

VAT

ARE YOU READY FOR IT?

MAGAS[®]

INTROD UCTION

Our aim is to provide a general overview of how VAT works and assist your business to both understand VAT and successfully manage the implementation process.

The information included here is based on our collective knowledge gained from our experience in implementing VAT around the world and through our network with tax authorities in the GCC.

The introduction of VAT in the GCC might present a challenge to some businesses in the region.

Through our experience in implementing VAT we have learnt that a successful implementation process will require all stakeholders in the business to gain a reasonable understanding of the process and would also require the commitment of senior management, along with the technical knowledge of a specialist.

A well planned and executed implementation would ensure that the business is both compliant with the tax authorities and would also minimize risk and benefit the cash flow of the business.

We trust that you would find this information useful to you. Please feel free to contact our team of specialist for a consultation.

What is VAT?

01

VALUE ADDED TAX (VAT) is an indirect tax applied upon the consumption of most goods and services.

02

VAT is levied by VAT registered businesses which make supplies of goods and services in the course or furtherance of their business.

03

VAT will also apply on the importation of goods. VAT is levied at each stage in the supply chain and is collected by businesses on behalf of the Government.

04

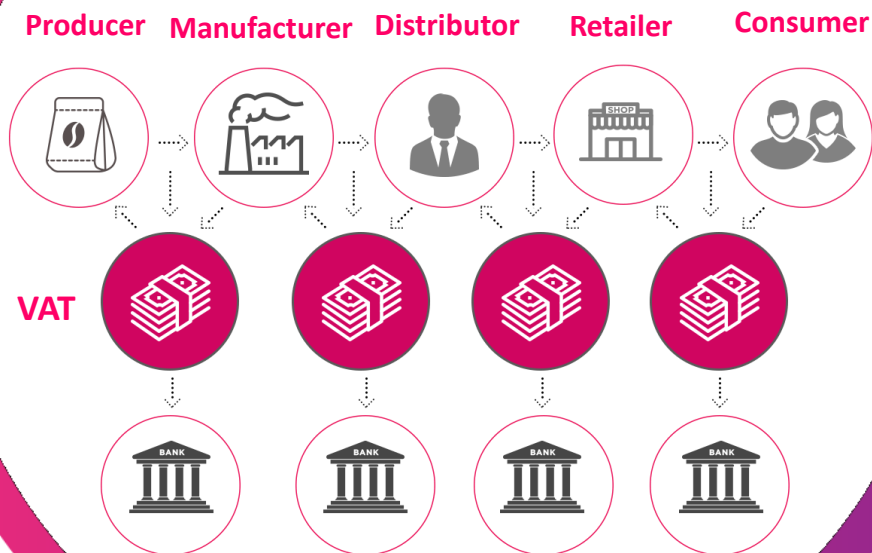
VAT is ultimately incurred and paid by the end consumer.

05

Although VAT will apply to most goods and services there are some likely exceptions: this includes basic food items, essential medicines and exports of goods and international services which are expected to be zero rated supplies.

06

Furthermore other supplies such as healthcare, education, sale or lease of residential property and finance and insurance are expected to be exempt from VAT.



How does it work?

- VAT registered businesses charge and add VAT to the value of goods and services they supply. Such businesses can also reclaim VAT incurred on goods and services acquired for business purposes (subject to some restrictions) such as the purchase of raw materials and other consumables used for the purposes of business.
- For imports, VAT is charged at the first point of entry into home consumption (when customs duty may also apply). Please refer to the illustration for ease of understanding

VAT Terminology

A taxable supply means a supply of goods or services other than an exempt supply. A taxable supply is either a standard-rated or a zero rated supply. Standard-rated supply is subject to a positive tax rate of 5%.

Standard rate

An exempt supply is not a taxable supply. An exempt supplier cannot charge GST and therefore cannot claim refund of VAT on inputs acquired. Exempt supplies are listed under the Value Added Tax (Exempt Supply) Act 2017

Exempted Supply

Any transaction on which VAT is charged at zero or standard rate

Taxable supply

A zero-rated supply is a taxable supply which is subject to a tax rate of zero percent (0%). The supplier does not collect any VAT but is regarded as making a taxable supply and is eligible to claim GST incurred on inputs. Zero rated supplies are listed under the Value Added Tax (Zero-Rated Supply) Act of 2017

