

CEO Newsletter

Insights. Informative. Thought Leadership.

TOPICS COVERED

Introduction
General information
GCC VAT Agreements
VAT Mechanics
Other VAT Important Informations

VAT, WHO STARTED IT?

In 1954, Maurice Laure, French, invented indirect tax (VAT). His idea was quickly adopted because it forced taxpayers at all levels in production process to administer and account for tax themselves, rather than putting the burden only on retailers or requiring assessment by tax authorities.

WHO IS TAXABLE PERSON?

Taxable person means any person (corporation or not) conducting an economic activity for the purpose of generating income.

JUNE 2017

VAT in UAE

Written by Meryjhel Casinas

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It's widely known the GCC region is about to embark on a structured change to its fundamental taxation model with the introduction of VAT (Value Added Tax) from 1st January 2018. Driven by dealing oil revenues and the need to diversify economic activities, governments throughout the GCC are fully committed to the introduction of VAT

to ensure they are in the position to balance the books. Yet businesses throughout the GCC and those trading across the region are struggling to understand just what the introduction of VAT is likely to mean to their operations, although committed to its introduction and having announced the framework, the inherent lack to detail and the nearing deadline of its introduction means for many businesses confusion is ripped amongst their finance professionals.

The UAE government has recently started as communication program consisting of seminars and forums, the latest of which was held last 3rd week in Dubai with the aimed to answer many of the questions facing businesses, the Ministry of Finance is working diligently to ensure that there is no disruption to their intended commencement.

So, what does VAT mean? And where do we stand today with what we do know about the framework and regulations.

The UAE Ministry of Finance hosted several sessions related to VAT upcoming regime in GCC. The session aimed to send clear message to market about VAT go-live and the preparation needed for each tax person.



VAT PAYMENT SYSTEM

Payment will be done via e-services online.



TAX PERIOD AND PAYMENT DEADLINES

VAT period is every quarter (3 months) and deadline for payment is 28 days after tax periods.

THE BELOW INFORMATION WERE CONFIRMED

UAE had worked with IMF to study the shift from being oil and hydrocarbons dependent towards the most reliable source of revenue which is VAT. This will help the country funding high quality services to public.



VAT is part of economic agreement with entire GCC countries. Unified excise tax and VAT will benefit the region.



FTA (Federal Tax Authority) shall be in charge of managing, collecting federal taxes and related fines, distributing tax-generated revenues and applying tax related procedures in force in UAE.



UAE to implement VAT on 01 January 2018 while rest of GCC will have till January 2019 to implement.



UAE VAT registration opens during Q3 2017 (voluntary) and Q4 2017 (mandatory).



Threshold is based upon turnover of AED 375,000 (mandatory) while AED 187,500 (voluntary).



GCC VAT Agreement Structure is composed of 15 Chapters discussing from VAT definitions, scope, due dates, calculation, exemptions (refund), tax deductions, obligations, information exchange between members of each state, transitional provisions and appeals.



VAT groups will be available



GCC agreement relating to:

1. Health
2. Education
3. Real Estate
4. Real Estate
5. Education
6. Local transport (i.e. metro)

Member of each GCC country will have the right to choose whether to zero or exempt above mentioned categories.

GUIDELINES ON BASIC VAT TERMINOLOGIES SUCH AS:

Standard rate (5%)
across GCC

Vatable
Supply

Zero rated items which
will allow deductions
or refund if exempt

Zero
Rated

Exempt

Reverse
Charges

NEWS

Logistics Academy CSCMP Quick Courses on Sale

This month only purchase the CSCMP Quick Course Bundle and receive a 15% discount of overall price. Enrolments before 30th December will receive a VIP delegate ticket to LogiSYM Dubai. Logistics Academy CSCMP Quick Courses allow you to learn core supply chain topics online, at your own pace, and when it's convenient for you. Consisting of a series of Thirteen (13) courses,, the CSCMP Quick Courses are highly educational Supply Chain and Logistics courses that are designed by carefully selected faculty for entry to mid-level professionals. Backed and supported by the US Based Council of Supply Chain Management Professional. For more information or to sign up, click below. **Coupon code: LEQC15OFF**

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Logistics Executive Group's Certified Logistics Professional Accreditation program

Logistics Executive Group with the Logistics and Supply Chain Management Society (LSCMS) brings you the Certified Logistics Professional Accreditation program. The CLP and CLE programs certified by LSCMS and in partnership with Logistics Executive Group is the benchmark of excellence for measuring capability and proficiency within the profession of Logistics and Supply Chain Management. As a professional certification, the CLP enables employees in the logistics industry to develop their capability more effectively, and in doing so assist in defining the logistics profession. The emphasis on continual improvement of knowledge and skills is timely for an industry that requires skilled personnel enhance their abilities and that underpin the importance to our global economy of the global supply chain. To discover more about the Certified Logistics Professional standard and how to qualify, please refer to the link below.

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EXEMPTIONS and REFUNDS:

Exemptions will be applied to charitable institutions, companies related to international event hosting (i.e. Expo 2020).

- Farmers and fishermen are exempted from VAT.
- FTA to issue guidelines on repayment/ refund of tax.
- Tax refund for tourist, provisions is still being work out.
- Tax refund for international organizations (i.e. diplomatic missions).
- VAT on CAPEX is immediately deductible.
- FOREX is not taxable.
- Processing fee for remittance is taxable.

VAT is collected by registered suppliers down to entire supply chain.

VAT is payable by both businesses and individuals.

