



## Value Added Tax

End-to-end solutions for  
your business needs

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# Introduction

As a part of their diversification strategy and sustainable growth, Gulf Cooperation Council (GCC) countries (UAE, Oman, Saudi Arabia, Kuwait, Qatar and Bahrain) are looking to implement Value Added Tax (VAT) in the near future. This has been agreed to in the 'GCC VAT Agreement', the Arabic version of which was published in the official gazette of Saudi Arabia, to levy common indirect taxes in GCC countries. Moreover, Saudi Arabia and UAE has also published a regional Draft Law Consultation Web-Form along with detailed Executive Regulations. This embodies the inception of a landmark financial reform in the GCC region.

The advent of GCC VAT is likely to begin from 1 January 2018. This would cause a paradigm shift in the overall business dynamics of the Gulf region.

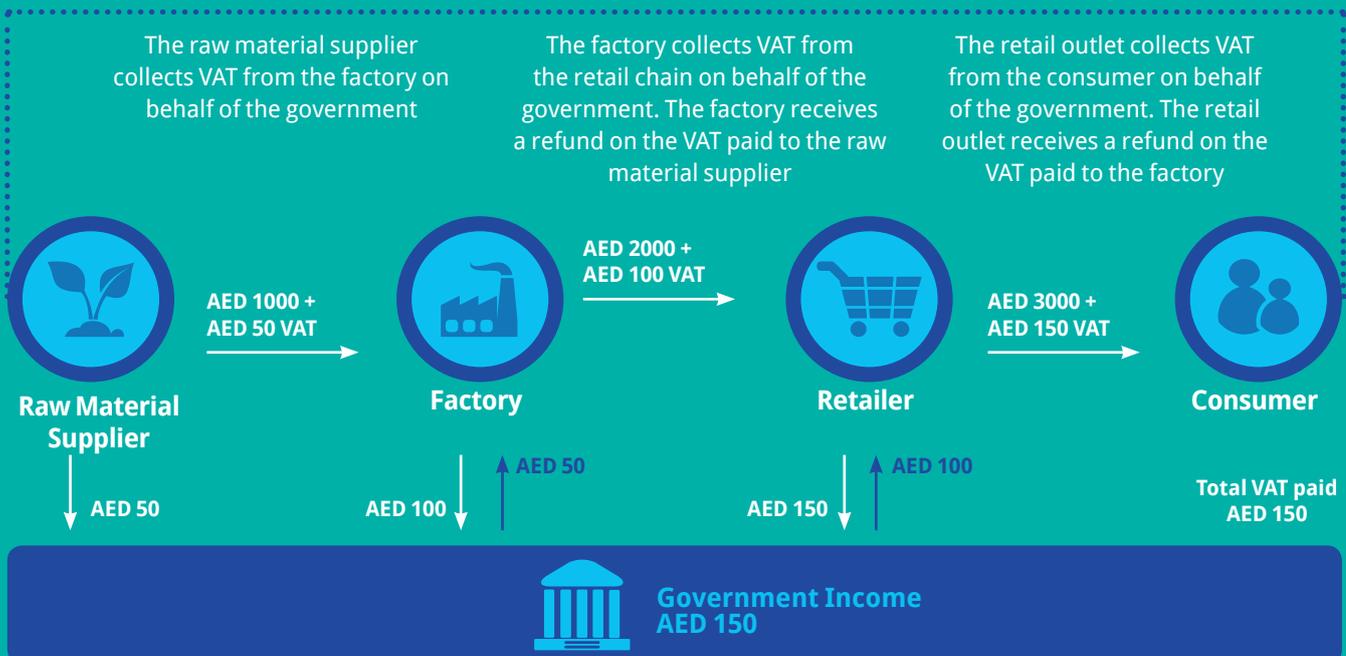


\*\*Implementation may be delayed and the tentative date of implementation has not been ascertained

## How does VAT work?

VAT is an indirect tax and is occasionally referred to as general consumption tax in other countries. VAT is imposed on most supplies of goods and services that are bought and sold. It is charged at each step of the 'supply chain'. The final consumers generally bear the

VAT cost while businesses collect and account for the tax, in a way, acting as a tax collector on behalf of the government.



