maximum 4 participants and minimum 1 participant reflect that the tax Federal Tax Authority has the power to receive certain information about the respondents from 3rd parties. The standard deviation derived from this table is 0.51 and variance is 0.26.

Most of the defendants agrees to the fact that it influences moderately. 80% of them stick to it. Rest of the respondents cover other parts. 8% of the respondents think of high influence and 10% of them think of low influence. They are 4 and 5 in number correspondingly. No influence box holds 1 person who fills 2% of them (see Table 15.50).

Table 15.49: Statistical Analysis of Knowing that the Federal Tax Authority has the power to receive certain information about you from 3rd parties (e.g. payments, rental income, interest, dividends)

#	Field	Minimum	Maximum	Mean	Std Deviation	Variance	Count
11	Knowing that the Federal Tax Authority has the power to receive certain information about you from 3rd parties (e.g. payments, rental income, interest, dividends)	1.00	4.00	2.94	0.51	0.26	50

Table 15.50: Ratio Analysis

#	Question	No Influence		Low Influence		Moderate Influence		High Influence		Total
11	Knowing that the Federal Tax Authority has the power to receive certain information about you from 3rd parties (e.g. payments, rental income, interest, dividends)	2.00%	1	10.00%	5	80.00%	40	8.00%	4	50

15.3.15.12 Because the Federal Tax Authority makes it easy to pay taxes

Table 15.51 represents another vital part of the survey and reactions of respondents to the fact that the Federal Tax Authority makes it easy to pay taxes. The respondent number is same as usual, 50. The mean value of them is 2.94. Maximum 4 individuals and minimum 2 individuals consider the tax paying easy because Federal Tax Authority makes it easy. The standard deviation from this table is 0.70 and variance is 0.50.

Half of the respondents agrees to the fact that it influences moderately. 50% of them cling to it. Rest of the respondents cover other parts. 22% of the respondents think of high influence and 28% of them think of low influence. They are 11 and 14 in number respectively. No influence box remains empty as all of the participants think the issue creates any type of influence (see Table 15.52).

Table 15.51: Statistical Analysis of the Statement - Because the Federal Tax Authority Makes it Easy to Pay Taxes

#	Field	Minimum	Maximum	Mean	Std Deviation	Variance	Count
12	Because the Federal Tax Authority makes it easy to pay taxes	2.00	4.00	2.94	0.70	0.50	50

Table 15.52: Statistical Analysis of the Statement - Because the Federal Tax Authority Makes it Easy to Pay Taxes

#	Question	No Influence		Low Influence		Moderate Influence		High Influence		Total
12	Because the Federal Tax Authority makes it easy to pay taxes	0.00%	0	28.00%	14	50.00%	25	22.00%	11	50

15.3.15.13 Because tax payments are used to fund public services

Next comes Table 15.53 and it shows the statistical demonstration of the fact that tax payments are used to fund public services and this influence compliance. Total 50 respondents who took part in this survey shows their opinion. Maximum 4 and minimum 1 people are conscious of this regarding fact. The mean of the respondents is 3.08. The standard deviation and variance are 0.63 and 0.39 accordingly.

Most of the respondents falls in moderate influence category as it is 66%. On the other hand, 22% people think of high influence and 10% are of low influence regarding this issue. In numerical state, there are 11 individuals in high influence section and 5 individuals in the low influence part. One of the respondents selected the no influence option (see 15.54).

Table 15.53: Statistical Analysis of Because Tax Payments are Used to Fund Public Services

#	Field	Minimum	Maximum	Mean	Std Deviation	Variance	Count
13	Because tax payments are used to fund public services	1.00	4.00	3.08	0.63	0.39	50

Table 15.54: Ratio Analysis of Because Tax Payments are Used to Fund Public Services

#	Question	No Influence		Low Influence		Moderate Influence		High Influence		Total
13	Because tax payments are used to fund public services	2.00%	1	10.00%	5	66.00%	33	22.00%	11	50

15.3.15.14 Has your business incurred costs in foreign countries?

Total responses are accumulated to 50. According to the graph, there are 2 options to choose from.

