

IMPLEMENTATION PREPAREDNESS



Identify Personnel

Assign one person who can co-ordinate between various departments (Finance, IT, Logistics, HR, Legal) and works under the guidance of VAT consultants.



Impact Analysis

Tax, Information technology, supply chain | Pricing, top-line and bottom-line | Specific business aspects and business plan | Cash flow | Legal Structure | Transactions



Critical Issues

Identify critical issues for discussion and conclusion



Implementation / Make Changes

Post identification of critical issues, implement the necessary changes.



Training

Provide training to relevant departments



Post Implementation & Go Live

VAT registrations, payments and returns | Resolve transition related issues



YOUR ONE-STOP SOLUTION FOR VAT

Tally.ERP 9 is a complete business management software solution preferred by over a million customers across the world. A true all-rounder, Tally.ERP 9 caters to all your crucial business needs including financial accounting, inventory management, taxation, banking and much more. What's more, the software keeps you connected with your business at all times, through its trusted remote access.



INTRODUCTION TO VAT



GCC States have worked together and signed up a Unified Agreement for the introduction of Value Added Tax (VAT). This framework agreement provides the basic principles of proposed VAT Laws for the six GCC countries. GCC Member states can retain some flexibility to treat differently certain products and services which they consider important or affect their economy. These areas may include basic food items, healthcare, education and free zones.

UAE was amongst the first states to announce the introduction of VAT with tentative effective date of 1st January 2018. VAT is expected to significantly impact nearly every business in one way or the other. The date of 1st January 2018 is not far away and businesses must prepare themselves and set right their systems and processes to adopt this statutory change.

The big question is, as a business are you ready? This is not a just a change in tax but will impact the way business is done.

VAT is not expected to be a tax on most businesses, but collecting tax and remitting the right amount to Government after adjusting the eligible VAT paid is going to be a major responsibility for businesses. This may add compliance costs with possible implications on Cash Flow. Business supply chains must be relooked and necessary adjustments might be required. VAT accounting obligations must be maintained.

One major impact on businesses is the preparation of their IT Systems. Businesses must ensure the software that is used is VAT compliant and that it provides simple and easy generation of returns as required by relevant authority. The software should also provide necessary controls to capture both Input and Output VAT and facilitate business exception scenario such as Sales & Purchase Returns, Bad Debts.

WHAT IS VAT?



A value-added tax (VAT), known in some countries as a goods and services tax (GST), is a type of general consumption tax that is collected incrementally, based on the surplus value, added to the price on the work at each stage of production, which is usually implemented as a destination-based tax, where the tax rate is based on the location of the customer. VATs raise about a fifth of total tax revenues both worldwide and among the members of the Organisation for Economic Co-operation and Development (OECD). As of 2014, 160 of the world's approximately 193 countries employ a VAT, including all OECD members except the United States.

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HOW DOES VAT WORK?

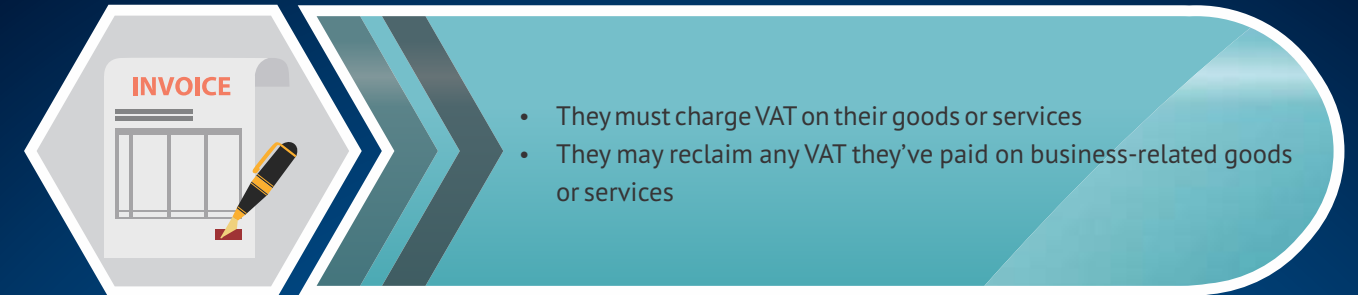


VAT is charged on things like:

- Sale of goods and services
- Hiring or loaning of goods
- Selling business assets
- Commission
- Items sold to staff - for example canteen meals
- Business goods used for personal reasons
- 'Non-sales' like bartering, part-exchange and gifts

These are known as 'taxable supplies'. For charities, different rules apply.

RESPONSIBILITIES OF VAT-REGISTERED BUSINESSES



THINGS TO MENTION FOR VAT COMPLIANCE

- Place of Supply
 - The location of your customer; whether the transaction was B2B or B2C; location where the shipment arrived from and was shipped to
- Time of Supply – Earlier of Three
 - When goods are made available or services are performed
 - When tax invoice is issued
 - When part or full payment is received

CONCEPT OF REVERSE CHARGING

- Reverse Charge Mechanism is applicable while importing goods or services from outside the GCC countries. Under this, the businesses will not have to physically pay VAT at the point of import.
- The responsibility for reporting of a VAT transaction is shifted from the seller to the buyer under Reverse Charge Mechanism. Here, the buyer reports the Input VAT (VAT on purchases) as well as the output VAT (VAT on sales) in their VAT return for the same quarter.
- The reverse charge is the amount of VAT one would have paid on goods or services if one had bought it in the UAE. The importer has to disclose the amount of VAT under both Input VAT as well as Output VAT categories of the VAT return of that quarter.
- Reverse Charge Mechanism eliminates the obligation for the overseas seller to register for VAT in the UAE.

REQUIREMENTS FOR RECORD KEEPING

