VAT Implementation in the GCC

How will this impact your business?

Did you know that for business operating across the GCC ...

- You may be partially VAT exempt and lose some of your input VAT, even if you are a generally a VATable business elsewhere?
- You may be required to register for VAT even without local physical presence?
- You need to ask your taxable supplier to issue a VAT invoice or risk losing input VAT recovery?
- A business customer in a local-to-local non-retail transaction may be responsible for payment of the VAT?
- Intra-GCC supplies of goods and services will be subject to reverse charge principles

VAT introduction in the GCC region

Are you ready?

- The clock is ticking toward the introduction of the GCC Value-Added Tax (VAT) on 1 January 2018
- Adoption of a VAT by the GCC States comprising Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates represents a major shift in tax policy. The implementation of a VAT has an impact on all the segments of the GCC economies and entails a fundamental change in the way consumption taxes are enforced in the region
- We understand how critically important a successful VAT implementation is
- EY has a proven track record and the breadth of experience and insight necessary to provide the consistent and good-quality service offerings that are needed at this critical juncture for a successful implementation of the VAT mandate
- We are ready to start now and help you get VAT ready
VAT timelines

- December 2015: GCC Finance ministers confirmed that the provisions of the GCC VAT Framework Agreement have been broadly agreed.
- January 2016: UAE Minister of State for Financial Affairs and Saudi Arabia Minister of Finance confirmed that VAT will be implemented in the GCC States in 2018 and the UAE will go live on 1 January 2018.
- April 2016: Finance Ministers in the GCC working on implementation initiatives to achieve VAT go-live on 1 January 2018.
- By October 2016: the GCC VAT Framework Agreement is expected to be ratified.

Expected GCC VAT rules —not “business as usual”

- GCC States are considered as a single economic zone and the GCC VAT regime will encompass many of the features of the EU VAT regime.
- Very broad nexus rules, which may require registration for VAT without significant business presence.
- Exemptions may be based on the status of the customer and not solely on the type of the transaction.
- Limited scope of exemptions, including Government services for education, health and social services.
- A single standard VAT rate of 5% and exempt.
- The reverse charge applies on certain goods and services received from other GCC States. Confirms that the same VAT consequences as if the recipient obtained those services from a local supplier.
- Mandatory and elective VAT registration thresholds.
- VAT Group Registration —aggregation and disaggregation legislation proposed.

Our credentials to serve

- EY has the largest dedicated VAT team in the MENA region.
- EY has highly experienced team in the GCC with substantial implementation experience to assist clients.
- The global EY organization has wide-ranging experience in former VAT/Goods and Services Tax (GST) introductions including recent implementations in the Bahamas, China, India and Malaysia.
**What should businesses consider?**

**Have you considered the impact of VAT on your business?**
- Pricing and budgeting
- Product design
- Business model
- Contracts and other business documents
- Customer and vendor renegotiation
- Training

**What are the enhanced compliance requirements for VAT?**
- Invoice compliance management (issuance and verification)
- VAT filing compliance management
- Internal control management
- Policies, guidelines, manuals
- Group VAT registration

**Can you properly account for and manage VAT?**
- Revenue
- Costing
- Profitability
- Cash flow
- Forecast
- Accounting
- Reporting

**Can your systems adapt?**
- Business operating systems
- Accounting system
- Related interfaces
- Internal control system
- Tax management system

**EY’s tried and tested VAT service offerings**

**Pre-go-live**

**Primary pre-go-live offerings**
- **VAT impact assessment**
  - We regularly advise clients on the impact of VAT on their business operations. EY has extensive knowledge of the GCC VAT initiatives and can help you prepare to comply with the VAT mandate

- **VAT training**
  - The VAT training program has been developed as a direct response to the need for practical VAT training for non-VAT specialists who have responsibility or a role to play in their organization's VAT accounting obligations. We can also tailor VAT workshops to meet your specific business needs

- **White boarding**
  - EY VAT teams set the standard when it comes to assisting global businesses as they develop their VAT strategy. During white boarding sessions, we can suggest processes and systems that address both compliance risk and revenue generation, and tailor our analysis to your company's specific circumstances

**Other pre-go-live offerings**
- Rulings and opinion letters
- VAT implementation and execution projects:
  - VAT process design or review
  - Data analytics and analysis
  - Systems implementation
  - Tax coding and transactional analysis
  - Working with local and/or global IT providers for special systems
  - Tax engines and determination
  - Cooperation with tax engine providers
  - VAT registrations support

**Post-go-live**

**Post-go-live offerings**
- Review — is it working?
- Post-filing VAT return review
- VAT compliance
- Ongoing processes, operations and compliance monitoring
- Audit support and voluntary disclosures

**Finance**

**Compliance**

**Operations**

**IT**

**Gulf Cooperation Council** The VAT countdown has started
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