Thus, according to table 1, minimum and maximum value is 1.00 and 2.00 respectively. Mean is 1.24 which suggests that responses are close to the minimum value. Standard deviation is 0.43 indicating the responses are close to the mean value. Variance is 0.18 which suggests that the responses reside close to the mean value.

In addition, from table 2, it can confirm that the mean is followed by from table 1 since the response “Yes” is accumulated to 75.51% of all the responses. That ensures the closeness of all the data sets in the standard deviation and the variance, in addition, resides close to the mean value irrespective of 24.49% of all the other responses.

Therefore, it can be said that most of the respondents have said that their businesses have incurred cost in foreign countries.

15.3.15.15 How many foreign countries have your business incurred expenditure?

Total responses are accumulated to 50. According to the graph, there are 3 options to choose from.

Thus, according to table 1, minimum and maximum value is 1.00 and 3.00 respectively. Mean is 1.66 which suggests that responses are close to the minimum value. Standard deviation is 0.62 indicating the responses are close to the mean value. Variance is 0.38 which suggests that the responses reside close to the mean value.

In addition, from table 2, it can confirm that the mean is followed by from table 1 since the response “Only 1 country” and “More than 1 country (GCC)” is accumulated to 92.11% of all the responses. That ensures the closeness of all the data sets in the standard deviation and the variance, in addition, resides close to the mean value irrespective of 7.89% of all the other responses.

Therefore, it can be said that most of the respondents have found that their businesses have incurred expenses in more than one country (GCC).

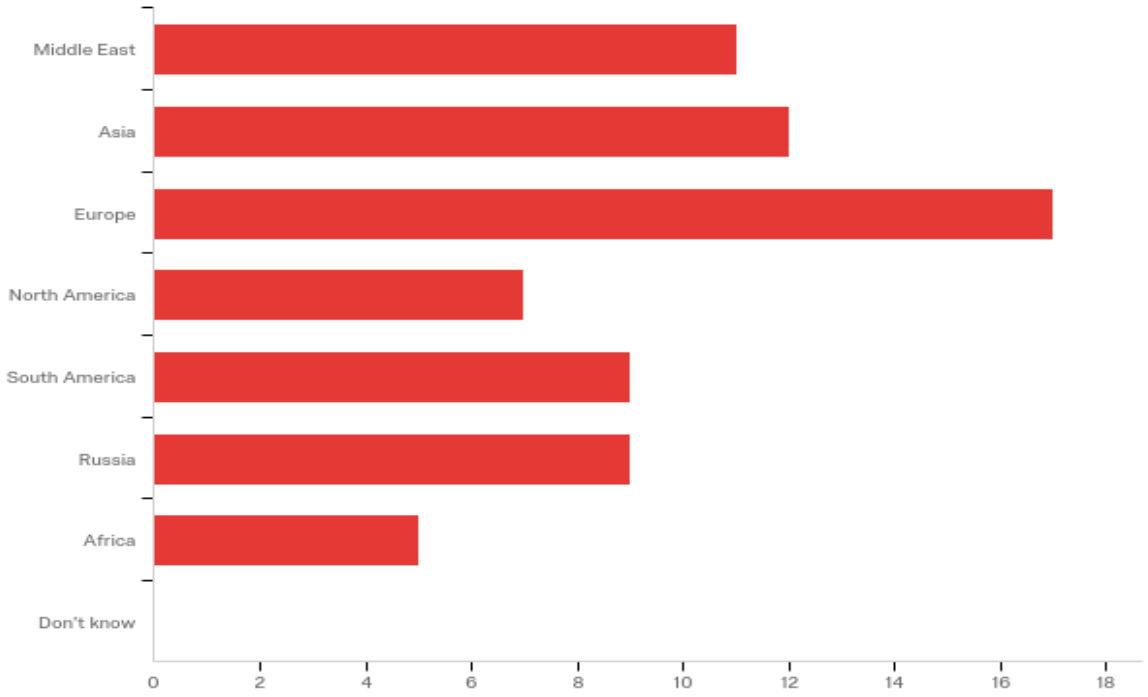
15.3.15.16 In which regions has your business incurred expenditure?