# VAT in GCC

Some of the salient features of VAT in the GCC region would include:

## Rate

A single standard VAT rate of 5%.

## Levy

It will apply to the import and taxable supply of goods and services at each stage of production and distribution, including deemed supplies by taxable supplies by individuals, partnerships or companies within the GCC countries. Certain goods and services such as healthcare, education, oil & gas, real estate, transportation and goods and services relating to means of transport etc. will either be zero rated or exempted.

## Registration

Mandatory registration for turnover above AED 375,000 and optional registration for turnover above AED 187,500.

## Compliance

Businesses will have to maintain books of accounts and file periodical VAT returns.

## Value

Consideration with specified inclusions and exclusions and a different mechanism for deemed supply

## Input tax deduction

Companies will be able to set off their tax payment against input credits for taxable supplies.

## Penalty

There will be penal consequences for non-compliance.

## Transitional provisions

Every GCC country is to provide domestic laws for transitional provisions as the implementation dates may differ from country to country.

The challenge for the business community in the Gulf will be to understand the dynamics of this new regime and plan ahead to adapt to this transitional business change.

# VAT Impact on Businesses

## Finance and Commercial

- Costing and Pricing
- Working Capital Management
- Budgeting
- Revenue and Procurement Management

## Accounting

- Modification to existing Charts of Accounts
- Maintenance of Records required under new VAT Regulations
- Inventory Valuation

## Information Technology

- Modifications to IT Systems to make them VAT Compliant
- Tax masters/customer master
- General Ledger (GL) creations and relevant mappings to GLs
- Compliance requirements – Registers and Records

## Compliance

- Setting up a compliance framework
- Registrations
- Reconciliations
- Reporting and Submissions
- Documentation Management

## Legal

- Contract Management
- Implications on Transactions
- Litigation Management
- Representation to Regulators
- Taking Positions / Forming Opinions

## Human Resources

- VAT Training and Workshops
- Resourcing requirements and changes to the Organisation Chart

