



Research Article



The Impact of Regulations on Social Protection Integration within the United Arab Emirates Value-Added Tax

Ibrahim Al Shawabkeh ^{1,2}, Enas Mohammed AlQodsi ^{1,*}, Mouaid Al Qudah ¹

¹ College of Law, United Arab Emirates University, Al Ain, United Arab Emirates.

² College of Law, Yarmouk University, Irbid, Jordan.

* Correspondence: enas.alqodsi@uaeu.ac.ae

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Abstract: Value-Added Tax (VAT) was introduced in the United Arab Emirates as part of a fiscal reform strategy aimed at diversifying state revenue sources and strengthening the sustainability of the non-oil economy. Although VAT primarily functions as an instrument for generating state revenue, VAT regulations in the UAE also demonstrate the integration of social protection dimensions through the implementation of zero-rated supplies and tax exemptions for strategic sectors. However, there has been limited research examining whether these policies have been effective. Therefore, this study aims, *first*, to analyze the extent to which UAE legislators have accommodated social protection aspects within VAT regulations; *second*, to identify the forms and challenges of integrating social protection into VAT implementation; and *third*, to formulate an ideal regulatory model capable of balancing revenue optimization, fiscal justice, and sustainable economic development. This study employs normative legal research using statutory, comparative, and conceptual approaches. The findings indicate that, *first*, VAT regulations in the UAE have undergone a functional transformation into an instrument of social protection intended to reduce the regressive impact of consumption taxes and maintain public access to basic necessities. *Second*, the effectiveness of integrating social protection within the VAT system continues to face several challenges, including administrative complexity, selective and conditional regulations, and limited public tax literacy. Therefore, more adaptive regulatory reforms, simplification of administrative procedures, and policy harmonization among government institutions are required to ensure that the VAT system functions more effectively, equitably, and sustainably.

Keywords: Integration; Regulation; Social Protection; United Arab Emirates; Value-Added Tax;



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INTRODUCTION

Taxation is not solely an issue of generating revenue but also encompasses matters of development, regulation, financial inclusion, and topics concerning the fulfilment of the United Nations (UN) Sustainable Development Goals (SDGs).¹ In modern state systems, taxation plays a strategic role in maintaining economic stability, promoting a more equitable distribution of wealth, and supporting sustainable development. Through tax policies, the state can influence the economic behaviour of society, stimulate investment, regulate specific economic activities, and strengthen the social welfare system. Therefore, taxes serve not only a budgetary function as a source of

¹ Favourate Y. Mpfu, "Taxing the Digital Economy through Consumption Taxes (VAT) in African Countries: Possibilities, Constraints and Implications," *International Journal of Financial Studies* 10, no. 3 (August 9, 2022): 65, <https://doi.org/10.3390/ijfs10030065>



state revenue but also a regulatory function as an instrument for governing social and economic policies.²

The strategic role of taxation is becoming increasingly vital for countries striving to diversify their economies and reduce their reliance on natural resources. This circumstance is highly relevant to the member states of the Gulf Cooperation Council (GCC), including the United Arab Emirates (UAE), which for decades have relied heavily on the oil sector as their primary source of national revenue. Revenues from crude oil exports have historically covered more than ninety percent of the average annual revenue requirements for GCC countries, such as Saudi Arabia, Bahrain, Kuwait, Oman, Qatar, and the UAE. However, fluctuations in global oil prices and escalating international economic uncertainties have compelled GCC nations to implement fiscal reforms aimed at bolstering non-oil revenue streams and ensuring national economic sustainability.³ As part of this fiscal transformation, the United Arab Emirates introduced the Value-Added Tax (VAT) through Federal Decree-Law No. 8 of 2017 on Value Added Tax, which took effect on January 1, 2018, with a standard rate of five percent.⁴ The implementation of VAT represents one of the most significant fiscal reforms within the GCC region and aligns with the economic diversification policies recommended by the International Monetary Fund (IMF).⁵ Compared to an income tax system, VAT is perceived to yield more stable state revenues as it relies on a broader consumption tax base. The extensive circulation of goods and services in a modern economy establishes VAT as a crucial instrument for strengthening national fiscal resilience.⁶

Nevertheless, VAT is frequently criticized for its regressive nature, as it imposes a disproportionately heavier burden on low-income demographics compared to high-income groups. Consumption taxes directly impact public purchasing power, thereby carrying the potential to exacerbate socio-economic inequalities if not counterbalanced by adequate social protection policies. Various studies analyzing VAT implementation across different countries indicate that these regressive impacts can be mitigated through effective social protection systems. This is particularly achievable

² Wilson Prichard, "Taxation and State Building: Towards a Governance Focused Tax Reform Agenda," *IDS Working Papers* 2010, no. 341 (May 2010): 01–55, https://doi.org/10.1111/j.2040-0209.2010.00341_1.x

³ Hamad Alhumoudi and Amar Johri, "Examining the Customers' Perception Toward the Implementation of Value-Added Tax in Saudi Arabia: A Financial, Economic, and Social Perspectives in Sustainable Economic Development," *Sage Open* 14, no. 4 (October 14, 2024), <https://doi.org/10.1177/21582440241290342>

⁴ Mohammed Abdulla Amer Salem Alhemiri, Nurazmallail Bin Marni, and Ahmed Shehab, "General Rules Regulating Tax Provisions in the United Arab Emirates," *International Journal of Health Sciences* 6, no. S1 (March 17, 2022): 857–65, <https://doi.org/10.53730/ijhs.v6nS1.4826>

⁵ Anagha Ann Gopakumar et al., "The Sectoral Effects of Value-Added Tax: Evidence from UAE Stock Markets," *Journal of Risk and Financial Management* 15, no. 10 (September 26, 2022): 429, <https://doi.org/10.3390/jrfm15100429>

⁶ Abdulqader Al-Khateeb, Yusuff Jelili Amuda, and Dimah Eid Aljohany, "Assessing the Application of Value Added Tax on Murabaha and Ijarah as Islamic Financial Instruments in Saudi Arabia," *Discover Sustainability*, April 16, 2026, <https://doi.org/10.1007/s43621-026-03199-5>



through the application of zero-rated tariffs, tax exemptions on fundamental basic needs, and the enhancement of comprehensive social welfare programs.⁷

In the context of the UAE, the government strives to integrate social protection aspects into the VAT regulatory framework through various fiscal policies.⁸ These efforts are manifested through the application of a zero-percent VAT rate on the export of goods and services, international transportation, investment metals, newly constructed residential properties, charitable buildings, the education sector, and healthcare services. Furthermore, specific sectors are entirely exempt from VAT, such as certain financial services, local transportation, residential leases, specific healthcare services, and various government services. Additionally, there are transactions that fall outside the scope of VAT, including intra-group transactions and the transfer of businesses as a going concern. These mechanisms are generally applied in various countries as instruments to mitigate the regressive impact of VAT on vulnerable social groups while concurrently supporting strategic economic sectors.⁹

Nevertheless, the implementation of exemption mechanisms and zero-rated tariffs also raises various legal and policy issues. On the one hand, these policies are intended as instruments of social protection and economic stimulus, but on the other hand, they harbor the potential to generate inequalities in fiscal treatment, administrative inefficiencies, and opportunities for tax avoidance by specific business groups. This situation is further exacerbated by the fact that, specifically, there is still an absence of a comprehensive legal study determining whether VAT mechanisms, such as exemptions and zero-rating, qualify as social protection tools in the UAE.¹⁰ This void is highly concerning given the growing importance of incorporating social policies into taxation, particularly for nations striving to strike a balance between rigorous fiscal policies and sustainable social policies. These programs necessitate improvements in their design and targeting, as well as enhanced dissemination of information to ensure that eligible individuals are aware of how to access the benefits to which they are entitled.¹¹

When compared with other countries in the GCC region, such as Oman, the implementation of VAT in Oman demonstrates characteristics that are relatively similar to those of the UAE, particularly through the application of a standard 5% tax rate and the imposition of a zero rate on certain goods and services. This policy

⁷ Mohd Ariff Kasim, Siti Rosmaini Mohd Hanafi, and Norazah Mohd Suki, "What Shapes Muslim Business Operators' Attitudes towards Value-Added Tax? Evidence from the United Arab Emirates," *Journal of Islamic Marketing* 13, no. 5 (March 29, 2022): 1016–32, <https://doi.org/10.1108/JIMA-07-2019-0154>