Zero Rated Supply

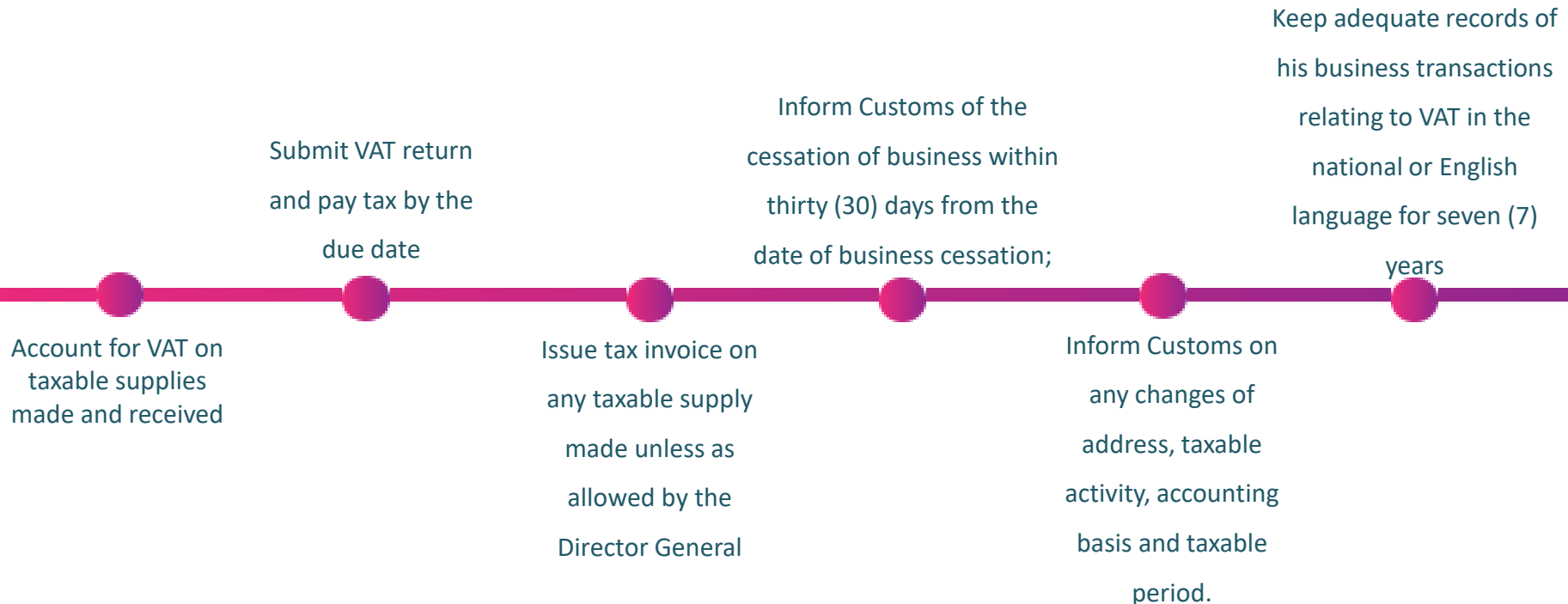
VAT in UAE

who should Register

- Any person that carries on a business may register for VAT. You can register once for all different tax types using the online facility which is expected to be available by October 2017. The term person is not only limited to companies but also includes, amongst others, individuals, partnerships, trust funds, foreign donor funded projects. In order to register, an application form must be completed and a specific process must be followed.
- It is mandatory for a person to register for VAT if the taxable supplies made or to be made is, in excess of AED 375,000 in any consecutive twelve month period.
- A person may also choose to register voluntarily if the taxable supplies made, in the past period of twelve months, exceeded AED 180,000.
- A person who is obliged to register for VAT is referred to as a vendor.



Responsibilities of a Registered person



ACCOUNTING & IMPLEMENTATION



Business Preparation and Accounting

**BUSINESS
PREPERATION FOR VAT**

**PREPERATION FOR THE
IMPLEMENTATION OF VAT**

VAT IMPLICATION

VAT CODE

SUPPLIES SPANNING VAT

**NON RENEWEBLE
CONTRACTS**

VAT REFUNDS

**DEFFERED VAT ACCOUNT
FOR IMPORTERS**

**ABILITY TO REPORT
INPUT AND OUTPUT TAX
BY EMIRATE**

Accounting for VAT

CHARGING OUTPUT
VAT

ENTITLEMENT
FOR INPUT VAT

APPORTIONMENT
RULES

CREDIT NOTES AND
ADJUSTMENTS

DEBIT NOTES
AND ADJUSTMENTS

BAD DEBTS AT
ADJUSTMENTS

FILING OF VAT
RETURNS AND
PAYMENT

RECORD
KEEPING

SPECIAL ACCOUNTING
FOR VAT ON IMPORTS
& DEFERRED VAT
ACCOUNT

VAT AUDITS

understand and manage your VAT process

- For any organization, VAT may represent a cost that should not be underestimated. Rapid globalization, the financial crisis and rapid development of technology and financial landscape have brought about radical changes in the way business is done. In this context, an effective management of VAT is essential to support growth and reduce costs and the risk of doing business.
- Companies also need to be aware of the emphasis by the tax authorities on full compliance with the tax obligation. Advanced technology will be used to manage reporting obligations and to collect information and audit the company's activities.
- The prerequisite for effective implementation and management is a good knowledge and understanding of the VAT legislation, international case law and practices. This must include awareness of changes at both international, regional and national levels.
- MAGAS is delighted to offer you tailor made to suite your organizations needs in order to assist you in with this new challenge.
- Contact on one of our consultants for a meeting today.