In this section of the survey questionnaire, here are eight regions mentioned in the list and respondents were asked to select the area in where their business have been incurred expenditure. Among 50 people, 17 people selected Europe, which is 24.29% in percentage. After that, Asia got more votes, form 12 persons and 17.14% in percentage. There comes Middle East in the third place. 15.71% people who are 11 in number goes for this region. 18 people in total selected South America and Russia equally. 12.86% stands for each of them. Then comes North America in serial in which business expenditure occurred for 10% people. As denoted, 7 people selected this place. Among the 50 respondents, 5 of them claimed Africa for their business expenditure. 7.14% of the whole respondents elected Africa as the responsible region. As all of the respondents took part and selected more than one region to answer this part of the survey, none of the participants voted for the ‘don’t know’ section and left it empty (see Table 15.55 and Figure 15.14).

Table 15.55: Business incurred expenditure

#	Answer	%	Count
1	Middle East	15.71%	11
2	Asia	17.14%	12
3	Europe	24.29%	17
4	North America	10.00%	7
5	South America	12.86%	9
6	Russia	12.86%	9
7	Africa	7.14%	5
8	Don’t know	0.00%	0

Figure 15.14: Business incurred expenditure



15.3.15.17 Is VAT incurred on the Foreign Business Expenditure?

Total responses are accumulated to 50. According to the graph, there are 3 options to choose from.

Thus, according to table 1, minimum and maximum value is 1.00 and 3.00 respectively. Mean is 1.68 which suggests that responses are close to the minimum value. Standard deviation is 0.57 indicating the responses are close to the mean value. Variance is 0.32 which suggests that the responses reside close to the mean value.

In addition, from table 2, it can confirm that the mean is followed by from table 1 since the response "Yes" and "No" is accumulated to 94.73% of all the responses whereas "No" possesses 57.89%. That ensures the closeness of all the data sets in the standard deviation and the variance, in addition, resides close to the mean value irrespective of 5.27% of all the other responses.

Therefore, it can be said that most of the respondents have found that their businesses have not incurred VAT on Foreign Business Expenditure.

15.3.15.18 Is business able to recover any of the foreign VAT?

Total responses are accumulated to 50. According to the graph, there are 3 options to choose from.

Thus, according to table 1, minimum and maximum value is 1.00 and 3.00 respectively. Mean is 1.79 which suggests that responses are close to the minimum value. Standard deviation is 0.47 indicating the responses are close to the mean value. Variance is 0.22 which suggests that the responses reside close to the mean value.

In addition, from table 2, it can confirm that the mean is followed by from table 1 since the response "Yes" and "No" is accumulated to 97.36% of all the responses whereas "No" possesses 73.68%. That ensures the closeness of all the data sets in the standard deviation and the variance, in addition, resides close to the mean value irrespective of 2.64% of all the other responses.

Therefore, it can be said that most of the respondents have found that their businesses are not able to recover foreign VAT.

15.3.15.19 If yes, in many countries have your business recovered VAT?

Total responses are accumulated to 50. According to the graph, there are 3 options to choose from.

Thus, according to table 1, minimum and maximum value is 1.00 and 3.00 respectively. Mean is 2.06 which suggest that responses are close to the minimum value. Standard deviation is 0.52 indicating the responses are close to the mean value. Variance is 0.27 which suggests that the responses reside close to the mean value.

In addition, from table 2, it can confirm that the mean is followed by from table 1 since the response "All of them" and "Some of them" is accumulated to 83.33% of all the responses whereas "Some of them" possess 72.22%. That ensures the closeness of all the data sets in the standard deviation and the variance, in addition, resides close to the mean value irrespective of 16.67% of all the other responses.

Therefore, it can be said that most of the respondents have found that their businesses have recovered VAT in some of their countries in which they operate in.