⁸ Mouawiya Alawad, "The Liberalization of the UAE Labor Market: Towards a Progressive and Inclusive Economy," *Journal of the Knowledge Economy* 16, no. 5 (December 23, 2024): 15758–84, <https://doi.org/10.1007/s13132-024-02562-z>

⁹ Gene H. Chang, Ye Chen, and Kathryn J. Chang, "Assessing Effective VAT Rates and Tax Efficiency at Industry-Level: The Case of China," *China Economic Review* 93 (October 2025): 102454, <https://doi.org/10.1016/j.chieco.2025.102454>

¹⁰ Anhar Anhar et al., "Paradigms of Scientific Integration in Sumatra's State Islamic Universities," *Jurnal Ilmiah Peuradeun* 14, no. 1 (January 30, 2026): 1–26, <https://doi.org/10.26811/peuradeun.v14i1.2608>

¹¹ Oana-Ramona Lobonț et al., "The Sustainability Dilemma: Fiscal Rules, Institutional Quality, and Economic Outcomes in the EU," *Systems* 13, no. 12 (November 23, 2025): 1055, <https://doi.org/10.3390/systems13121055>



reflects a common direction of fiscal reform among GCC countries in their efforts to strengthen non-oil state revenues and reduce dependence on the petroleum sector.¹² However, upon closer examination, the integration between the VAT system and social protection in Oman appears broader and more explicit than that implemented in the UAE. In Oman, VAT policy is not only realized through exemption mechanisms or zero-rated sectors, but is also directly linked to subsidy schemes and social assistance programs for the public. The Omani government has expanded the list of essential goods subject to a zero rate, provided subsidies for public utility services such as electricity and water, and absorbed VAT costs on subsidized fuel for low-income households and beneficiaries of social assistance programs. This approach demonstrates that Oman's VAT system has been integrated more comprehensively with social welfare policies in order to mitigate the regressive impact of consumption taxes on low-income communities and vulnerable groups. Therefore, it is necessary to examine the extent to which the implementation of VAT for social protection purposes in the UAE has been effective and to formulate an ideal regulatory framework capable of supporting a stronger integration between social protection policies and VAT implementation in the UAE.¹³

Extensive research has been conducted on taxation; however, studies specifically addressing social protection in the context of VAT implementation in the UAE are still lacking. For instance, research by Anagha Ann Gopakumar et al. (2022) states that the UAE government ensures the most critical sectors for the UAE economy (namely, banking, oil and gas, as well as travel and leisure) do not experience the adverse effects of VAT implementation by not imposing VAT in any form on these industries. However, the study does not identify the social and fiscal impacts of these policies.¹⁴ Research by Nizar M. Alsharari et al. (2023) asserts that the majority of businesses must be prepared for VAT registration and fulfill government requirements to comply with VAT laws and regulations. Moreover, the study highlights that the UAE and other GCC countries are taking substantial strides in economic revenue diversification.¹⁵ Research by Mohd Ariff Kasim et al. (2022) emphasizes that the challenges in implementing the VAT system serve as a primary predictor of the attitudes of Muslim business operators regarding the pre-VAT implementation period in the UAE, as they are cognizant that penalties associated with non-compliance will outweigh the costs incurred in VAT preparation.¹⁶ A study by Hadal Hammour and John McKeown (2022) highlights that segments of the UAE population have absorbed the additional costs of VAT without altering their spending habits but are

¹² Muhamad Fajar Pramono et al., "Repositioning Oligarchy and Democratic Governance: Institutional Reform in Indonesia," *Jurnal Ilmiah Peuradeun* 14, no. 1 (January 30, 2026): 123–50, <https://doi.org/10.26811/peuradeun.v14i1.2516>

¹³ Ahmad Dwi Nuryanto, Reza Octavia Kusumaningtyas, and Bukhadyrov Habibullo, "The Imperative of Social Justice on the Insolvency and Workers' Wage," *Journal of Sustainable Development and Regulatory Issues (JSDERI)* 2, no. 3 (September 14, 2024): 209–32, <https://doi.org/10.53955/jsderi.v2i3.48>

¹⁴ Gopakumar et al., "The Sectoral Effects of Value-Added Tax: Evidence from UAE Stock Markets."

¹⁵ Nizar M. Alsharari, Adel Almasarwah, and Ahmed Al Omush, "Value-Added Tax in the GCC Countries: Evidence from UAE," *International Journal of Electronic Banking* 4, no. 1 (2023): 28–44, <https://doi.org/10.1504/IJEBANK.2023.134487>

¹⁶ Kasim, Mohd Hanafi, and Mohd Suki, "What Shapes Muslim Business Operators' Attitudes towards Value-Added Tax? Evidence from the United Arab Emirates."



likely to change them in the future if the VAT rate increases, whereas low-income households and those with a family size of five or more are more profoundly affected by VAT.¹⁷ Furthermore, research by Ibrahim Kamel Al-shawabkeh et al. (2025) notes that UAE legislators have succeeded to a certain extent in striking a balance between the rights of taxable persons to obtain fair assessment decisions and the state's right to receive tax funds as expeditiously as possible.¹⁸

This research has three primary objectives. *First*, to analyze the extent to which legislators in the United Arab Emirates have accommodated social protection aspects within the legal framework of the Value-Added Tax (VAT), particularly concerning the impact of tax policies on public welfare and vulnerable groups.¹⁹ *Second*, to identify the forms, mechanisms, and challenges of integrating social protection into the implementation of VAT policy in the UAE, including its influence on the socio-economic conditions of society. *Third*, to formulate an ideal regulatory model or concept regarding the integration of social protection within the VAT system, capable of striking a balance between the optimization of state revenue, fiscal justice, and sustainable economic development.²⁰

METHOD

This research constitutes a normative legal study. The approaches utilized encompass statutory, conceptual, and comparative approaches.²¹ The statutory approach is employed to examine regulations concerning Federal Decree-Law No. (8) of 2017 on Value-Added Tax and its Executive Regulations, with a specific focus on provisions related to tax exemptions and zero-rated supplies. The conceptual approach is utilized to reinforce the application of social protection for economic actors in the UAE regarding VAT implementation.²² The comparative approach is applied to compare the concepts and regulations regarding VAT implemented in other countries, specifically Oman in this context. Furthermore, this study refers to relevant secondary sources, including academic literature, policy reports, and previous legal studies, to situate the UAE's VAT system within a broader fiscal and regulatory context. A qualitative analytical approach is applied to evaluate how preferential tax

¹⁷ Hammour Hadal and Mckeown John, "An Empirical Study of the Impact of VAT on the Buying Behavior of Households in the United Arab Emirates," *Journal of Accounting and Taxation* 14, no. 1 (January 31, 2022): 21–29, <https://doi.org/10.5897/JAT2020.0435>

¹⁸ Ibrahim Kamel Al-shawabkeh et al., "Tax Declaration in UAE Legislation: Balancing the Protection of Taxpayers' Rights and Preserving Public Funds," *International Journal of Law and Management*, August 11, 2025, <https://doi.org/10.1108/IJLMA-01-2025-0013>

¹⁹ I Wayan Suparta et al., "Determinants of Inclusive Growth in Java: Evidence from District-Level Panel Data (2019–2023)," *Jurnal Ilmiah Peuradeun* 14, no. 1 (January 30, 2026): 461–84, <https://doi.org/10.26811/peuradeun.v14i1.2111>

²⁰ I Wayan Wahyu Wira Udytama and Ni Komang Sutrisni, "The Transformation of Balinese Customary Law in Addressing Human Rights Challenges: A Socio-Legal Perspective," *Contrarius Series: Law & Social Justice* 1, no. 2 (March 10, 2026): 99–105, <https://doi.org/10.53955/cslsj.v1i2.126>

²¹ Madaliev Yarmuhammat Xudayberganovich, Agil Ahmadov, and Karomi Karomi, "The Governments' Role in Preserving National Identity on Globalization," *Journal of Sustainable Development and Regulatory Issues (JSDERI)* 3, no. 2 (June 12, 2025): 191–220, <https://doi.org/10.53955/jsderi.v3i2.76>

