

# Deloitte.



## VAT introduction in the GCC states

A structured path to  
implementation

1926  
2016

Ninety years in  
the Middle East

### VAT is coming to the GCC

VAT – a broad based transactional tax on nearly all goods and services – is due to be introduced shortly across all six GCC countries. Authorities in both the UAE and Saudi Arabia have already announced an intended introduction date of January 1, 2018 which will leave businesses, authorities and other stakeholders with a short timeframe to prepare for a significant change to the tax landscape. VAT in the GCC is expected to align to common international VAT principles – thus whilst we await country-specific legislation to be published, businesses are able to start preparing for the future VAT state now.

### Exploring the business impacts of VAT

As a transactional tax, VAT will have significant impacts across a business' entire operations. A successful response to VAT will require engaging with all affected internal and external stakeholders. Whilst different sectors and organizations will face specific complexities, Deloitte considers that business impacts can generally be categorized in three broad areas.

## Impacts of VAT

### Organizational/ Strategic level

*What are the overall business impacts?* Headline impacts at a Board level – on company structure, market positioning and negotiation with customers and suppliers.

### Operational level

*How does VAT affect day-to-day operations?* A wide range of business processes across all market-facing and business support functions will require review and potential modification to become VAT-ready.

### Financial level

*What is the economic impact of VAT on the business?* Impacts including: overall costs and cash flow caused by inclusion of VAT; availability and cost of appropriate resourcing; cost and business impact of major technology and process changes. Impact of VAT on overall finance/tax governance and strategy.

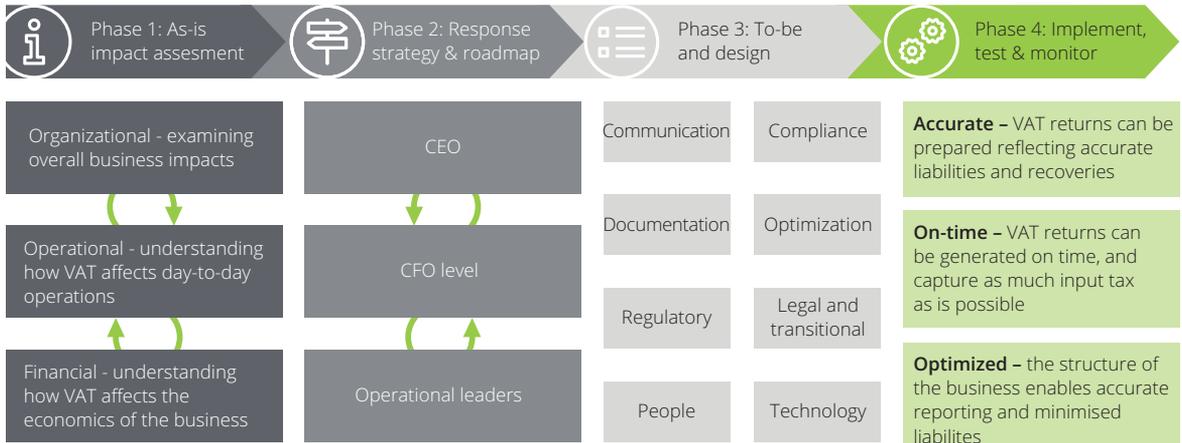
### The Deloitte response for businesses:

#### An outcomes-based approach

Businesses should be taking steps now in order to develop a strategy and implementation plan, to ensure organization-wide readiness before the introduction of VAT. Whilst each business will have its own different priorities, we consider that a successful implementation will result in VAT being effectively embedded within business processes and businesses being confident of a well-managed compliance system producing accurate and timely VAT filings.

With these end goals in mind, Deloitte has developed an outcomes-focused approach to help businesses achieve these objectives and their own individual needs. This four phased approach takes in best practice concepts for a successful VAT implementation, but is highly customizable to meet the particular needs of an organization and its stakeholders. From understanding your current state through to the full implementation, our approach is tailored to how extensive your needs are – and allows you to decide which steps to carry out internally.