15.3.15.20 Why can't your business recover the VAT?

Table 15.56 shows that respondents are given 10 possible reasons to select why their business cannot recover the VAT and respondents selected more than one reason as commanded. Firstly, most of the respondents claimed the small amounts which are involved as the reason of failing to recover the VAT form business. After that, 17.89% people indicated this as one of reasons and 17 in number. The tax authorities will not refund VAT to a foreign business stands as the second most selected reason and 15.79% go for this who are 15 in number. There are two reasons for which 11 people voted for each of those. One is, it would need to register for VAT and another one is, the tax authorities will not allow a foreign business to register and recover VAT without having a taxable activity in the country. In each section, 11.58% people voted. 10 of them think that there is no reciprocity arrangement between the two countries., who are 10.53% in percentage. Also, 9 people concludes that the tax authorities will not allow a foreign business to register and recover VAT without creating a branch or another establishment in the country and they contribute 9.47% of the total. The two reasons- the tax authorities make claiming refunds too difficult and the costs of recovery are too high are voted by 8 people for each. Both of these holds 8.42% in percentage count. 5.26% individuals selected the accounting system which does not identify the VAT incurred abroad as the reason of not recovering the VAT by business. Last but not the least, 1 chose some other reasons apart from these which is 1.05% in total.

Table 15.56: Ration Analysis of Why can't your business recover the VAT?

#	Answer	%	Count
1	The tax authorities make claiming refunds too difficult	8.42%	8
2	The tax authorities will not refund VAT to a foreign business	15.79%	15
3	The amounts involved are too small	17.89%	17
4	The costs of recovery are too high	8.42%	8
5	There is no reciprocity arrangement between the two countries	10.53%	10
6	It would need to register for VAT	11.58%	11
7	The tax authorities will not allow a foreign business to register and recover VAT without having a taxable activity in the country	11.58%	11
8	The tax authorities will not allow a foreign business to register and recover VAT without creating a branch or another establishment in the country	9.47%	9
9	The accounting system does not identify the VAT incurred abroad	5.26%	5
10	Some other reasons	1.05%	1

15.3.15.21 Do you receive financial support from the government to grow your business?

Total responses are accumulated to 50. According to the graph, there are 3 options to choose from.

Thus, according to table 1, minimum and maximum value is 1.00 and 3.00 respectively. Mean is 1.53 which suggests that responses are close to the minimum value. Standard deviation is 0.54 indicating the responses are close to the mean value. Variance is 0.29 which suggests that the responses reside close to the mean value.

In addition, from table 2, it can confirm that the mean is followed by from table 1 since the response "Yes" and "No" is accumulated to 97.96% of all the responses. That ensures the closeness of all the data sets in the standard deviation and the variance, in addition, resides close to the mean value irrespective of 2.04% of all the other responses.

Therefore, it can be said that half of the respondents have said they have received financial support from their government whereas other half have not.

15.3.15.22 How easy do you find financial support from the government to grow your business?

Total responses are accumulated to 50. According to the graph, there are 5 options to choose from.

Thus, according to table 1, minimum and maximum value is 1.00 and 5.00 respectively. Mean is 2.66 which suggest that responses are close to the minimum value. Standard deviation is 1.21 indicating the responses are close to the mean value. Variance is 1.47 which suggests that the responses reside close to the mean value.

In addition, from table 2, it can confirm that the mean is followed by from table 1 since the response "Very easy", "Easy" and "Neither easy nor difficult" are accumulated to 72.41% of all the responses. That ensures the closeness of all the data sets in the standard deviation and the variance, in addition, resides close to the mean value irrespective of 27.59% of all the other responses.

Therefore, it can be said that most of the respondents have found that it was easy to find financial support from their government.

15.3.15.23 Do you receive financial support from a bank or other financial institutions to grow your business?

Total responses are accumulated to 50. According to the graph, there are 3 options to choose from.

Thus, according to table 1, minimum and maximum value is 1.00 and 2.00 respectively. Mean is 1.52 which suggests that responses are close to the minimum value. Standard deviation is 0.50 indicating the responses are close to the mean value. Variance is 0.25 which suggests that the responses reside close to the mean value.

