



VAT implementation roadmap - Are you ready?

July 2017

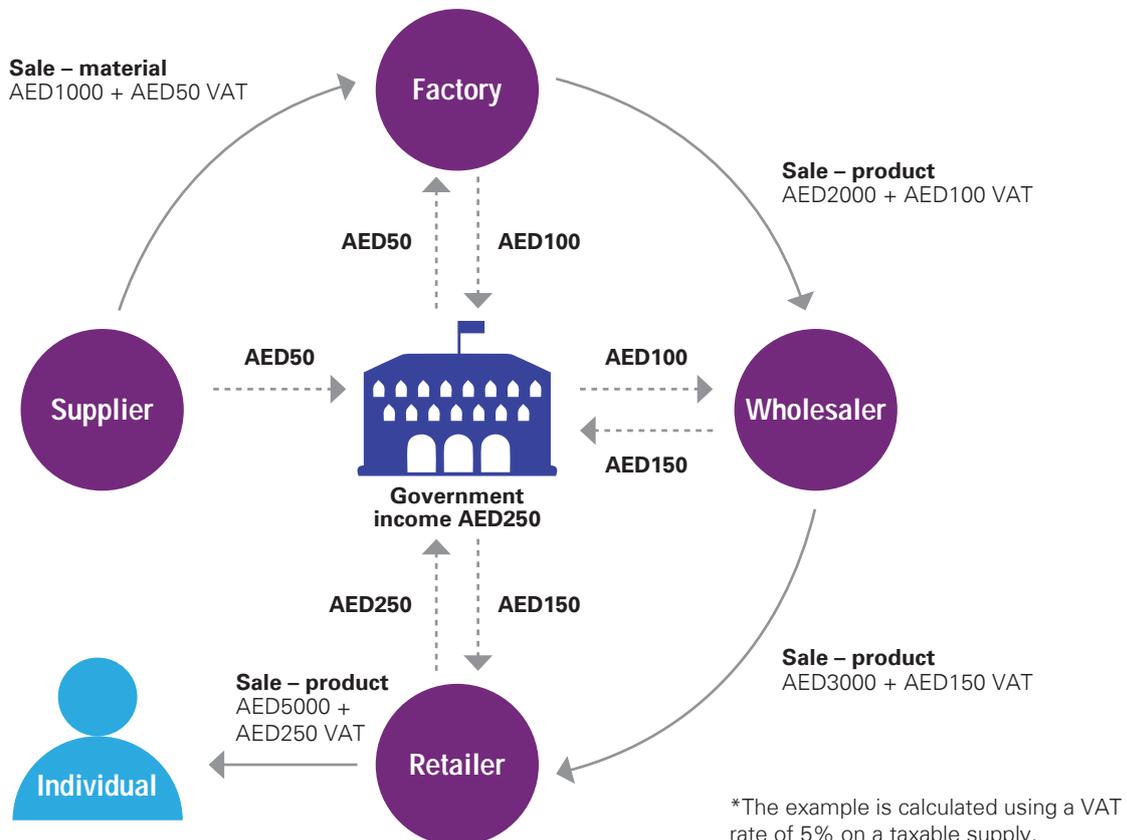
A brief introduction to VAT

The GCC states have worked together to develop a broad framework for the introduction of VAT. This framework agreement sets out the underlying principles of VAT laws for the six GCC countries. Member states retain some flexibility, such as how to treat healthcare, education and free zones for VAT purposes. The UAE was among the first GCC member states to publicly announce the introduction of VAT, with a proposed effective date of 1 January 2018.

VAT is likely to significantly affect nearly every UAE business in some way – and a 1 January 2018 start date leaves only a short window for businesses to prepare for VAT. **Will you be ready?**

While VAT is not intended to be a tax on business, collecting the tax and remitting it to the government will have significant compliance costs. There could also be cash flow implications. Supply chains need to be reviewed to understand the impact of VAT. VAT costs and accounting obligations will need to be identified so they can be addressed. There are also implications for IT systems. Adapting to VAT will mean updating or upgrading ERP and IT systems and interfaces to correctly capture input and output VAT. Governance frameworks will also need to be reviewed and updated to ensure policies, processes and controls comply - and continue to comply - with VAT legislation.

How does VAT work?



WHAT SHOULD YOU BE DOING?