²² Hamda Sulfinadia et al., "Negotiating Islamic Inheritance and Customary Law: Functional Legal Pluralism and Matrilineal Pusako Randah in Minangkabau," *Journal of Islamic Law* 7, no. 1 (February 14, 2026): 1–30, <https://doi.org/10.24260/jil.v7i1.3743>



treatments operate in practice and whether such treatments effectively contribute to achieving social protection objectives.²³ This methodology further incorporates a contextual and interpretative analysis of selected policy indicators, including publicly available data on social protection expenditure, to support the evaluation of the relationship between tax design and social policy outcomes. This approach enables the study to assess both the legal structure and the practical implications of the VAT mechanisms in the UAE, and to identify potential gaps in the current framework considering contemporary social and economic challenges.²⁴

RESULT AND DISCUSSION

Impact of Regulations on Social Protection Integration within UAE VAT

The current state of VAT revenue in the UAE demonstrates a significant contribution to the total state revenue and serves as a vital instrument in strengthening non-oil economic diversification.²⁵ Since its inception in 2018 through Federal Decree-Law No. 8 of 2017 on Value Added Tax, VAT has been projected to provide stable and sustainable revenue, contributing approximately 1.5% to the national Gross Domestic Product (GDP).²⁶ The implementation of VAT is intended not only to enhance the state's fiscal capacity but also to form an integral part of the UAE's economic reform strategy to reduce dependence on oil revenue and bolster national economic resilience amidst global economic dynamics.²⁷ In practice, the UAE has established a standard VAT rate of 5% on all taxable goods and services. Nevertheless, UAE tax regulations also provide preferential treatment to certain sectors through zero-rated mechanisms and tax exemptions (exempted supplies). This policy indicates that the VAT system in the UAE is not only oriented toward optimizing state revenue but also incorporates social and economic considerations into its regulatory framework.²⁸

Globally, there are several legislative approaches utilized by countries in determining VAT rates. *First* is the single-rate system, which applies a uniform rate to

²³ Hariyanto Hariyanto et al., "Eco-Governance Fiqh and Urban Waste Management: A Critical Study of Environmental Policy in Yogyakarta," *Journal of Islamic Law* 7, no. 1 (February 28, 2026): 247–74, <https://doi.org/10.24260/jil.v7i1.5167>

²⁴ Ni Komang Sutrisni et al., "The Compliance of Governance on Family Data Protection Regulation," *Journal of Human Rights, Culture and Legal System* 4, no. 3 (2024): 706–41, <https://doi.org/10.53955/jhcls.v4i3.293>

²⁵ Osman Antwi-Boateng and Noura Hamad Salim Al Jaber, "The Post-oil Strategy of the <sc>UAE</sc> : An Examination of Diversification Strategies and Challenges," *Politics & Policy* 50, no. 2 (April 7, 2022): 380–407, <https://doi.org/10.1111/polp.12457>

²⁶ Lucien Rigaux, "The Redistributive Transformation of Fiscal Policy in Times of High Debt in Belgium (1912–2024): From Ability-to-Pay Taxation to Competitive Adjustment," *Economies* 14, no. 5 (May 8, 2026): 167, <https://doi.org/10.3390/economies14050167>

²⁷ Suhail Said Salim Maashani et al., "The Role of Specific Macroeconomic Factors on Tax Revenue Policy in an Oil-Dependent Economy: Evidence from Oman," *Review of Economics and Political Science* 11, no. 1 (January 9, 2026): 60–78, <https://doi.org/10.1108/REPS-06-2024-0017>

²⁸ Abdulla Jassim, Fatema Aqeel, and Maryam Althawadi, *Assessing the Economic Implications of Increased Value-Added Tax (VAT) Rates: Evidence from Bahrain* (Springer Charm, 2025), https://doi.org/10.1007/978-3-031-87550-2_138



all goods and services, as seen in Japan and Canada.²⁹ *Second* is the varied rate approach, based on the stages of production and distribution of goods and services.³⁰ *Third* is the multiple-rate system, which sets different rates according to the specific characteristics of goods and services, as implemented in countries such as Jordan.³¹ In this context, UAE legislators opted for the single-rate approach by establishing a standard rate of 5% on all taxable goods and services, as regulated under Article 45 of the Executive Regulations of the UAE VAT Law of 2017. This rate is relatively lower compared to other countries that implement VAT at levels reaching 15%, 16%, or even 23%.³²

Despite utilizing a single-rate system, the UAE still accommodates the dimension of social protection through specific provisions for certain categories of goods and services.³³ VAT regulations in the UAE categorize tax imposition into three primary groups: standard rate, zero-rated, and tax-exempt.³⁴ The standard rate category is applied at 5% to various commercial transactions, such as imported goods, food and beverages, electronic services, utility services, and commercial property leases.³⁵ Meanwhile, the zero-rated category is applied to sectors of strategic value to the social and economic interests of the public, such as international transport, specific healthcare and education services, supplies of crude oil and natural gas, the construction of new residential properties, investment metals, and the export of goods outside the GCC member states that implement VAT. Furthermore, the tax exemption category covers specific sectors such as residential properties, certain financial services, local passenger transport, and bare land.³⁶ The following is a simple comparison of the three VAT categories in the UAE.

²⁹ Seok-Hwan Lee, Yongho Chon, and Yun-Young Kim, "Comparative Analysis of Long-Term Care in OECD Countries: Focusing on Long-Term Care Financing Type," *Healthcare* 11, no. 2 (January 10, 2023): 206, <https://doi.org/10.3390/healthcare11020206>

³⁰ Yasin Tadayonrad and Alassane Balle Ndiaye, "A New Key Performance Indicator Model for Demand Forecasting in Inventory Management Considering Supply Chain Reliability and Seasonality," *Supply Chain Analytics* 3 (September 2023): 100026, <https://doi.org/10.1016/j.sca.2023.100026>

³¹ Hani A. Abu-Qdais, Nawras Shatnawi, and Rami Al-Shahrabi, "Modeling the Impact of Fees and Circular Economy Options on the Financial Sustainability of the Solid Waste Management System in Jordan," *Resources* 12, no. 3 (February 22, 2023): 32, <https://doi.org/10.3390/resources12030032>

³² Brahim Abidar, Slimane Ed-Dafali, and Miloudi Kobiyh, "Determinants of Value-Added Tax Revenue Transfers in Municipalities of Emerging Economies," *Economies* 13, no. 5 (April 23, 2025): 117, <https://doi.org/10.3390/economies13050117>

³³ Christina Lowe et al., "Extending Social Protection to Migrant Workers in the Region of the Cooperation Council for the Arab States of the Gulf (GCC): An Analysis of Enablers and Barriers," *International Social Security Review* 76, no. 4 (October 27, 2023): 89–110, <https://doi.org/10.1111/issr.12346>

³⁴ Atia Hussain and Ammad Ahmed, "Should Oil-Based Economies Implement Taxes? Evidence from the United Arab Emirates," *International Journal of Islamic and Middle Eastern Finance and Management*, November 14, 2025, 1–29, <https://doi.org/10.1108/IMEFM-11-2024-0577>

³⁵ Carmen Estrades et al., "Estimating the Economic Impacts of the Regional Comprehensive Economic Partnership," *Asia and the Global Economy* 3, no. 2 (July 2023): 100060, <https://doi.org/10.1016/j.aglobe.2023.100060>

³⁶ Yang Yang et al., "Economic Impact of Crude Oil Supply Disruption on Social Welfare Losses and Strategic Petroleum Reserves," *Resources Policy* 77 (August 2022): 102689, <https://doi.org/10.1016/j.resourpol.2022.102689>

**Table 1.** UAE VAT Rate Categories

VAT Category	VAT Charged	Input VAT Recovery	Examples
Standard	5%	Yes	Imported goods, food & beverages, electronic services, retail sale of goods, utility services, and commercial property leases.
Zero-rated	0%	Yes	International transport, specific healthcare and education services, crude oil and natural gas supplies, the first sale or lease of residential properties within three years of construction, gold (investment metals), and goods exported outside VAT-implementing GCC countries.
Exempt	No VAT	No	Residential properties (except those qualifying for zero-rated VAT), certain financial services, local passenger transport services, and bare land.

