



Expert advice

Introduction of VAT in GCC

2017

Latest Developments in VAT

A Common VAT Framework

- GCC Member States agreed on a common VAT framework (treaty)

Tax Authorities and VAT Legislation

- In UAE, the setting up of Federal Tax Authority (FTA) announced in November 2016
- The Federal National Council (FNC) of the UAE approved the “Tax Procedures Law” in March 2017
- Each Member State expected to issue national VAT legislation shortly after agreement to treaty

VAT Regulations

- Regulations will provide guidance to taxpayers on interpretation of VAT legislation

Go Live

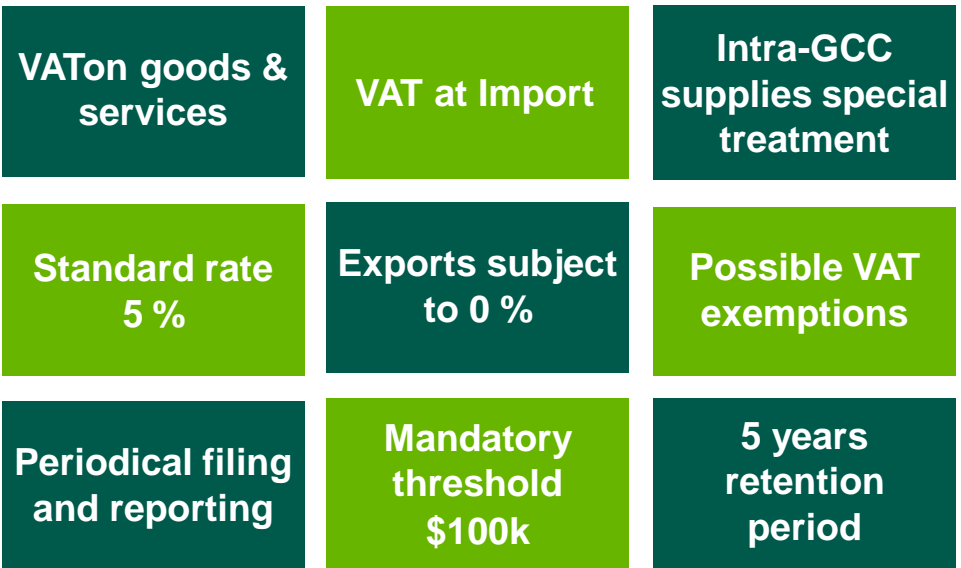
- The introduction of VAT in the GCC is expected to take effect from 1 January 2018
- GCC countries that are not ready by that date will have until the end of 2018 and, until then, will be treated as outside GCC with regards to this rules

