

### VAT happened to my check

Value added tax (VAT) was introduced in the UAE on 1 January 2018. Most F&B operators, like other retail businesses, were generally well prepared for implementation, making changes to back-end billing, reporting systems and pricing strategies, as relevant.

In this context, creating a pricing strategy was—and continues to be—a key focus for operators.

The regulation requires all publicly displayed prices to be inclusive of VAT. While prices therefore required recalibration, operators had to manage this in a way that did not affect already pressurized sales.

Within the F&B industry, changes were primarily addressed through repricing and other strategies, such as combo offers and menu refreshes. While some revised prices in late 2017 and early 2018, others absorbed VAT costs during initial implementation.

For some operators, it seems repricing may have had a positive impact on their top line.

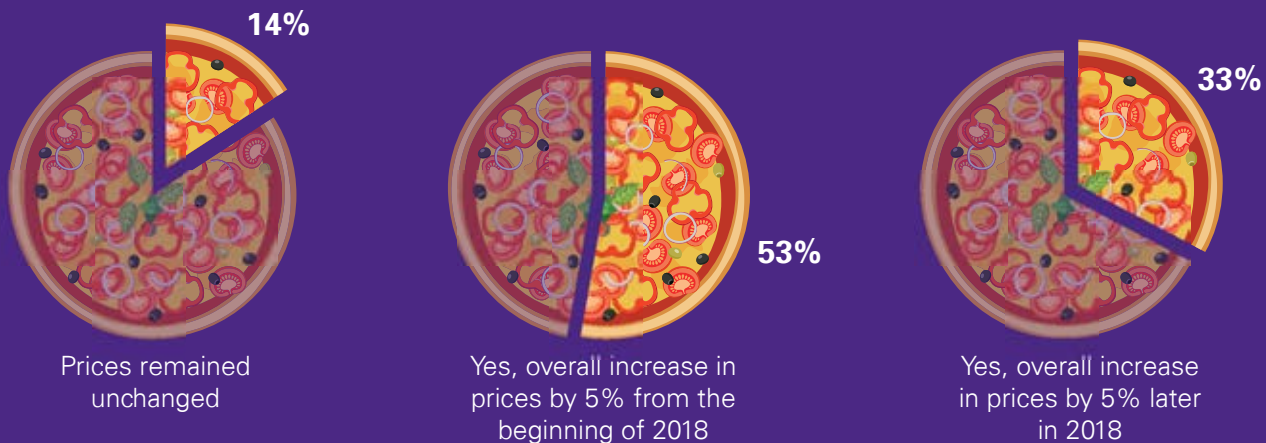
Per last year's report, the introduction of VAT (at a rate of 5%) was expected to have a limited, one-time impact among consumers in early 2018. After initial implementation,

consumers were anticipated to adjust to the new reality. In line with these expectations, half of the operators surveyed reported a decline in turnover in early 2018, mainly attributed to VAT. However, it is difficult to untangle the impact of VAT from other factors, such as subdued consumer sentiment and the earlier introduction of excise duty, which affected sales of certain beverages and tobacco products.

Despite an initial downturn, operators believe consumer sentiment is no longer noticeably influenced by VAT.



### Price changes in the last 12 months



### Impact of price changes on turnover