Source: Processed by the author

Based on this classification, it is evident that the application of zero-rating and tax exemptions is fundamentally intended to achieve specific social and economic objectives. These policies constitute a form of state regulatory intervention aimed at mitigating the regressive impact of VAT on society, particularly for low-income groups and sectors directly associated with the fundamental needs of the public. Consequently, VAT regulations in the UAE reflect the evolution of the function of tax law, which is no longer solely oriented toward the accumulation of state revenue but has also begun to integrate the function of social protection within the national taxation system.³⁷

This development indicates a transformation in the UAE's tax legal framework, where the regulatory system has begun incorporating the dimension of social protection as an integral part of the state's fiscal policy.³⁸ In this context, the VAT tax base grants broad authority to legislators to regulate and control economic activities through taxation instruments. As posited by Hull and Scalia (2021), modern tax systems enable the state to utilize fiscal policy as a tool for economic and social intervention to achieve specific goals. However, the implementation of exemption and zero-rating policies must inherently remain founded upon the principle of legality in tax law. This principle asserts that any form of tax collection or the provision of tax facilities can only be executed if explicitly stipulated in statutory regulations. Therefore, tax reliefs within the UAE VAT system are fundamentally legal instruments

³⁷ Iyad Mohammad Jadalhaq and Enas Mohammad Alqodsi, "Tort Law Makes a Quantum Leap: A Review of the Civil Liability Regime for Nuclear Operators in UAE Law," *Journal of Property, Planning and Environmental Law* 13, no. 1 (March 18, 2021): 17–30, <https://doi.org/10.1108/JPEL-05-2020-0023>

³⁸ Ahmed Samour, Umer Shahzad, and Grzegorz Mentel, "Moving toward Sustainable Development: Assessing the Impacts of Taxation and Banking Development on Renewable Energy in the UAE," *Renewable Energy* 200 (November 2022): 706–13, <https://doi.org/10.1016/j.renene.2022.10.020>



deliberately designed by legislators to attain specific social and economic objectives through the exemption of certain goods and services.³⁹

Within this framework, the specific types of tax relief in question represent an effort to reconcile purely fiscal concerns with social imperatives.⁴⁰ This further illustrates the endeavor of legislators to mitigate the impact of VAT on particular sectors and social groups, thereby providing social protection within the parameters of the VAT system.⁴¹ This also serves a primary objective, not only within VAT but across the entirety of the law which is to afford protection to consumers against transactional inequalities related to specific markets, particularly in situations where economic necessity is a determining factor.⁴² Therefore, tax relief can also be regarded as an additional measure aimed at safeguarding consumers alongside other protective provisions. This undoubtedly alleviates the economic burden and financial constraints on consumers, thereby enhancing their purchasing power for the acquisition of necessary goods and services.⁴³ Prior to the implementation of VAT, social protection policies were supported through the direct allocation of the federal budget by the government. The following is the federal budget allocation for social protection in the UAE.

Table 2. Federal Budget Allocation for Social Protection (2020–2024)

Year	2020	2021	2022	2023	2024
Budget	AED 3,229 billion	AED 3,229 billion	AED 3,229 billion	AED 3,229 billion	AED 3,229 billion

Source: Processed by the author

Based on the table, it is evident that the federal budget allocation for social protection during the 2020–2024 period was relatively stable, amounting to AED 3.229 billion annually. This budgetary stability indicates the UAE federal government's commitment to maintaining social protection programs sustainably. The consistency of this budget allocation reflects that social protection remains a crucial component of the UAE's national development policy, particularly in preserving social stability and public welfare amidst global economic dynamics.⁴⁴ However, this budget stability also

³⁹ Valeriy Khoruzhy et al., "Tax Residency in the European Union and the Problems of Implementing Anti-Tax Avoidance Legislation in the Frames of Digital Competition: A View From Non-Residents," *Journal of Public Affairs* 26, no. 1 (February 28, 2026), <https://doi.org/10.1002/pa.70106>

⁴⁰ Xue Bai, Jingqiu Zhong, and Dong Huang, "Economic Instruments for Natural Resource Efficiency: The Role of Carbon Taxation and Fiscal Policy," *Resources Policy* 89 (February 2024): 104614, <https://doi.org/10.1016/j.resourpol.2023.104614>

⁴¹ Cordelia Onyinyechi Omodero, "Value-Added Tax Revenue Transfers and Regional Social Development: Evidence from Nigeria," *Sustainability* 14, no. 21 (November 2, 2022): 14343, <https://doi.org/10.3390/su142114343>

⁴² Fariz Zuhad, Garnetto Wisang Christandriya, and Natalia Idha Prihatini, "Optimizing Value Added Tax (VAT) Revenue in Indonesia," *Journal of Justice Dialectical* 2, no. 1 (December 24, 2024): 43–55, <https://doi.org/10.70720/jjd.v2i2.41>

⁴³ Daria Popova, "Impact of Equity in Social Protection Spending on Income Poverty and Inequality," *Social Indicators Research* 169, no. 1–2 (September 6, 2023): 697–721, <https://doi.org/10.1007/s11205-023-03167-w>

⁴⁴ Hyojung Kim, "Strategic Legitimacy in Global Aid Governance: Saudi Arabia and the UAE," *Third World Quarterly*, March 12, 2026, 1–20, <https://doi.org/10.1080/01436597.2026.2634849>



suggests that the enhancement of social protection does not rely entirely on direct state expenditure. Under these circumstances, VAT mechanisms such as exemptions and zero-rating serve as vital supplementary instruments in supporting public social protection without necessitating a significant increase in government spending.⁴⁵

The effectiveness of integrating social protection into the VAT system depends heavily on regulatory clarity and the efficacy of the tax administration system. VAT regulations in the UAE stipulate various administrative obligations for businesses, including tax registration, transaction reporting, tax documentation, and the application of tax rates in accordance with transaction classifications mandated by law. These requirements are intended to ensure that tax facilities are applied precisely to their targets and are not misused by certain parties.⁴⁶ In the context of social protection, an effective tax administration system becomes a critical factor in ensuring that the benefits of tax facilities are genuinely received by the targeted community groups and sectors.⁴⁷ Businesses that obtain exemption or zero-rating facilities must be able to prove that their transactions meet the legal requirements as stipulated in the UAE VAT regulations.⁴⁸ Therefore, legal certainty and administrative oversight play a highly significant role in maintaining the effectiveness of social protection integration within the tax system.⁴⁹ However, regulatory complexity and high administrative burdens can also pose challenges for businesses, particularly small and medium enterprises. Complex documentation requirements and administrative procedures have the potential to increase compliance costs, thereby diminishing the expected effectiveness of social protection.⁵⁰

Furthermore, there is also the risk of tax facility abuse by specific business groups through tax avoidance practices. Regulatory loopholes can be exploited to gain greater fiscal advantages without genuinely providing the social benefits that constitute the primary objective of the policy. This condition indicates that tax supervision and law enforcement are essential elements in ensuring that the

⁴⁵ Anis Widyawati et al., "Crafting an Ideal Penitentiary Law: A Global Comparative Framework for Indonesia's Correctional System," *Legality: Jurnal Ilmiah Hukum* 33, no. 2 (August 16, 2025): 417–44, <https://doi.org/10.22219/ljih.v33i2.40358>

⁴⁶ Azeez Olasunkanmi Ojo and Saheed Akande Shittu, "Value Added Tax Compliance, and Small and Medium Enterprises (SMEs): Analysis of Influential Factors in Nigeria," *Cogent Business & Management* 10, no. 2 (December 12, 2023), <https://doi.org/10.1080/23311975.2023.2228553>

⁴⁷ Shahra Razavi, "Making the Right to Social Security a Reality for All Workers," *The Indian Journal of Labour Economics* 65, no. 2 (June 22, 2022): 269–94, <https://doi.org/10.1007/s41027-022-00378-6>

⁴⁸ Felipe Sabadini and Reinhard Madlener, "Does Taxation Hamper the Vehicle-to-Grid Business Case? Empirical Evidence from Germany," *Applied Energy* 381 (March 2025): 125041, <https://doi.org/10.1016/j.apenergy.2024.125041>

⁴⁹ Tomy Ncube and Una Murray, "Reflections on Government-led Social Assistance Programmes under Zimbabwe's National Social Protection Policy Framework: A Social Contract Lens," *International Social Security Review* 77, no. 3 (July 30, 2024): 59–97, <https://doi.org/10.1111/issr.12367>

