

VAT in GCC

Am I ready for VAT?



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What is VAT?

Value Added Tax (VAT) is an indirect tax levied on consumption. It is imposed on sale of goods and services excluding the goods and services which are exempt from VAT under the law. More than 150 countries around the world have already implemented the VAT including Canada, Australia, New Zealand, Singapore and many European countries. The average rate of VAT around the world is 17% and Hungary has the highest VAT rate of 27 percent amongst OECD nations. The rate of VAT in GCC is expected to be on a lower side around 5 percent.



When will the VAT be implemented?

The GCC member countries have entered into a unified agreement which bind them to implement VAT and Excise regulations in their jurisdictions latest by January 2019. All the member countries will have their separate legislation and are in process of drafting the same.

The website of Ministry of Finance of United Arab Emirates states that “VAT is likely to be introduced across the UAE on January 1, 2018. The rate will be low and is likely to be 5%. Kingdom of Saudi Arabia will also be implementing VAT from 1st January 2018. Oman, Qatar, Kuwait and Bahrain have also signed the VAT treaty and VAT is expected be introduced in all GCC countries by 2018.

Impact of VAT on the Business

Where IMC steps in

IMC's comprehensive approach to tax advisory comes from a thorough understanding of ground realities and decades of experience of serving clients around the world. You can trust us your partners in successful adoption of VAT practices in your business and being 100% compliant. Our team is involved at every stage of the process followed by a post adoption review and continuously updating you about the amendments in the laws. We classify our scope of work in three stages:

1. Impact analysis

- Understanding the needs of client's business and estimating the impact of VAT on the business
- Preparing Pre and Post scenarios for ascertaining impact on business
- Analysing various areas of positive or negative impact and the causes behind them
- Providing most accurate information for decision making

2. Assistance in Implementation

- Advise client about various legal and procedural requirements
- Checking and verifying the books and records as per the legal requirements
- Prepare an implementation plan based on requirements of client
- Registration with relevant Governmental authorities
- Completing documentation and other requirements
- Liaisoning with authorities and governmental bodies on behalf of client

The impact of VAT on the business can be classified under following categories:

1. Compliance

- Ensure whether proper books of accounts are maintained and updated
- Check whether your business meet the criteria for registering for VAT collection
- Registration for VAT
- Collection of VAT in the invoices raised
- Keep record of VAT paid in Invoices of Vendors to avail credit
- Filing VAT returns and payment of VAT to the Government

2. Pricing Structure and Profit Margins

- VAT shall impact the pricing structure and profit margins to factor the VAT in all the invoices raised by business. A critical analysis will be required for this to ensure that business will face the least impact by preparing customized pre and post VAT scenarios for every business.
- Also, increase in price may result in result in decline in customer spending. It will be challenging to maintain the same.

3. Restructuring of Business Model

- Business model should be restructured to ensure:
- Increased efficiency in operations
- Restructuring of supply models to ensure reduce cost of procurement of raw materials and capital goods
- Possible negotiations with vendors and suppliers
- Restructuring of Human resources to ensure that the staff is competent enough to deal with the challenges bough in by the new law
- Restructuring of accounting systems and IT systems to ensure proper compliance and competency with new requirements

What enables IMC to make a difference

- Our experience and local expertise in helping businesses set-up and operate in the entire GCC region transition to VAT
- Our consultants possess in-depth understanding of the local Government legislations, regulations, processes, procedures and the regional market
- We have the tax professionals with necessary competence and experience to assist businesses and organisations in preparing for the VAT implementation from a consulting, compliance and technology standpoint.
- We can assist you with the upcoming changes, taxability reviews, supply chain analysis and review of compliance requirements.
- We can guide you through preparation and filing of VAT returns and implementation of automated solutions to clients' transaction tax compliance process.



About IMC

IMC is a cross border advisory firm focusing on the AMEA (Asia, Middle East & Africa) markets. We specialize in corporate advisory services, global mobility services, private client & family advisory, international tax, corporate finance, mergers & acquisitions, investment advisory and business support & outsourcing solutions.

We have a dedicated “VAT in GCC” team set-up in Dubai, UAE. Write to us at bc@intuitconsultancy.com or visit www.intuitconsultancy.com for more.



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