Our understanding of the GCC VAT system

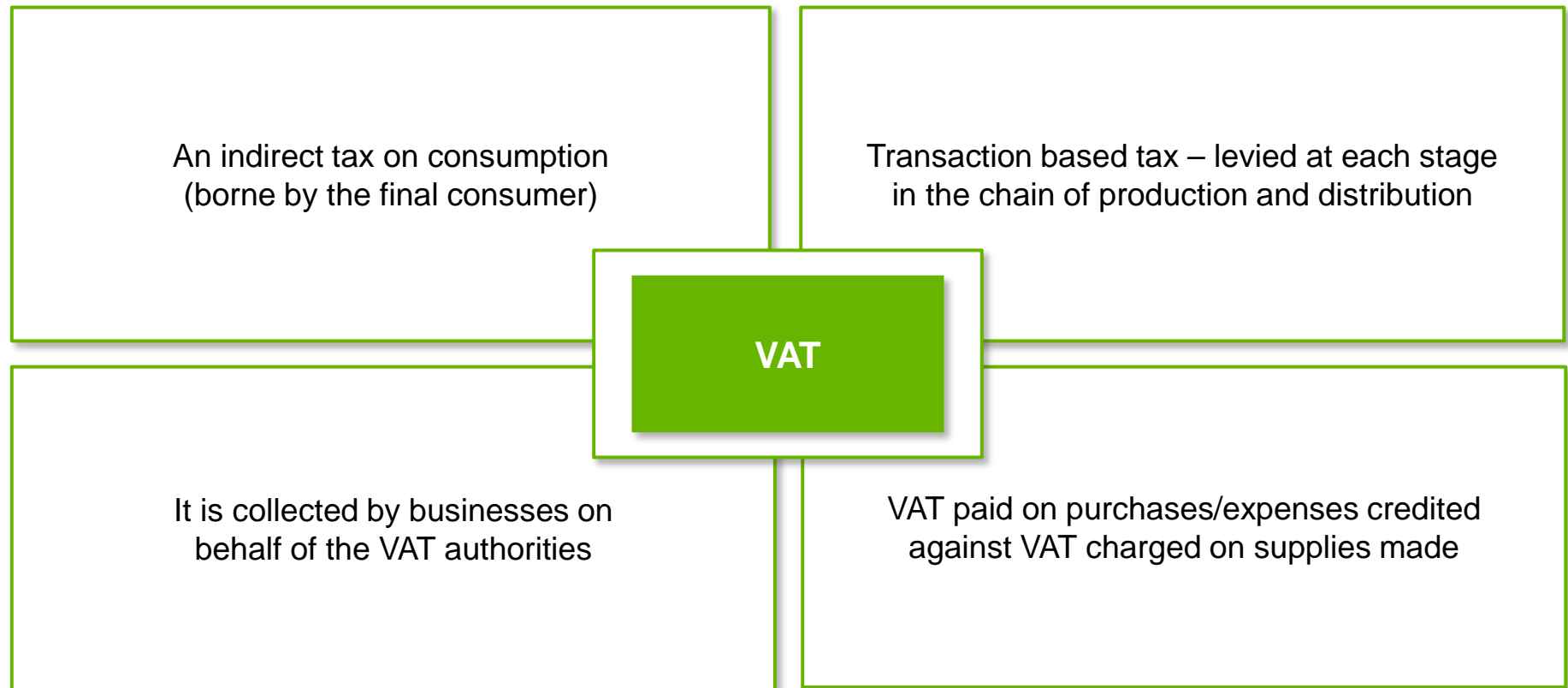
Januar 2018

SUN	MON	TUE	WED	THU	FRI	SAT
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

Envisaged system is a standard fully fledged VAT system applying on most supplies of goods and services with possible exemptions/exceptions



General Principals of VAT



Types of Supplies – Taxable supplies

Standard rate Supplies

A taxable supply at the **standard rate** is a supply on which tax is **charged at 5 %** and for which the **related input tax is deductible**

Common Zero-Rated Supplies

A taxable supply at the zero rate – a **zero-rated supply** – is a taxable supply on which tax is charged at **zero percent** and for which the **related input tax is deductible**

Retail purchases

All Food

Car sales and rentals

Educational services (in most cases)

Healthcare services (in most cases)
Medicines and Medical Equipment

New Residential buildings

Hotels and Restaurants

Petrol

Repairs and maintenance services

Exported goods and services

International transport of passengers and goods

Certain supplies of means of Transport

VAT Chargeability – Managing your VAT cash flow

Basic tax point for Goods

- VAT shall be **chargeable** at **the earliest** of:
 1. the **date** a supply is **made**
 - a. Date of removal of goods (in case of supply of goods with transportation)
 - b. Date on which goods made available to customer (in case of supply not involving transportation)
 - c. Date of assembly/installation (supply of goods involving assembly or installation)
 2. Date of issue of an **invoice** in respect of the supply, or
 3. Date you receive full or partial **payment** in respect of the supply

Basic tax point for Services

- VAT shall be **chargeable** at **the earliest** of:
 1. Date on which **performance** of service is complete
 2. Date of issue of an **invoice** in respect of the supply, or
 3. Date you receive full or partial **payment** in respect of the supply

Reverse charge (or self assessed VAT)

Reverse charge rules may apply to **international** and **inter-GCC supplies** of goods and services from **business to business**

Applies to services received from suppliers located outside the UAE

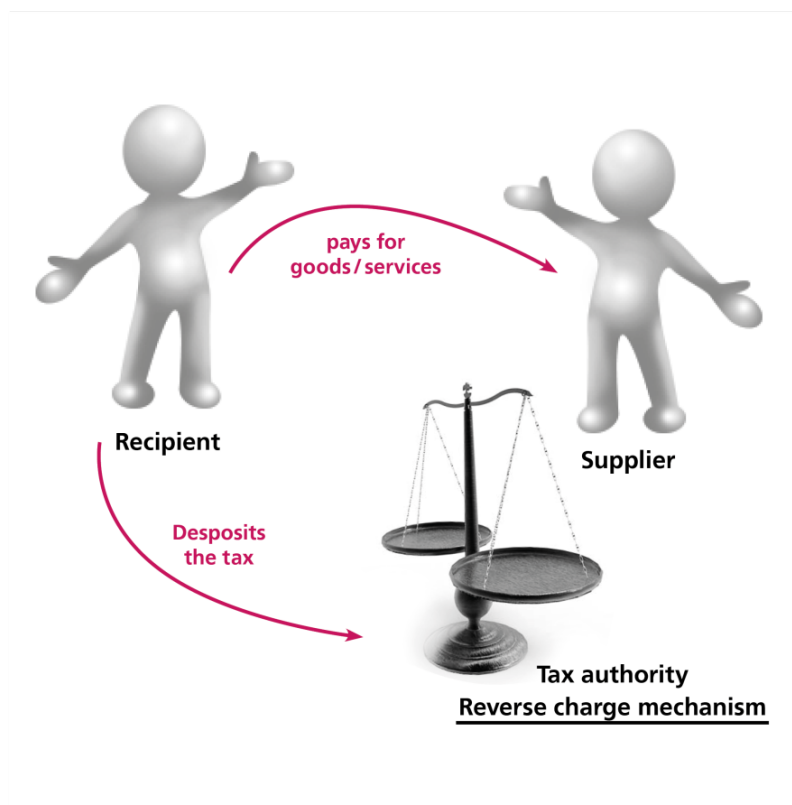
(royalty, rights, foreign consultants, e-services, etc.)