⁵⁰ Ole Helby Petersen, Jesper Rosenberg Hansen, and Kurt Houlberg, "The Administrative Burden of Doing Business with the Government: Learning and Compliance Costs in <scp>Business-Government</Scp> Interactions," *Public Administration* 102, no. 1 (March 27, 2024): 188–206, <https://doi.org/10.1111/padm.12904>



integration of social protection within the VAT system operates effectively and accurately.⁵¹

On the other hand, VAT regulations also play a strategic role in ensuring a more equitable distribution of fiscal benefits for the public.⁵² The policies of zero-rating and tax exemptions on basic public needs are intended to maintain public purchasing power and mitigate the regressive impact of consumption taxes on low-income groups.⁵³ Through these tax facilities, the public is expected to retain affordable access to healthcare, education, transportation, and residential needs.⁵⁴ However, the distribution of benefits from these policies does not necessarily operate proportionally. In practice, middle- and upper-class demographic groups still reap substantial benefits from tax facilities because their consumption levels are relatively higher compared to impoverished groups.⁵⁵ This demonstrates that exemptions and zero-rating do not automatically generate effective social protection if they are not accompanied by appropriate targeting and oversight mechanisms. Additionally, the potential exploitation of regulatory loopholes by large corporations can also diminish the effectiveness of fiscal benefit distribution.⁵⁶ Based on these conditions, VAT regulations in the UAE must continue to be developed adaptively, considering the principles of social justice and fiscal efficiency. The government needs to ensure that tax facilities are genuinely directed toward sectors and community groups that require economic protection. Consequently, the integration of social protection within the UAE's VAT system reflects the transformation of a modern taxation system that is no longer solely oriented toward state revenue collection, but is also directed toward supporting inclusive, equitable, and sustainable economic development.⁵⁷

Challenges and Opportunities Regulations on Social Protection Integration within UAE VAT

The integration of social protection within the UAE's VAT system signifies a transformation in fiscal policy that is no longer solely oriented toward state revenue

⁵¹ Siti Rahma Novikasari, Duc Quang Ly, and Kerry Gershaneck, "Taxing Micro, Small and Medium Enterprises in Yogyakarta: Regulation and Compliance," *BESTUUR* 9, no. 1 (August 12, 2021): 59, <https://doi.org/10.20961/bestuur.v9i1.49184>

⁵² Maarten A. Siglé et al., "Tax Control and Corporate VAT Compliance: An Empirical Assessment of the Moderating Role of Tax Strategy," *Journal of International Accounting, Auditing and Taxation* 57 (December 2024): 100655, <https://doi.org/10.1016/j.intaccudtax.2024.100655>

⁵³ Jorge Luis Tonetto, Adelar Fochezatto, and Giovanni Padilha da Silva, "Refund of Consumption Tax to Low-Income People: Impact Assessment Using Difference-in-Differences," *Economies* 11, no. 6 (May 24, 2023): 153, <https://doi.org/10.3390/economies11060153>

⁵⁴ Naifu Fan, Xiaohong Chen, and Zhiwei Yang, "Does Affordable Housing Provide a Better Life for Vulnerable Groups? Measuring Social Equity through Public Transit Accessibility," *Journal of Transport Geography* 128 (October 2025): 104340, <https://doi.org/10.1016/j.jtrangeo.2025.104340>

⁵⁵ Basak Kus and Gregory Jackson, "Green Transitions: Rethinking Political Economy in the Context of Climate Change," *Regulation & Governance* 19, no. 2 (April 7, 2025): 287–302, <https://doi.org/10.1111/rego.70013>

⁵⁶ Shahra Razavi et al., "Building Universal Social Protection Systems for All: What Role for Targeting?," *Global Social Policy* 22, no. 3 (December 4, 2022): 449–63, <https://doi.org/10.1177/14680181221121449>

⁵⁷ Issam Tlemsani et al., "Digitalization and Sustainable Development Goals in Emerging Islamic Economies," *Journal of Islamic Accounting and Business Research* 16, no. 5 (May 29, 2025): 890–914, <https://doi.org/10.1108/JIABR-03-2023-0092>



collection but is also directed toward supporting public social welfare.⁵⁸ The application of zero-rated supplies and tax exemptions (exempted supplies) mechanisms to strategic sectors such as education, healthcare, transportation, housing, and charitable activities reflects the UAE legislators' efforts to integrate the dimension of social protection into the national taxation system.⁵⁹ However, the implementation of these policies still faces various regulatory, administrative, and structural challenges that affect the effectiveness of social protection within the VAT system.⁶⁰ These challenges will subsequently impact the effectiveness of the policy's application. The effectiveness of integrating social protection into the UAE VAT system can be analyzed using Lawrence M. Friedman's legal system theory, which posits that the success of a legal system is determined by three primary elements: legal structure, legal substance, and legal culture. These three elements are interconnected in determining the extent to which VAT regulations can execute social protection functions effectively and equitably.⁶¹

First, from the perspective of legal structure, the UAE has established a sufficiently robust institutional framework through the presence of the Federal Tax Authority (FTA) as the primary agency responsible for VAT administration and supervision. Furthermore, the implementation of social protection within VAT also involves coordination with other ministries and authorities related to the education, healthcare, transportation, and social welfare sectors.⁶² This institutional structure demonstrates institutional support for the execution of socially oriented fiscal policies. Nevertheless, the effectiveness of this legal structure continues to encounter several challenges, particularly concerning the administrative and procedural complexities involved in obtaining tax facilities.⁶³ Various tax facilities within the UAE VAT system necessitate compliance with relatively stringent administrative procedures, such as specific business classifications, permits from relevant authorities, and detailed documentation requirements. In the education sector, for instance, only institutions that have obtained official government recognition can enjoy the zero-rated facility. Similar

⁵⁸ Saad Abdulla Saleh Al Hammadi and Naemah Abdulla Khalifa AL Ali, "Financial Governance and Compliance Perspective: VAT Implementation in the UAE," *International Journal of Accounting and Management Sciences* 4, no. 1 (March 3, 2026), <https://doi.org/10.56830/IJAMS01202503>

⁵⁹ Pedro Mzileni and Qhama Noveve, "Symbolic Violence Under a Liberal Welfare State Crisis? Reviewing the National Student Financial Aid Scheme (NSFAS)," *South African Review of Sociology* 55, no. 1 (January 2, 2025): 113–28, <https://doi.org/10.1080/21528586.2025.2460638>

⁶⁰ Cordilia Eke, Oladapo Olatinsu, and Adaugo Queeneth Uwakwe, "Withholding Tax Frameworks in Developing Countries: A Critical Review of Structure, Compliance, and Enforcement Mechanisms," *International Journal of Research in Finance and Management* 8, no. 1 (January 1, 2025): 863–72, <https://doi.org/10.33545/26175754.2025.v8.ili.635>

⁶¹ Al-Hareth Alhalalmeh et al., "Intersections of Social Security: Legal Frameworks, Economic Impact, and Policy Implications," in Hannon, A. (Eds) *Frontiers of Human Centricity in the Artificial Intelligence-Driven Society 5.0. Studies in Systems, Decision and Control* (Springer Cham, 2024), 1107–16, https://doi.org/10.1007/978-3-031-73545-5_100

⁶² Sulikah Asmorowati, Violeta Schubert, and Eko Supeno, "Stretching the Social Protection System beyond Capacity: Tensions between Governance Capacity and Conceptualisations of Elder Care in Nursing Homes in Indonesia," *International Journal of Sociology and Social Policy* 44, no. 11/12 (September 26, 2024): 1200–1218, <https://doi.org/10.1108/IJSSP-12-2023-0322>

⁶³ Bambang Tri Bawono et al., "The Impact of Islamic Economics Principles on the Tax Compliance Payment Entertainment Policy," *JURIS (Jurnal Ilmiah Syariah)* 23, no. 1 (June 26, 2024): 107, <https://doi.org/10.31958/juris.v23i1.12182>



conditions apply to the healthcare sector and charitable activities.⁶⁴ This situation indicates that the effectiveness of social protection through VAT remains heavily dependent on the administrative capacity of institutions and individuals to meet the prevailing legal requirements. Consequently, community groups or organizations with administrative limitations potentially fail to obtain optimal benefits from these policies.⁶⁵