In addition, from table 2, it can confirm that the mean is followed by from table 1 since the response "Yes" and "No" is accumulated to 100% of all the responses whereas "No" has a small superiority in terms of responses which is 52.08%. That ensures the closeness of all the data sets in the standard deviation and the variance resides close to the mean value as well.

Therefore, it can be said that most of the respondents have found that they did not need any support from the banks or any other financial institutions'.

15.3.15.24 How easy do you find financial support from the government to grow your business?

Total responses are accumulated to 50. According to the graph, there are 5 options to choose from.

Thus, according to table 1, minimum and maximum value is 1.00 and 4.00 respectively. Mean is 2.44 which suggest that responses are close to the minimum value. Standard deviation is 0.99 indicating the responses are close to the mean value. Variance is 0.99 which suggests that the responses reside close to the mean value.

In addition, from table 2, it can confirm that the mean is followed by from table 1 since the response "Very Easy" and "Easy" are accumulated to 62.96% of all the responses. That ensures the closeness of all the data sets in the standard deviation and the variance, in addition, resides close to the mean value irrespective of 37.04% of all the other responses.

Therefore, it can be said that most of the respondents have found that it was easy to find financial support from their government.

15.3.15.25 If you wanted information on what the Government is doing to support small businesses, where would you look, or who would you ask?

Total responses are accumulated to 50. According to the graph, there are 15 options to choose from.

Thus, according to table 1, minimum and maximum value is 1.00 and 13.00 respectively. Mean is 5.51 which suggest that responses are close to the minimum value. Standard deviation is 2.98 indicating the responses are close to the mean value. Variance is 8.86 which suggest that the responses reside close to the mean value.

In addition, from table 2, it can confirm that the mean is followed by from table 1 since the response "A natural or legal person in business", "Accountant", "Bank manager/advisor", "Business colleagues/peer groups/networks", and "Business colleagues/peer groups/networks" are accumulated to 57.14% of all the responses. That ensures the closeness of all the data sets in the standard deviation and the variance, in addition, resides close to the mean value irrespective of 42.86% of all the other responses.

Therefore, it can be said that most of the respondents would have asked "A natural or legal person in business", "Accountant", "Bank manager/advisor", "Business colleagues/peer groups/networks" to know how government would be doing to support the small businesses.

15.3.15.26 In the last 12 months have you sought external advice or information on matters affecting your business?

Total responses are accumulated to 50. According to the graph, there are 3 options to choose from.

Thus, according to table 1, minimum and maximum value is 1.00 and 3.00 respectively. Mean is 1.69 which suggests that responses are close to the minimum value. Standard deviation is 0.54 indicating the responses are close to the mean value. Variance is 0.29 which suggests that the responses reside close to the mean value.

In addition, from table 2, it can confirm that the mean is followed by from table 1 since the response "Yes" and "No" is accumulated to 95.91% of all the responses. That ensures the closeness of all the data sets in the standard deviation and the variance, in addition, resides close to the mean value irrespective of 4.09% of all the other responses.

Therefore, it can be said that half of the respondents have not asked for any external advice in last 12 months.

15.3.15.27 Was the assistance or support that you used for the.....

Total responses are accumulated to 50. According to the graph, there are 5 options to choose from.

Thus, according to table 1, minimum and maximum value is 1.00 and 5.00 respectively. Mean is 2.45 which suggest that responses are close to the minimum value. Standard deviation is 1.03 indicating the responses are close to the mean value. Variance is 1.07 which suggests that the responses reside close to the mean value.

In addition, from table 2, it can confirm that the mean is followed by from table 1 since the response "Information relating to the day to day running of your business?" and "Strategic advice to help introduce a stepped change to grow your business in terms of profitability or numbers employed, or to increase productivity?" is accumulated to 63.64% of all the responses. That ensures the closeness of all the data sets in the standard deviation and the variance, in addition, resides close to the mean value irrespective of 36.36% of all the other responses.

Therefore, it can be said that half of the respondents have searched for advice to introduce a change to grow the business in case of increasing profitability or productivity.