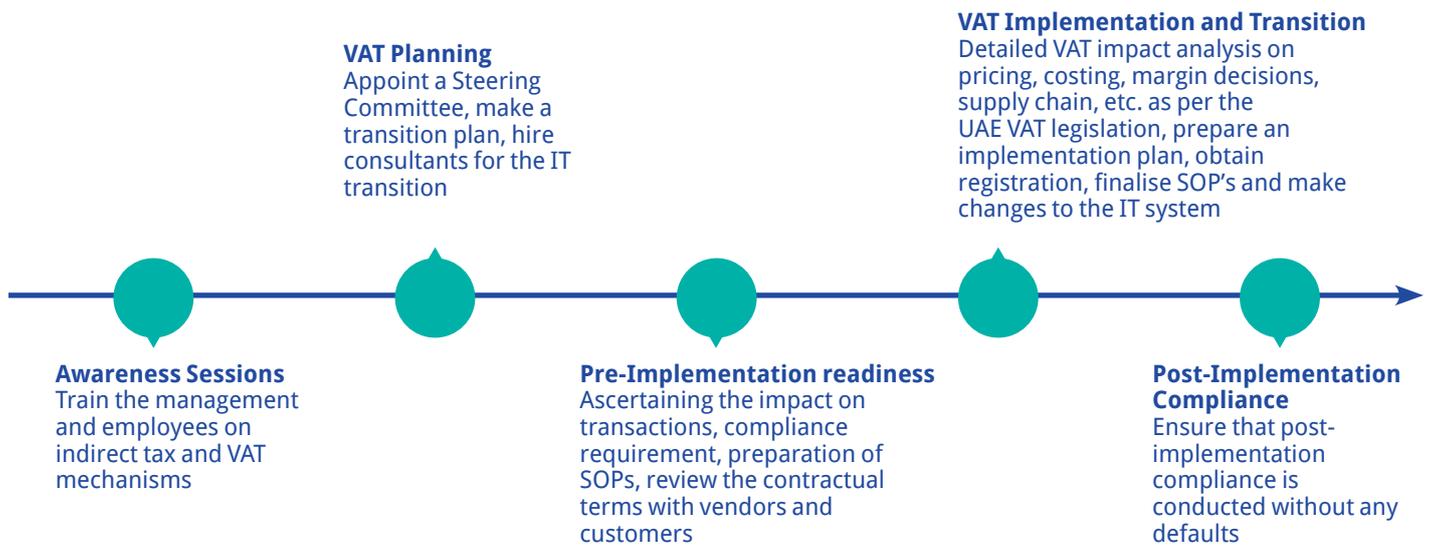
## Supply-chain

- Business Model Realignment
- Sourcing and Distribution
- Margin Management

## Strategy

- In-house vs Outsourcing
- Sales and Marketing

# The way forward



## Staying one step ahead

Organisations must start assessing the business impact of VAT across all functions. Your business must:

- Assess the impact of the upcoming VAT law from a tax, process and technology perspective
- Realign its strategy
- Set-up a compliance framework and assess the capital and resources required
- Commercial contracts should be reviewed from a tax and commercial perspective

It is critical to act now to assess business readiness for VAT, reassess business profitability, mitigate risks and avoid non-compliance penalties.



# How we can help

With the needs of our global and domestic clients in mind, we pursue a quality-centric approach for providing a one-stop indirect tax solution.

Our multidisciplinary experience in global VAT compliance for MNCs through our Knowledge Process Outsourcing (KPO) services has enabled us to build cost-effective solutions for global indirect tax structures. Leveraging our global and domestic indirect tax experience, we have formulated VAT Business Advisory and Compliance services to assist our clients plan ahead and effectively mitigate transitional risk.

At SKP, we plan to assist your company in bridging the gap over to VAT by offering an end-to-end VAT solution structured into four modules. Keeping in mind the unique and diverse requirements of each client, we give you the freedom to **select and customise the services most suitable for your business** from our list of services below.

Module 1		Module 2		Module 3		Module 4	
<b>'As is' Evaluation</b>	<b>VAT and IT Impact Analysis and Action Plan</b>	<b>VAT Alignment Support</b>	<b>VAT Transition Support/Review</b>	<b>Compliance Management and Hypercare</b>			
<ul style="list-style-type: none"> <li>• In-depth study of business operations</li> <li>• List key business transactions from both revenue and expense side</li> <li>• Mapping processes to ERP, Accounting Compliances, etc.</li> </ul>	<ul style="list-style-type: none"> <li>• On business transactions</li> <li>• On compliance</li> <li>• Transition aspects</li> <li>• Accounting</li> <li>• Process and Technology</li> </ul>	<ul style="list-style-type: none"> <li>• Realigning the impact analysis based on final VAT legislation</li> <li>• Alternative tax efficient structures based on final VAT legislation</li> <li>• Representation with the government authorities</li> <li>• Conducting trainings</li> <li>• Preparation of ERP changes requirement charter/business requirement document</li> </ul>	<ul style="list-style-type: none"> <li>• Obtaining registrations</li> <li>• New tax compliance manual</li> <li>• Perform User Acceptance Testing (UAT)</li> </ul>	<ul style="list-style-type: none"> <li>• Ongoing compliance support</li> <li>• Assistance in filing returns</li> <li>• Handholding till stabilisation</li> </ul>			

## About SKP

SKP is a global professional services group with its principal areas of operations in business advisory, end-to-end finance and accounting solutions including attest function and taxation, business process management, and IT risk advisory. SKP's focus is to provide solutions which result in tangible business benefits and performance improvements.

Our multi-disciplinary teams serve clients from various geographies and industries ensuring global standards. With over 80% of our client-base being international, we truly understand the needs of global companies and their expectations and our customized global solutions are designed to factor in local nuances. Our commitment is rooted in a passion for solutions, empowering our people and clients to achieve more.

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