Second, regarding legal substance, the UAE's VAT regulations demonstrate legislators' efforts to integrate values of social justice into taxation policy. The provisions concerning zero-rated tariffs and tax exemptions for sectors covering basic public needs represent a form of state intervention aimed at mitigating the regressive impact of VAT as a consumption tax.⁶⁶ From the perspective of Friedman's legal system theory, legal substance is considered effective if the established norms can address the social needs of the public and creating distributive justice. In this context, UAE VAT regulations have provided protection to several strategic sectors such as public transportation, healthcare services, education, residential buildings, and charitable organizations.⁶⁷

Despite this, the effectiveness of this legal substance still faces various limitations. Social protection policies within the UAE VAT tend to be selective and conditional, thus not yet fully establishing comprehensive social protection.⁶⁸ In the education sector, for example, the zero-rated facility does not encompass all educational needs, such as electronic devices, uniforms, and extracurricular activities.⁶⁹ In the healthcare sector, preferential tax treatment solely applies to services directly related to human health and excludes specific services such as cosmetic treatments. Similarly, in the housing sector, the zero-rating mechanism only applies to the first sale or lease of a residential building within a specified period following the completion of construction.⁷⁰ These limitations indicate that the legal substance of the UAE VAT

⁶⁴ Cahya Intan Ayuningsekar, Abdul Kadir Jaelani, and Sapto Hermawan, "Legitimacy Principle of Equality in Collection of Rural and Urban Land Tax," *Journal of Sustainable Development and Regulatory Issues (JSDERI)* 1, no. 3 (September 29, 2023): 151–74, <https://doi.org/10.53955/jsderi.v1i3.15>

⁶⁵ Ross Warwick et al., "The Redistributive Power of Cash Transfers vs VAT Exemptions: A Multi-Country Study," *World Development* 151 (March 2022): 105742, <https://doi.org/10.1016/j.worlddev.2021.105742>

⁶⁶ Siti Kurnia Rahayu, Adeh Ratna Komala, and Sharifah Norzehan BT Syed Yusuf, "Enhancing Islamic Banking through Accounting and Taxation Harmonization: A Comparative Study of Indonesia and Malaysia," *Australasian Accounting, Business and Finance Journal* 18, no. 5 (December 5, 2024), <https://doi.org/10.14453/aabfj.v18i5.09>

⁶⁷ Derita Prapti Rahayu et al., "Legal Effectiveness of Business Contracts in Tin Mining: Socio-Legal and Governance Challenges in Corporate–Community Relations in Indonesia," *Resources Policy* 111 (December 2025): 105767, <https://doi.org/10.1016/j.resourpol.2025.105767>

⁶⁸ Sana Rasheed and Soulla Louca, "Blockchain-Based Implementation of National Census as a Supplementary Instrument for Enhanced Transparency, Accountability, Privacy, and Security," *Future Internet* 16, no. 1 (January 11, 2024): 24, <https://doi.org/10.3390/fi16010024>

⁶⁹ David Mhlanga, "Digital Transformation of Education, the Limitations and Prospects of Introducing the Fourth Industrial Revolution Asynchronous Online Learning in Emerging Markets," *Discover Education* 3, no. 1 (March 29, 2024): 32, <https://doi.org/10.1007/s44217-024-00115-9>

⁷⁰ Mahdi Kooshkebaghi, Sara Emamgholipour, and Hossein Dargahi, "Explaining Specific Taxes Management and Use in the Health Sector: A Qualitative Study," *BMC Health Services Research* 22, no. 1 (September 30, 2022): 1220, <https://doi.org/10.1186/s12913-022-08556-4>



remains focused on specific administrative classifications and is not yet entirely based on the broader social needs of the public. Furthermore, the challenge regarding legal substance is also evident in the potential misallocation of fiscal policy benefits. Under certain conditions, the benefits of tax facilities are enjoyed more by business actors than by the public as end consumers. For example, tax incentives in the property sector may increase developers' profits without directly reducing housing prices significantly for low-income communities. This indicates that VAT-based social protection policies still require the strengthening of oversight mechanisms to ensure that the benefits are genuinely received by the primary target demographic groups.⁷¹

Third, concerning the aspect of legal culture, the effectiveness of integrating social protection within the VAT system is heavily influenced by the level of public awareness and acceptance of the implemented tax policies.⁷² At the onset of VAT implementation in the UAE, there was resistance from some business operators who perceived the new tax system as increasing administrative burdens and operational costs.⁷³ However, alongside the progression of national economic reforms, the public and the business sector began to understand that VAT is a crucial instrument in maintaining the state's economic stability and supporting sustainable development.⁷⁴ Nevertheless, the legal culture concerning the utilization of social protection facilities within the VAT system still faces challenges in the form of low tax literacy and minimal public understanding regarding their rights and the available mechanisms of tax facilities.⁷⁵ A lack of dissemination regarding zero-rated tariffs, tax exemptions, and VAT refund mechanisms can diminish the effectiveness of social protection policies because the public does not fully comprehend how to derive benefits from these provisions. From the perspective of Friedman's theory, a legal culture that does not fully support regulatory implementation will cause the law to lose its social effectiveness, even if it is normatively well-regulated.⁷⁶

The various challenges that have contributed to the ineffectiveness of this policy demonstrate the need for regulatory reform aimed at integrating social protection into the UAE VAT system. Such reform would create a range of strategic opportunities, particularly in strengthening social welfare, improving fiscal fairness, and ensuring that

⁷¹ Ana Estevens et al., "The Role of the State in the Touristification of Lisbon," *Cities* 137 (June 2023): 104275, <https://doi.org/10.1016/j.cities.2023.104275>

⁷² Mohammad Ridwan Rumasukun and Muhammad Yamin Noch, "Comparative Analysis of Tax System Effectiveness in Developed and Developing Countries," *Golden Ratio of Taxation Studies* 3, no. 2 (July 30, 2023): 100–112, <https://doi.org/10.52970/grts.v3i2.626>

⁷³ Riham Muqattash et al., "Does Carbon Tax Implementation Advance Sustainable Development in the United Arab Emirates? Perceptions of Academics and Professionals," *Sustainable Futures* 11 (June 2026): 101603, <https://doi.org/10.1016/j.sftr.2025.101603>

⁷⁴ Indra Abeysekera, "The Influence of Fiscal, Monetary, and Public Policies on Sustainable Development in Sri Lanka," *Sustainability* 16, no. 2 (January 9, 2024): 580, <https://doi.org/10.3390/su16020580>

⁷⁵ David Colin Greenham, Rajesh Ramlall, and Lesley June Stainbank, "Tax Education and Taxpayer Enculturation: Initiatives for South Africa," *South African Journal of Accounting Research* 38, no. 1 (January 2, 2024): 1–26, <https://doi.org/10.1080/10291954.2023.2250628>

⁷⁶ Gerhard Badenhorst, Muneer E. Hassan, and Michelle van Heerden, "Deemed Output Tax on Indemnity Payments Related to Zero-Rated Insurance Contracts: A Question of Certainty and Fairness in the Industry," *South African Journal of Accounting Research*, March 15, 2026, 1–20, <https://doi.org/10.1080/10291954.2026.2621578>



the implementation of VAT contributes not only to state revenue generation but also to broader social and economic development objectives. One of the primary opportunities is the creation of a more fiscally sustainable social protection system. Unlike direct social assistance, which necessitates increased state expenditure, a taxation-based social protection mechanism enables the government to provide economic support to the public through fiscal policies without excessively burdening the state budget. Consequently, VAT functions not only as an instrument for collecting state revenue but also as a more flexible and adaptive tool for economic redistribution and social protection.⁷⁷

Furthermore, the policies of zero-rating and tax exemptions for the education, healthcare, and housing sectors also open opportunities for increased investment in public service sectors.⁷⁸ In the healthcare sector, for instance, tax facilities for pharmaceuticals and medical equipment can enhance the quality of healthcare services and strengthen the UAE's position as a regional healthcare hub. In the education sector, fiscal incentives can elevate the quality of educational institutions and broaden public access to more affordable education. Meanwhile, in the housing sector, tax facilities for residential buildings can encourage the development of more inclusive housing and improve public access to decent living accommodations.⁷⁹ Another opportunity lies in the capacity of VAT regulations to serve as an instrument of social development that is more modern and responsive to global economic changes. A VAT system integrated with social protection enables the UAE government to strike a balance between the fiscal interests of the state and the welfare of society. In this context, taxation policy is no longer viewed solely as a tax collection tool, but also as a legal instrument possessing social and distributive functions.⁸⁰