15.3.15.28 Which of this best describes your reasons for seeking strategic advice?

Total responses are accumulated to 50. According to the graph, there are 5 options to choose from.

Thus, according to table 1, minimum and maximum value is 1.00 and 5.00 respectively. Mean is 2.05 which suggest that responses are close to the minimum value. Standard deviation is 0.90 indicating the responses are close to the mean value. Variance is 0.81 which suggests that the responses reside close to the mean value.

In addition, from table 2, it can confirm that the mean is followed by from table 1 since the response "You were concerned about the continued operation of the business, or an obstacle encountered" and "You wanted to better understand how to develop and grow the business, or exploit a business opportunity" is accumulated to 80.95% of all the responses. That ensures the closeness of all the data sets in the standard deviation and the variance, in addition, resides close to the mean value irrespective of 19.05% of all the other responses.

Therefore, it can be said that half of the respondents have said they wanted to know how to grow the business or how to exploit opportunities.

15.3.15.29 How easy was it to find the strategic advice that you needed?

Total responses are accumulated to 50. According to the graph, there are 5 options to choose from.

Thus, according to table 1, minimum and maximum value is 2.00 and 4.00 respectively. Mean is 3.00 which suggest that responses are close to the minimum value. Standard deviation is 0.62 indicating the responses are close to the mean value. Variance is 0.38 which suggests that the responses reside close to the mean value.

In addition, from table 2, it can confirm that the mean is followed by from table 1 since the response "Fairly easy" and "Not very easy" is accumulated to 80.95% of all the responses whereas "Not very easy" possesses 61.90%. That ensures the closeness of all the data sets in the standard deviation and the variance, in addition, resides close to the mean value irrespective of 19.05% of all the other responses.

Therefore, it can be said that half of the respondents have said that it was not very easy to find strategic advice.

15.3.15.30 Over the next two to three years, do you aim to grow your business?

Total responses are accumulated to 50. According to the graph, there are 2 options to choose from.

Thus, according to table 1, minimum and maximum value is 1.00 and 2.00 respectively. Mean is 1.24 which suggests that responses are close to the minimum value. Standard deviation is 0.43 indicating the responses are close to the mean value. Variance is 0.18 which suggests that the responses reside close to the mean value.

In addition, from table 2, it can confirm that the mean is followed by from table 1 since the response "Yes" is accumulated to 75.51% of all the responses. That ensures the closeness of all the data sets in the standard deviation and the variance, in addition, resides close to the mean value irrespective of 24.49% of all the other responses.

Therefore, it can be said that half of the respondents have said they want to grow their businesses in next 2-3 years.

15.3.15.31 How likely is it that you will approach external finance providers to help fund this growth?

Total responses are accumulated to 50. According to the graph, there are 5 options to choose from.

Thus, according to table 1, minimum and maximum value is 1.00 and 5.00 respectively. Mean is 2.29 which suggest that responses are close to the minimum value. Standard deviation is 0.81 indicating the responses are close to the mean value. Variance is 0.65 which suggests that the responses reside close to the mean value.

In addition, from table 2, it can confirm that the mean is followed by from table 1 since the response "Very likely" and "Fairly likely" is accumulated to 71.42% of all the responses whereas "Fairly likely" possesses 61.22%. That ensures the closeness of all the data sets in the standard deviation and the variance, in addition, resides close to the mean value irrespective of 28.58% of all the other responses.

Therefore, it can be said that half of the respondents have said they would ask for funds from the external financial providers to grow their businesses.

15.3.15.32 Does your business plan to do any of the following over the next two to three years?

Total responses are accumulated to 50. According to the graph, there are 7 options to choose from.

Thus, according to table 1, minimum and maximum value is 1.00 and 6.00 respectively. Mean is 3.14 which suggest that responses are close to the minimum value. Standard deviation is 1.28 indicating the responses are close to the mean value. Variance is 1.63 which suggests that the responses reside close to the mean value.

In addition, from table 2, it can confirm that the mean is followed by from table 1 since the response "Increase turnover by exploiting new markets", "Increase the skills of the workforce", "Increase the leadership capability of managers", and "Capital investment" are accumulated to 83.67 % of all the responses. That ensures the closeness of all the data sets in the standard deviation and the variance, in addition, resides close to the mean value irrespective of 16.33% of all the other responses.