Sample Tax Invoice

Clearly mentioned the term "TAX INVOICE"

TAX INVOICE					
ABC LLC P.O BOX XXX DUBAI, UAE VAT NO : XXX XXXX XXXX		COMPANY NAME ADDRESS & VAT NO DATE : 02/01/2018 INVOICE NO : 001			
CUSTOMER NAME, ADDRESS AND VAT NO INVOICE TO : XYZ LLC# P.O BOX 222 DUBAI, UAE VAT NO : XXX XXX XXX		SERIAL NO OF INVOICE. DATE OF INVOICE			
CODE	DESCRIPTION	QTY	RATE EXCLUDING	RATE INCLUDING	TOTAL
123	CELL PHONE	1	750.00	787.50	750.00
222	LAP TOP	2	2,346.00	2,463.30	4,692.00
333	DESK TOP	3	1,250.00	1,312.50	3,750.00
444	MONITOR	5	450.00	472.50	2,250.00
TOTAL EXCLUDING VAT					11,442.00
ADD VAT @ 5%					572.10
TOTAL INCLUDING VAT					12,014.10

VAT RATE 5%

RATE EXCLUDING VAT

RATE INCLUDING VAT



VAT Impact on your Industry

The complexities in determining the VAT treatment in joint venture arrangements with local government authority and other developers and investors.

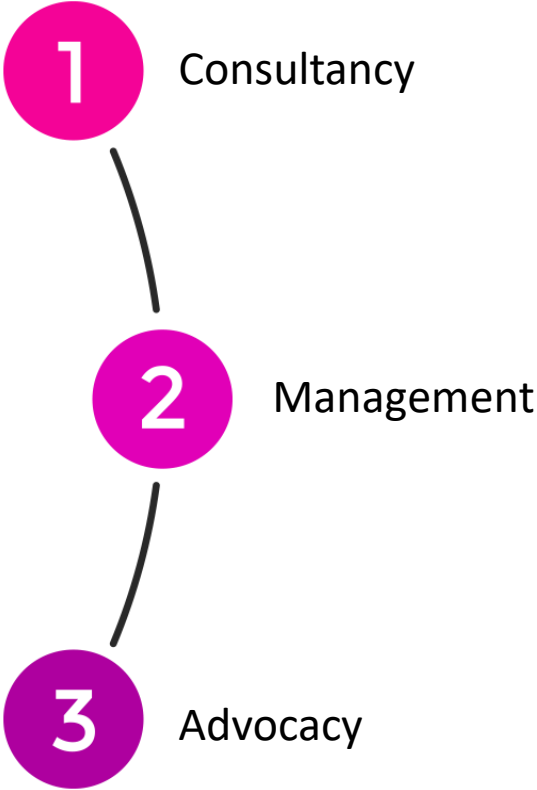
Whether sale and purchase agreements enable the property developer to either recover or pass on the increased VAT costs to the purchaser, to ensure margins are not impacted.

Whether property developers who have entered into long term build-and-sell contracts with purchasers have taken VAT into consideration when pricing their properties.

VAT provisions in construction contracts, since they typically span a number of years, to prevent any adverse VAT impact.

how **MAGAS** can
add **Value**?

MAGAS VAT SERVICES





MAGAS Value Addition

Assist in structuring business transactions including cross border and inter emirate transactions in a VAT cost effective and a compliant way.

Perform specialist industry focused business reviews to ensure your company minimizes its indirect tax risk and exposure.

Filing of VAT returns on behalf of the customer and dealing with customs and tax authorities on behalf of the clients.

Carry out a detailed assessment of your organizations transactions, business processes and the accounting and ERP system and provide a guidance on changes to be carried out in preparation of VAT.

Onsite training sessions for staff members. A full range of VAT courses tailor made to suite your organizations needs in order to assist you in with this new challenge. We aim these courses at CEO's, accountants, non-financial managers and at all other levels of employees in the organization.

Develop solutions for an effective supply chain when acquiring a new business or setting a business.

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