PHASE 1: PLAN AND ANALYZE

- Identify project resources
- Understand the 'as is' situation
- Assess the impact of VAT



NOW

PHASE 2: ASSESS IMPACT

- Map supply chain processes and transaction flows to VAT requirements
- Review legislation and assess impact
- Model input tax credit allocations
- Assess IT impact
- Prepare an issues log to help prioritize key issues that need to be addressed during implementation
- Review sample contracts
- Debrief
- Help prepare an implementation plan

As soon as possible

PHASE 3: IMPLEMENT (once legislation is published)

- Prepare and assist with implementation
- Assist with IT VAT solution design
- Assist with IT implementation support
- Assist with VAT registration
- Provide VAT technical training

April - December 2017

PHASE 4: GO LIVE

- Test exceptions
- Prepare and file VAT returns
- Resolve any teething issues
- Fine-tune compliance practices

From 1 January 2018



How can KPMG help?

Project plans

- Identify key stakeholders
- Finalize and agree communication plan for staff, suppliers and customers

VAT awareness

- Identify information requirements

Work products

Project plans

- Resource plan
- Roles and responsibility matrix
- Communications strategy and materials

VAT awareness workshop

How can KPMG help?

Transaction maps

- Map all relevant processes, transaction flows and tax touch points

Contract reviews

- Review existing contracts to identify the material impact of VAT

Legislation review and impact assessments

- Determine tax drivers and functional design requirements
- Identify VAT decision flags
- Identify impact of VAT for senior management
- Provide inputs on VAT's IT impact

Work products

High level impact assessment

- Presentation to senior management

Transaction maps

- Business process impact requirements and matrix

Contract review report

- Overview of impact and high level resolution plan
- Recommendation of VAT clauses

Legislation review

- VAT issues and ambiguities log

VAT approach recommendations

- Documentation of implementation decision points

Tax credit allocation model

- Impact assessment model

IT impact assessment report

- Solution architecture design
- Functional ERP requirements
- Impact on customizations
- Master data assessment
- Reporting requirements

How can KPMG help?

VAT implementation plan

- Prepare plan

IT testing

- Develop user acceptance test scripts
- Support end user testing
- Review VAT compliance reports

Training and VAT manual

- Prepare training calendar
- Review end user training material

Registration

- Advise on registration
- Advise on applicability of special VAT schemes (such as forming a VAT group)

Work products

Implementation plan

- User acceptance test plan
- User acceptance test scripts
- User acceptance report
- Tax reporting and filing test

Training and VAT manual

- Reviewed training manuals
- VAT process maps and manuals

Registration

- Registration completion report and review

How can KPMG help?

VAT submission

- Support throughout submission
- Report on gaps and lessons learned

Work products

VAT submission

- Assist with - or review - VAT returns prior to submission

What are the benefits of being VAT ready?

- Maximize VAT recovery on business inputs
- Reduce adverse impacts on cash flow
- Ensure compliance with VAT obligations and reporting
- Minimize risk of fines, penalties and reputational damage



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Clare leads our indirect tax practice in the UAE and Oman, having previously led the Scottish indirect tax practice for KPMG in the UK. She has vast experience in international trade, oil and gas, real estate, financial services and manufacturing. With over 25 years' experience in indirect taxes, Clare is a member of the Scottish VAT Practitioners Group and sits on the indirect tax committee for the Institute of Chartered Accountants for Scotland.

Professional and industry experience

Before joining KPMG, Clare spent 12 years with another big four firm, leaving as Head of Indirect Tax for Scotland and Northern Ireland, having trained initially with the UK tax authority where she conducted VAT inspections, investigations and implemented VAT legal and technical programs. She has led a number of international indirect tax projects, delivering proactive and reactive advice.

Clare has considerable breadth and depth of experience and understands the need for speedy, reliable and pragmatic advice in addition to proactive strategic solutions.

Clare recently worked alongside the UK tax authority to help develop policy and legislative change around VAT recovery on pensions. She also carried out a number of impact assessments for clients in respect of this new legislation in order to ensure that her clients could adopt early where doing so would deliver a financial benefit.

Introducing VAT

VAT will impact:



Procurement and production

- Supplier's pricing
- A/P invoice processing time
- Purchases from non-registered VAT businesses
- Supplier education



IT

- System changes
- Documentation (tax invoices)
- Reports for VAT returns



Sales and marketing

- Samples/marketing
- Pricing strategies
- Returned goods
- Education of - and communication with - consumers
- Credit items



Legal

- Existing and new contracts
- Payments based on revenue or turnover (such as franchise or royalty arrangements)



Finance

- Bad debts
- Deposits/advanced payment
- Leases and hire purchase
- Loan of stock and equipment
- VAT return preparation
- Disposal of assets
- Sales of scrap



Human resources

- Fringe benefits
- Gifts to employees
- Employees allowance and claims

Contact us

To learn more about how to prepare your organization for VAT, please contact our local team:

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