Therefore, it can be said that half of the respondents have said they would want to increase the skills of the workforce, to increase the leadership capability of managers, and to provide capital investment in the following 2-3 years.

15.3.16 Can you inform me how capable you think your business is at doing them in terms of ranges of tasks?

4.3.16.1 People management

In Table 15.57, maximum 5 and minimum 2 people out of 50 respondents think that their business is capable of people management. The mean of 50 respondents is 3.84. The standard deviation is calculated as 0.87 as well as the variance comes out 0.75.

Most of the people think that it influences moderately which is in percentage 34.69% and in number 17 persons. Also, 34.69% people go for low influence option as they found it less influential. 26.53% of the bunch consider this as highly influential who are 13 in number. 4.08% people find it somewhat influential, but none go for no influence possibility (see Table 15.58).

Table 15.57: Statistical Analysis of People management

#	Field	Minimum	Maximum	Mean	Std Deviation	Variance	Count
1	People management	2.00	5.00	3.84	0.87	0.75	50

Table 15.58: Ratio Analysis of People Management

#	Question	No Influence		Somehow Influence		Low Influence		Moderate Influence		High Influence		Total
1	People management	0.00%	0	4.08%	2	34.69%	17	34.69%	17	26.53%	13	50

15.3.16.2 Developing and implementing a business plan and strategy

Among 50 people, mostly 5 persons and at least 2 persons believe that their firm is capable of developing and implementing a business plan and strategy. The mean of the participants of the survey is 3.73. The calculated standard deviation of this particular table is 0.76 as well as the variance is 0.57 as calculated (see Table 15.59).

Next comes the influence part. Around 41.67% people think of its moderate influence as 21 people fall in this section. Low influence is for 39.58% and 20 persons are included in this part. Along with that, 16.67% as well as 2.08% of the respondents count this as highly influential and somewhat influential accordingly. None of them select the no influential section (see Table 15.60).

Table 15.59: Statistical Analysis of Developing and Implementing a Business Plan and Strategy

#	Field	Minimum	Maximum	Mean	Std Deviation	Variance	Count
2	Developing and implementing a business plan and strategy	2.00	5.00	3.73	0.76	0.57	50

Table 15.60: Ration Analysis of Developing and Implementing a Business Plan and Strategy

#	Question	No Influence		Somehow Influence		Low Influence		Moderate Influence		High Influence		Total
2	Developing and implementing a business plan and strategy	0.00%	0	2.08%	1	39.58%	20	41.67%	21	16.67%	8	50

15.3.16.3 Entering new markets

Moving to Table 5.61, maximum 5 as well as minimum 1 people out of those 50 respondents consider that their business is capable of entering in new market. The mean of 50 respondents is 3.60. The standard deviation is calculated as 0.94 as well as the variance comes out 0.88.

Many of the respondents think that it affects moderately which is in percentage 51.06% and in number 26 persons. Also, 21.28% people go for low influence option as they found it less influential who are 11 in number. 12.77% of the bunch consider this as highly influential. 12.77% people find it somewhat influential whereas 2.13% people vote for no influence and there's one person included.

Table 15.61: Entering new markets

#	Field	Minimum	Maximum	Mean	Std Deviation	Variance	Count
3	Entering new markets	1.00	5.00	3.60	0.94	0.88	50

#	Question	No Influence		Somehow Influence		Low Influence		Moderate Influence		High Influence		Total
3	Entering new markets	2.13%	1	12.77%	6	21.28%	11	51.06%	26	12.77%	6	50

15.3.16.4 Developing and introducing new products and services

In the Table 15.62, here mostly 5 persons and at least 2 persons who think their firms can develop and introduce new products and services. The mean of the respondents comes out as

4.06. The standard deviation and variance are calculated as follows- 0.80 as well as 0.64 respectively.

It has been figured out that highest number of respondents, nearly 47.92% believed in moderate influence that their business can develop and introduce new products and services. 31.25% respondents thought that it has a high influence whereas 16.67% people considered low influence on compliance. None of them selected the no influence option regarding this point.