This can be seen in the implementation adopted by Oman, which is also part of the GCC countries. Oman officially introduced VAT on 16 April 2021 as part of its fiscal reform agenda and broader strategy for non-oil economic diversification. Similar to the UAE, Oman applies a standard VAT rate of 5% on certain goods and services. However, unlike tax policies that are solely oriented toward increasing state revenue, the implementation of VAT in Oman has been directly integrated with various social protection initiatives aimed at reducing the economic burden on society, particularly low- and middle-income groups. This integration demonstrates that modern taxation policies within the GCC region are no longer focused exclusively on fiscal stability but

⁷⁷ Vinodh K. Natarajan, Jayendra P. Sankar, and Lamin Jarju, "Reimagining Value-Added Tax Reform Through Digital Rebates and Advanced Simulation for Inclusive Fiscal Policy," *Journal of Risk and Financial Management* 19, no. 2 (February 3, 2026): 111, <https://doi.org/10.3390/jrfm19020111>

⁷⁸ Anuradha Joshi, Jalia Kangave, and Vanessa van den Boogaard, "Furthering a Feminist Fiscal Agenda: Engendering Tax and Development," *Development Policy Review* 43, no. 3 (May 23, 2025), <https://doi.org/10.1111/dpr.70005>

⁷⁹ Abdurrohman Kasdi et al., "Fatwa and Religious Authority: Islamic Law, Social Media Ethics and Digital Age," *Al-Ahkam: Jurnal Ilmu Syari'ah Dan Hukum* 11, no. 1 (March 3, 2026): 56–66, <https://doi.org/10.22515/alakhkam.v11i1.10755>

⁸⁰ Hunar Mohammed and Anita Tangl, "Taxation Perspectives: Analyzing the Factors behind Viewing Taxes as Punishment—A Comprehensive Study of Taxes as Service or Strain," *Journal of Risk and Financial Management* 17, no. 1 (December 21, 2023): 5, <https://doi.org/10.3390/jrfm17010005>



are also increasingly considering social welfare considerations and the protection of vulnerable communities in their implementation.⁸¹

VAT initiatives and concessions in Oman include several important measures. First, the government expanded the scope of essential goods subject to a zero VAT rate (zero-rated supplies). Oman broadened the list of food products eligible for zero-rating from only 93 commodities to 488 commodities. This policy reflects the government's effort to maintain the affordability of necessities following the implementation of VAT. The list of zero-rated essential goods is formally regulated under Ministerial Decision No. 65/2021.⁸² Through this measure, the Omani government seeks to minimize the regressive effects of VAT on household consumption, particularly among low-income communities. From a social protection perspective, the application of a zero rate on essential food products represents a form of fiscal intervention aimed at preserving purchasing power and preventing an increase in the economic burden caused by rising consumer prices.⁸³

Second, the integration of social protection into Oman's VAT system is also reflected in its public utility subsidy policy. The Omani government bears the VAT costs imposed on electricity and water services for citizens who own no more than two residential accounts, including individuals registered under government social support programs. This policy demonstrates that the government does not merely provide tax exemptions in a normative sense, but also actively assumes part of the fiscal burden associated with essential public services. Such measures play a significant role in maintaining public access to basic utilities without exposing households to additional financial pressure resulting from VAT implementation. In the context of a modern welfare state, this mechanism reflects a more responsive and targeted model of social protection because its benefits are directly experienced by the public.⁸⁴

Third, the Omani government increased the amount of subsidized fuel available to National Support Card holders from 200 liters to 400 liters per month.⁸⁵ In addition, the government absorbed the VAT imposed on subsidized fuel to maintain fuel prices at the same level as before the introduction of VAT. This policy reflects a form of social compensation strategy designed to reduce inflationary pressures and the rising

⁸¹ Guerfi Assma, "The Impact of Regular Taxation on Non-Oil Economic Growth: Evidence from a PANEL-ARDEL Study in the Arab Gulf Cooperation Council Countries – during the Period 1990-2019," June 26, 2023, <https://doi.org/10.21203/rs.3.rs-3079387/v1>

⁸² Lukman Santoso, Khaidarulloh Khaidarulloh, and Muh Jihad Al Haqiqi, "Fragmented Legal Protection in Child Marriage Prevention," *Al-Ahkam: Jurnal Ilmu Syari'ah Dan Hukum* 11, no. 1 (February 25, 2026): 27–55, <https://doi.org/10.22515/alahkam.v11i1.14103>

⁸³ Mohamed Abdul Madhar and Salma Abdullah Al –Hattali, "The Impact of Value Added Tax on Consumers' Spending with Special Reference to Dakhiliyah Governorate in Oman," *SSRN Electronic Journal*, 2025, <https://doi.org/10.2139/ssrn.5300875>

⁸⁴ Tif Said Suhail Al Mazroui A N D Maathir Mohammed Saud Al Alawi A N D Mohammed Muneerali Thottoli A N D Duaa Suleiman Amur Al Hoqani A N D Noor Talal Hamed Al Shukaili, "The Need for Harmonizing Value Added Tax Legislation in Gulf Cooperation Council," *Constitutionale* 3, no. 1 (2022): 51–64, <https://doi.org/https://doi.org/10.25041/constitutionale.v3i1.2570>

⁸⁵ Jon Strand, "Fuel and Electricity Pricing and Subsidies in the GCC States: Recent Developments," *Middle East Development Journal* 16, no. 2 (July 2, 2024): 164–95, <https://doi.org/10.1080/17938120.2024.2415237>



cost of living resulting from tax reform.⁸⁶ Considering that fuel prices directly affect transportation and the distribution of goods; the subsidy policy serves as an important instrument for maintaining economic stability within society. Therefore, the implementation of VAT in Oman has not been carried out in isolation, but rather alongside integrated social mitigation measures intended to protect vulnerable groups from economic hardship.⁸⁷

When compared to the UAE, Oman demonstrates a more explicit and direct model of integrating social protection into its VAT system. The UAE has indeed implemented various tax facilities, including zero-rated and exempt supplies in sectors such as education, healthcare, transportation, and housing. However, most of these mechanisms remain in the form of fiscal exclusions based on sectoral classification and are not yet fully connected to direct social assistance schemes for the public.⁸⁸ In contrast, Oman has integrated VAT policies with more concrete and measurable subsidy and social compensation programs. This demonstrates that a VAT system can be developed not only as an instrument for generating state revenue, but also as a mechanism of social protection that is more adaptive to the needs of society.⁸⁹

Therefore, to optimize these opportunities and to take into consideration the integrated approach implemented in Oman, it is necessary to formulate several ideal policy frameworks aimed at maximizing the potential of VAT as an instrument of social protection in the UAE. Such policies are expected to strengthen the integration between fiscal policy and social welfare measures, while ensuring that VAT implementation contributes not only to revenue generation, but also to the protection of vulnerable and low-income communities. First, conducting regulatory reforms that are more adaptive and inclusive of the public's social needs. This reform is crucial because the current social protection mechanisms within the UAE VAT system remain selective and limited to specific administrative classifications. Therefore, VAT regulations need to be developed so as not to focus solely on predetermined formal sectors, but also to be capable of accommodating the broader needs of the public, particularly low-income and vulnerable groups.⁹⁰ Such reforms can be executed by expanding the scope of goods and services eligible for zero-rated facilities or tax exemptions, especially regarding fundamental public needs that directly impact social welfare. Furthermore, periodic evaluations of the effectiveness of tax facilities

⁸⁶ Illy Yanti et al., "Negotiating Shari'ah and Customary Law: Legal Pluralism in Familial Relationships among the Suku Anak Dalam in Jambi," *Journal of Islamic Law* 6, no. 2 (June 26, 2025): 177–205, <https://doi.org/10.24260/jil.v6i2.3311>

⁸⁷ Michail Michailidis et al., "Governance, Energy Policy, and Sustainable Development: Renewable Energy Infrastructure Transition in Developing MENA Countries," *Energies* 18, no. 11 (May 26, 2025): 2759, <https://doi.org/10.3390/en18112759>

⁸⁸ Abdullah Muslich Rizal Maulana et al., "From Digital Religion to Digital Islam: Finding God in the Society 5.0 through Maqāsid Shari'ah," *Al-Ahkam: Jurnal Ilmu Syari'ah Dan Hukum* 11, no. 1 (2026): 3–26, <https://doi.org/10.22515/alahkam.v11i1.11066>