**Deloitte's structured approach to assisting your business with VAT implementation**



**Accurate** - VAT returns can be prepared reflecting accurate liabilities and recoveries

**On-time** - VAT returns can be generated on time, and capture as much input tax as is possible

**Optimized** - the structure of the business enables accurate reporting and minimised liabilities

**Well-managed** - governance around the return preparation process is solid, & risks of errors minimised

**!** We agree with you how extensive you want our work to be. We appreciate that you might prefer a "light touch" over a deeper scope of work or a particular focus in certain areas. We can cater to your individual requirements accordingly.

Based on a detailed knowledge of the impacts of VAT on a business generally, combined with an in-depth understanding of likely VAT design parameters in the GCC, we identify where and how VAT considerations will have a bearing on your business. This information informs subsequent work. We re-validate our findings when more information is released.

Using our findings from the as-is impact assessment we develop a response strategy for the business, bearing in mind the roles of the stakeholders we need to inform. We understand the different information requirements of different roles and prepare our deliverable accordingly.

The strategy will foster the design of a range of changes that are required to be made in order to successfully adapt to the new VAT environment. These changes are developed for the 9 layers of the typical business and a Target Operating Model (TOM) focused on VAT changes which sit in the eight dimensions above.

We work alongside you to implement the changes necessary to operate within the new VAT environment. These changes may be major in some cases. We will re-validate the new business as usual for an agreed period of time and ensure that the desired outcomes have been achieved.

**PMO: a fully managed end-to-end program of change**

We understand how time-constrained most businesses are at present, but also how important it is to deliver results within an agreed-upon timeframe. On that basis we typically deploy full-time program managers in order to: effectively manage our time and minimize demands on yours; manage delivery schedules; and provide a single point of contact for the duration of the program.

**Accelerating your VAT journey with Deloitte**

**Deep subject matter expertise and proven VAT implementation capabilities**

Deloitte has been advising clients across the GCC on the upcoming VAT implementation since it was first proposed several years ago. We have been involved at a governmental level on the introduction of VAT.

Deloitte has set up a dedicated VAT implementation team with

extensive practical experience from implementing VAT systems in other jurisdictions, such as Malaysia. We recognize that a successful VAT implementation will require more than tax expertise – our multi-disciplinary team combines specialist knowledge and input across key competency areas: systems and technology, people and processes, financial modelling, change management and project management. We also understand the importance of industry expertise, and have team members

who bring deep knowledge and experience in all major industries.

**Our suite of tools and enablers**

Based on our past experience with VAT implementation, and on working with VAT systems globally, we have tailored a range of tested tools and enablers – from proprietary software technology, to best practice approaches on internal communication and training. These can be deployed as needed to meet business requirements with your path to VAT implementation.

**Examples of Deloitte tools and enablers**

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| Deloitte GCC VAT Review SMART            | Automated online tool to collect and analyze business information from multiple sources for a VAT impact assessment.                   |
| VAT Think Tanks                          | Interactive workshops helping business leaders to understand VAT and to socialize key concepts with staff.                             |
| Deloitte IndustryPrint                   | A transaction and process mapping tool that allows for easy understanding of processes across a whole business and procedural impacts. |
| Financial modelling                      | Bespoke cash flow and working capital modelling solutions.   |
| Economic modelling                       | Price-response models testing pricing scenarios against likely consumer behaviors.   |
| GCC VAT e-learning                       | Provides basic and bespoke VAT training efficiently across large and dynamic business teams.   |
| Deloitte VAT SMART: automated compliance | VAT compliance technology solution which extracts transactional data from systems and efficiently prepares VAT returns centrally.      |
| Target Operational Model                 | Deloitte's 9 layer process for achieving organizational design   |

# Contact us

Deloitte has a growing team of indirect tax specialists, covering the entire GCC region: details of our senior contacts are set out below.



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