Table 15.62: Developing and introducing new products and services

#	Field	Minimum	Maximum	Mean	Std Deviation	Variance	Count
4	Developing and introducing new products and services	2.00	5.00	4.06	0.80	0.64	50

#	Question	No Influence		Somehow Influence		Low Influence		Moderate Influence		High Influence		Total
4	Developing and introducing new products and services	0.00%	0	4.17%	2	16.67%	8	47.92%	24	31.25%	16	50

15.3.16.5 Accessing external finance

Table 15.63 shows that among 50 of the participants of this survey, maximum 5 persons and minimum 1 person are supposed to believe that their business can access external finance. 3.52 is the mean calculated from the table. 1.12 as well as 1.25 are the standard deviation and variance regarding this particular table.

Moving to the next part of this point, 52.08% of the respondents think that it impacts moderately who are 26 in number. Then, 22.92% of the respondents go for low influence option, count 12 persons among 50. After that, 12.50% selected high influence option and 12.50% opted no influence and for each, there are 6 of the respondents. In this financing issue, no one chose somehow influence option.

Table 15.63: Accessing external finance

#	Field	Minimum	Maximum	Mean	Std Deviation	Variance	Count
5	Accessing external finance	1.00	5.00	3.52	1.12	1.25	50

#	Question	No Influence		Somehow Influence		Low Influence		Moderate Influence		High Influence		Total
5	Accessing external finance	12.50%	6	0.00%	0	22.92%	12	52.08%	26	12.50%	6	50

15.3.16.6 Operational Improvement, e.g. adopting industry best practices

From Table 15.64, all of the respondents have agreed in their own way in the matter of operational improvement. They vary in their opinion of adopting industry best practices by their own firm. Maximum 5people and minimum 2 people think of this. The mean of them comes out as 3.78. The standard deviation and variance are as follows- 0.71 as well as 0.50.

In the matter of influence, most of the respondents, nearly 57.14% people consider this as moderately influential. 29 people fall in this category. Next comes low influence part and 26.53% people are in this who are 13 in number. 12.24% people are in high influential in this sector who are 6 in number. 2 persons voted for somehow influence option whereas none of them went for no influence part and left it empty.

Table 15.64: Operational Improvement, e.g. adopting industry best practices

#	Field	Minimum	Maximum	Mean	Std Deviation	Variance	Count
6	Operational Improvement, e.g. adopting industry best practices	2.00	5.00	3.78	0.71	0.50	50

#	Question	No Influence		Somehow Influence		Low Influence		Moderate Influence		High Influence		Total
6	Operational Improvement, e.g. adopting industry best practices	0.00%	0	4.08%	2	26.53%	13	57.14%	29	12.24%	6	50

15.3.16.7 Taking decisions on regulation and tax issues

Table 15.56 shows that all the respondents have agreed in their own way in the matter of taking decisions on regulation and tax issues. They vary in their opinion of the business regulations and tax issues. Maximum 5 people and minimum 2 people think of this. The mean of them comes out as 3.81. The standard deviation and variance are as follows- 0.78 as well as 0.61.

In the matter of influence, most of the respondents, nearly 54.17% people consider this as moderately influential. 27 people fall in this category. Next comes low influence part and 22.92% people are in this who are 12 in number. 16.67% people are in high influential in this sector who are 8 in number. 3 persons voted for somehow influence option, 6.25% in percentage, whereas none of them went for no influence part and left it empty.

Table 15.65: Taking decisions on regulation and tax issues

#	Field	Minimum	Maximum	Mean	Std Deviation	Variance	Count
7	Taking decisions on regulation and tax issues	2.00	5.00	3.81	0.78	0.61	50

#	Question	No Influence		Somehow Influence		Low Influence		Moderate Influence		High Influence		Total
7	Taking decisions on regulation and tax issues	0.00%	0	6.25%	3	22.92%	12	54.17%	27	16.67%	8	50