⁸⁹ Abdullah Muslich Rizal Maulana et al., "From Digital Religion to Digital Islam: Finding God in the Society 5.0 through Maqāsid Shari'ah," *Al-Ahkam: Jurnal Ilmu Syari'ah Dan Hukum* 11, no. 1 (2026): 3–26, <https://doi.org/10.22515/alahkam.v11i1.11066>

⁹⁰ Giulia Mascagni et al., "The VAT in Practice: Equity, Enforcement, and Complexity," *International Tax and Public Finance* 30, no. 2 (April 16, 2023): 525–63, <https://doi.org/10.1007/s10797-022-09743-z>



must also be conducted to ensure that VAT policies remain relevant to the social and economic developments of the UAE populace.⁹¹

Second, the UAE government must simplify administrative procedures in applying for tax facilities so that access to social protection benefits becomes easier, faster, and more accurately targeted.⁹² The complexity of administrative procedures has thus far been one of the primary obstacles to the implementation of VAT-based social protection policies.⁹³ Various formal requirements, lengthy verification processes, and the need for detailed administrative documentation can reduce the policy's effectiveness, as not all individuals or social institutions possess adequate administrative capacity. In this context, the digitalization of tax services and the integration of administrative systems across institutions serve as strategic steps to enhance bureaucratic efficiency.⁹⁴ The simplification of procedures must also be accompanied by increased information transparency and public dissemination regarding the available mechanisms for tax facilities. Consequently, the benefits of social protection policies within the VAT system can be accessed not only by specific groups with high administrative capabilities but also experienced more equitably by the wider community.⁹⁵

Third, regulatory harmonization among government agencies is required to enhance the effectiveness of implementing social protection policies within the VAT system. The integration of social protection cannot function optimally if tax regulations operate in isolation from the policies of the education, healthcare, housing, and social welfare sectors. Therefore, coordination between the Federal Tax Authority (FTA) and related ministries and institutions must be strengthened through integrated regulatory mechanisms. Such harmonization is essential to create data synchronization, policy uniformity, and the effective distribution of social protection benefits to communities in need.⁹⁶ Additionally, the strengthening of monitoring and evaluation mechanisms is a crucial step to ensure that tax facilities genuinely deliver

⁹¹ Natalie D. Riediger et al., "An Examination of Sugar-Sweetened Beverage Tax Regulations in Six Jurisdictions: Applying a Social Justice Perspective to Beverage Taxation and Exemptions," *Global Public Health* 19, no. 1 (December 31, 2024), <https://doi.org/10.1080/17441692.2024.2394806>

⁹² Sampson Anomah et al., "Blockchain Technology Integration in Tax Policy: Navigating Challenges and Unlocking Opportunities for Improving the Taxation of Ghana's Digital Economy," *Scientific African* 24 (June 2024): e02210, <https://doi.org/10.1016/j.sciaf.2024.e02210>

⁹³ Maryam Larikaman, Mahdi Salehi, and Nour-Mohammad Yaghubi, "The Impact of Applying Blockchain Technology in the Tax System: Opportunities and Challenges," *Journal of Financial Reporting and Accounting* 23, no. 2 (March 20, 2025): 639–59, <https://doi.org/10.1108/JFRA-11-2023-0641>

⁹⁴ Anisa Pali and Shezeina Rama, "Digital Transformation and Its Impact on Public Services: The Case of the Tax Administration Services," *Interdisciplinary Journal of Research and Development* 12, no. 1 51 (June 25, 2025): 40, <https://doi.org/10.56345/ijrdv12n1s106>

⁹⁵ Henris Balliu and Erisa Xhixho, "Harmonization of Value Added Tax in Albania and Countries of the Region: Challenges and Perspectives in the Context of European Integration," *Balkan Journal of Interdisciplinary Research* 11, no. 1 (May 1, 2025): 103–9, <https://doi.org/10.2478/bjir-2025-0010>

⁹⁶ Sharon Munedzi and Howard Chitimira, "Evaluating the Prospects and Related Challenges of Regulatory Cooperation to Enhance Market Integration in the AfCFTA," in *Warikandwa, T.V., Chitimira, H., Osode, P.C. (Eds) Law and Policy of the African Continental Free Trade Area (AfCFTA). European Yearbook of International Economic Law* (Springer, Cham, 2025), 21–34, https://doi.org/10.1007/978-3-032-01122-0_2



significant social impacts and are not abused by specific parties.⁹⁷ Effective oversight will assist the government in measuring the extent to which zero-rating and tax exemption policies can alleviate the economic burden on the public and improving access to basic needs such as education, healthcare, transportation, and housing.⁹⁸

In the long term, such a policy model is also expected to support the sustainable development agenda and non-oil economic diversification in the UAE. A VAT system oriented toward social protection would create a more equitable mechanism of economic distribution, strengthen public purchasing power, and improve access to essential services such as education, healthcare, transportation, and housing.⁹⁹ Accordingly, VAT policy would not only contribute to increasing state revenue but would also form part of a broader strategy for legal and economic development grounded in social justice and public welfare.¹⁰⁰ Furthermore, the integration of social protection into the VAT system may enhance social stability and strengthen national economic resilience amid global economic uncertainty. Such a policy also has the potential to create a more balanced relationship between the fiscal interests of the state and the fulfillment of citizens' social rights, thereby enabling the tax system to function in a more humane, adaptive, and sustainable manner.¹⁰¹

CONCLUSION

Based on the discussion above, two main conclusions can be drawn. *First*, VAT regulation in the UAE has evolved from merely serving as an instrument for generating state revenue into a mechanism of social protection. This transformation can be seen through the implementation of zero-rated supplies and tax exemptions for strategic sectors such as education, healthcare, transportation, housing, and charitable activities. These policies indicate that the UAE's VAT system is not only intended to support non-oil economic diversification and strengthen the state's fiscal capacity, but also to mitigate the regressive effects of consumption taxes and maintain public access to essential needs. Accordingly, VAT regulation in the UAE reflects the development of a modern taxation system that increasingly integrates fiscal functions with the objectives of social protection and equitable economic development. *Second*, the integration of social protection within the UAE VAT system continues to face several challenges related to legal structure, legal substance, and legal culture. Administrative complexity, extensive documentation requirements, the selective and conditional nature of tax regulations, and limited public tax literacy remain significant

⁹⁷ Bistra Svetlozarova Nikolova, *The Impact of the Concept of Corporate Social Responsibility and the Principles of Good Governance on Tax Audit and Taxation* (Springer Cham, 2023), https://doi.org/10.1007/978-3-031-32126-9_2

⁹⁸ Predashni Naidoo, Jean Damascene Mvunabandi, and Masibulele Phesa, "Do Value Added Tax Class Rulings Matter in Universities?," *Economies* 14, no. 5 (May 8, 2026): 168, <https://doi.org/10.3390/economies14050168>

⁹⁹ Ali Salem Almarri, "How the Law Can Ensure the Success of Value-Added Tax," *International Journal of Law and Management* 68, no. 1 (January 19, 2026): 43–55, <https://doi.org/10.1108/IJLMA-06-2024-0217>

¹⁰⁰ R. Arifin et al., "Indonesian Sustainable Development Policy: How the Government Ensures the Environment for Future Generations," *IOP Conference Series: Earth and Environmental Science* 1355, no. 1 (2024): 1–7, <https://doi.org/10.1088/1755-1315/1355/1/012005>

¹⁰¹ Naeem AllahRakha, "Legislators Qualifications in Pakistan Under Islamic Constitutional Provisions," *Journal of Human Rights, Culture and Legal System* 5, no. 2 (August 13, 2025): 473–99, <https://doi.org/10.53955/jhcls.v5i2.491>



factors affecting the effectiveness of social protection under the VAT system. On the other hand, the experience of Oman demonstrates that VAT systems can be integrated more comprehensively with subsidy schemes and social compensation policies that directly address the needs of society. Therefore, the UAE needs to undertake more adaptive and inclusive regulatory reforms, simplify administrative procedures for tax facilities, and strengthen regulatory harmonization among government institutions so that the VAT system may function not only as an instrument of state revenue collection, but also as a more effective, equitable, and sustainable instrument of social protection.

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