Supply received is a taxable supply

In most situations, the self assessed output VAT may be recovered as input tax credit

(subject to certain restrictions)

The recipient must self assess the output VAT and report in their VAT return



Threshold

Thresholds:

Mandatory registration threshold: **AED 375,000**
Voluntary registration threshold: **AED 187,500**

Threshold will be calculated as follows:

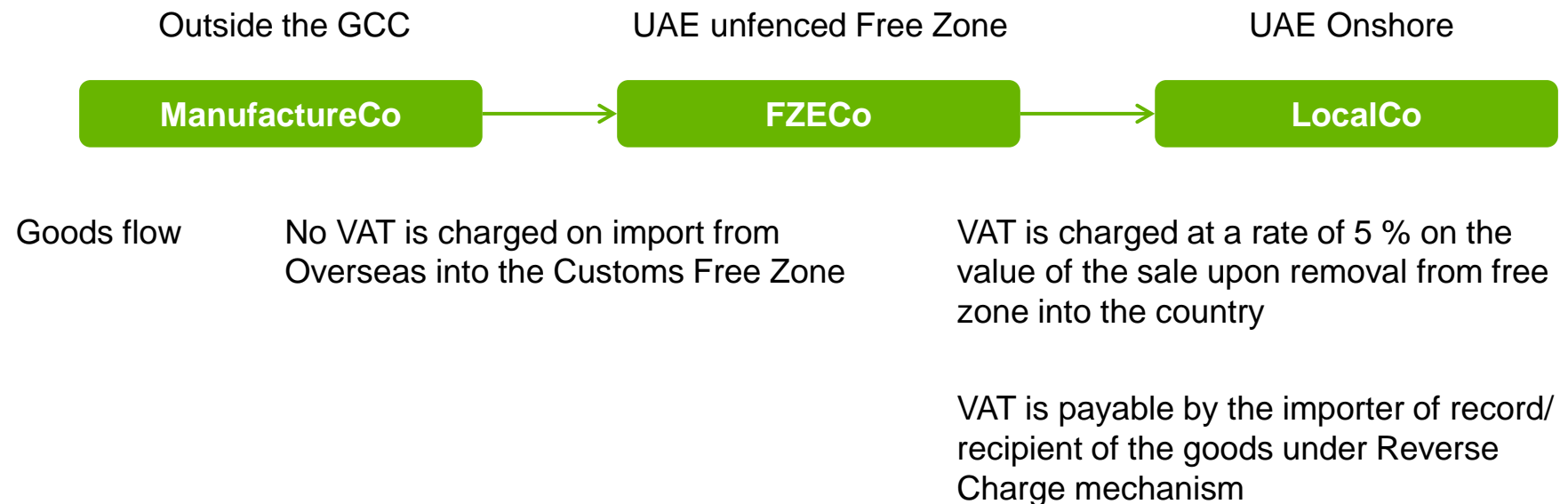
- Total value of supplies made by a taxable person for the current month and the previous 11 months; or
- Total value of supplies of the subsequent 30 days

- ✓ Value of exempted supplies will not be considered for computing annual supplies
- ✓ No threshold applies to non established taxable persons – they may be required to register.

Fenced Free Zones

Goods imported from outside the country into a (fenced) Free Zone are generally not subject to VAT (same treatment as Customs duties)

VAT will be charged once the goods are removed from (fenced) Free Zone and imported into the relevant country



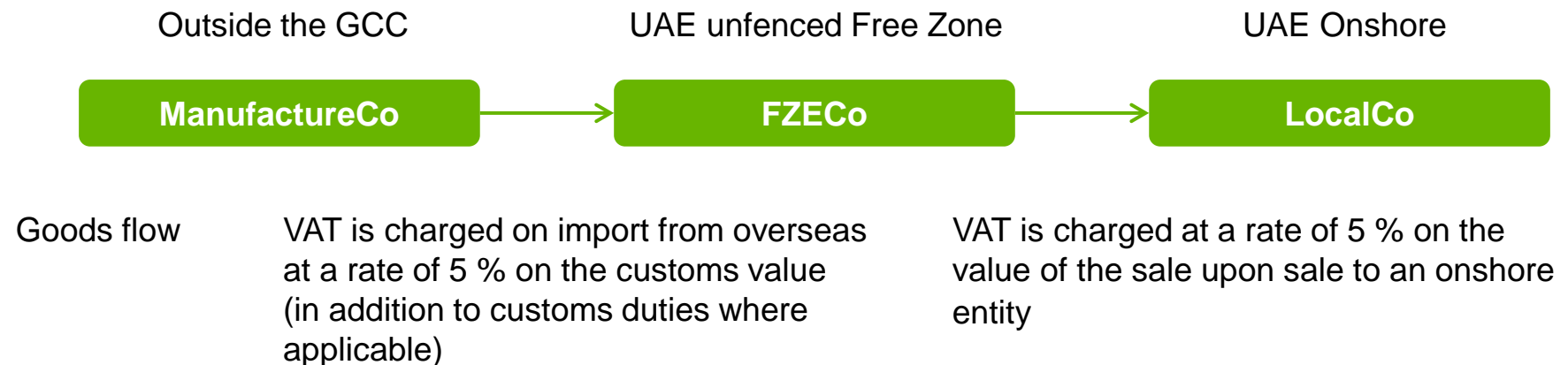
Unfenced Free Zones

Entities established in unfenced free zones are subject to the normal VAT rules

VAT is chargeable upon import of goods (outside suspension arrangements)

If the free zone entity is registered for VAT purposes, supplies of goods and services follow the normal VAT rules

Free zone entities registered for VAT purposes will have to comply with their VAT obligations



VAT Deductions and Refunds

The taxable person registered for VAT purposes can deduct input VAT paid on his purchases from the VAT due on his supplies to the tax authorities

Registered for VAT purposes

Making taxable supplies

Incurring VAT on his purchases

**Holding a valid VAT invoice or
import declaration**

**Limitations to input VAT deduction
in relation to exempt supplies**

VAT Invoices – Normal requirements

- Only VAT-registered businesses can issue VAT invoices.
- Valid invoices should be kept.
- VAT invoices are a requirement for deducting input VAT- Invalid invoice, pro-forma invoice, statement or delivery note are not accepted.

SAMPLE

VAT INVOICE

Invoice Serial Number

Date

Name of Taxable Person
 VAT Registration Number
 Address and Contact Details
 Details

Name of Customers
 VAT Registrarion Number
 Address and Contact

Ref Number	Description	Quantity	Unit Price exclusive of VAT	Unit Price inclusive of VAT	Total exclusive of VAT	Total inclusive of VAT

Total
Applicable VAT rate
VAT amount
Subtotal

VAT Returns

- Self-assessment system
- Businesses submit a regular VAT return to the Tax Authority
- Must report all VAT on sales and purchases made in the period, including intra-GCC transactions
- Calculate the Net VAT amount and either pay or get a refund for this amount

SAMPLE

VAT RETURN

VAT RETURN		
For the period 31-Mar-18		
VAT on Sales	1	X
VAT due on acquisitions from other Members States	2	X
TOTAL VAT Due (sum of Boxes 1 and 2)	3	X
VAT reclaimed on purchases and other inputs (including acquisitions from the GCC)	4	X
NET VAT to be paid to Tax Authority	5	X
Total value of sales and all other outputs excluding any VAT	6	X
Total value of purchases and all other inputs excluding any VAT	7	X
Total value of supplies of goods and related costs, excluding any VAT, to other GCC Member States	8	X
Total value of acquisitions of goods and related costs, excluding any VAT, from other GCC Member States	9	X

VAT Implementation – What you can do now

Project Management

- Identify VAT implementation strategy: in-house, outsourced, combined
- Identify and engage key stakeholders
- Appoint VAT implementation project manager

VAT Technical

- Understand VAT treatment of business economic activities
- Perform Financial Modelling to estimate liabilities and costs

Business Process

- Understand how VAT impacts business functions and processes

Technology

- High level understanding of existing systems (i.e. ERP) to identify capability to cater for VAT

Learning & Development

- Start VAT awareness
- Assess resourcing and training needs

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„Each and every person counts“ – to the Castellars and to us.

Human towers symbolise in a unique way the Rödl & Partner corporate culture. They personify our philosophy of solidarity, balance, courage and team spirit. They stand for the growth that is based on own resources, the growth which has made Rödl & Partner the company we are today. „Força, Equilibri, Valor i Seny“ (strength, equilibrium, valour and common sense) is the Catalan motto of all Castellars, describing their fundamental values very accurately. It is to our liking and also reflects our mentality. Therefore Rödl & Partner embarked on a collaborative journey with the representatives of this long-standing tradition of human towers – Castellars de Barcelona – in May 2011. The association from Barcelona stands, among many other things, for this intangible cultural heritage.