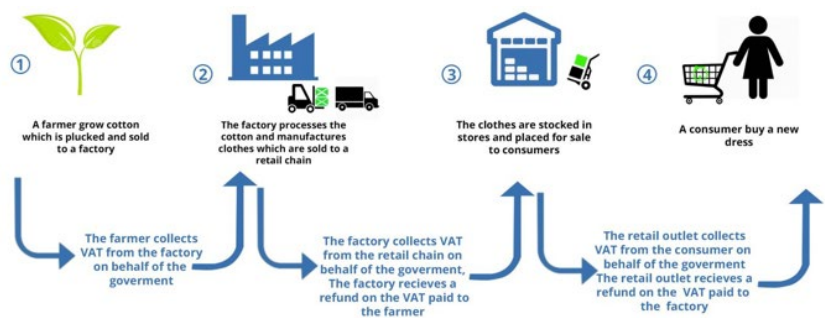
Not all business will be VAT registered supplies.

MECHANICS OF VAT

It applies to every single member in supply chain process.

Each person in supply chain will deduct VAT on preceded chain (ref, below image).

Collecting, deducting , remitting to government is borne finally by end consumer. Businesses only act as agent.



	Sales	5% VAT charged on Sales	VAT recovered on purchases	Net VAT payable
Farmer	AED 1,000	AED 50	AED 0	AED 50
Factory	AED 3,000	AED 150	AED 50	AED 100
Retailer	AED 5,000	AED 250	AED 150	AED 100
Total VAT paid by final consumer;				AED 250

Net result = VAT is collected through the chain and the end -consumer bears the cost

EVENTS

Masterclass: VAT Workshop (Phase I)

VAT in GCC... Are you Ready? Join us this July 3 - 5, 2017 at Carlton Downtown, Dubai UAE to learn more about VAT in UAE.

July 3 - 5, 2017
Dubai, UAE

Australian Coal Conference

This event represents a timely opportunity for the industry to examine the recent developments that are shaping the thermal and coking coal sectors in Australia and to discuss how to equip the industry to successfully face the next chapter of the coal story.

July 25 - 26, 2017
Brisbane, Australia

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LogiSYM India 2017

The Asia-Pacific region's premier Supply Chain Symposium and Summit comes to Delhi, India. LogiSYM India 2017 focuses on bridging concepts, practice and technology in supply chain management, real world implementation and benefits that result in increased supply chain pipeline velocity, profitability and performance.

November 2017
Delhi, India

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WHAT KINDS OF SUPPLY

GOODS

the passing of ownership of physical property or the right to use that property as an owner to another person (buying goods).

SERVICES

anything which is not supply of goods is supply of services (Example: car rental is services).

ELECTRICITY?

Is it goods or services? Answer: goods.

VAT INVOICES CONTAINS:

1. Sequential no.
2. Date of invoice
3. Name, address and Tax registered number
4. VAT invoices should be kept for 5 yrs.
5. VAT returns should be printed and hard copies to be filed properly for FTA checking purposes.

Services/Goods only which started from 2018 will be vatable. VAT will be collected only after 31 Dec 2017 when services /actual construction runs in 2018 January.



WHERE TO CHARGE?

GOODS - where it is?
SERVICES - where you are?



REPORTING OF TRANSACTIONS AT EMIRATES LEVEL

Should be filed where the transaction occur.
- For services, location of the customer.
- For goods, location of supplier.

VAT GROUPS

Entities with VAT Group will be treated as one entity.

- VAT is applicable to ALL intercompany transactions.
- VAT is applicable to subsidiaries
- VAT groups will allow different companies to form one group to obtain one (1) registered number.

FTA will check if all companies is controlled (at least 51% owned) by one person.

The 8th International Saudi Transtec Exhibition & Conference

Saudi Transtec is the definitive meeting place in the Middle East for logistics and supply chain professionals, linking logistics buyers from FMCG's, Retail, Pharma, Oil & Gas, Manufacturing and Automotive with the leading logistics service providers in the region. Freight forwarders, shipping lines, rail providers, ports and warehousing providers will be joined by materials handling suppliers, supply chain consultants, certification bodies and ITC providers, all showcasing their products and services to a qualified audience of over 5,000 professionals.

December 5 - 7, 2017
Dammam, Kingdom of Saudi Arabia

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ABOUT US

Logistics Executive Group is the acknowledged industry leader providing a suite of whole-of-lifecycle business services including Corporate Advisory, Executive Search and specialist Supply Chain and Logistics Training.

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BAD DEBT RULE

- 6 months lapse from credit period
- Written off from the books of account.

UAE and EU VAT system is similar in terms of INTRA GCC trade system.

VAT PAYABLE FORMULA:

VAT on Sales (Output tax) – VAT on Purchases and Expenses (Input TAX) = NET VAT payable to FTA.

FTA AUDITS

FTA to conduct selection base audit (risk base).

FTA does not require companies to have external auditors.

FTA will call the companies to audit (5 days before the on-site audit) to allow preparation of documents.

FTA might conduct surprise visits/audit if there is illegal activity being informed.

APPEALS TO FTA (3 TIER PROCESS)

LEVEL 1:

Reconsideration by
FTA officer.

LEVEL 2:

Tax committee
(1 judge, 2 tax experts,
not from FTA)

LEVEL 3:

Normal
Court System



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Meryjhel is a highly-experienced finance professional with a Bachelor of Science in Accountancy and Certificate from CIMA-UK. Meryjhel has over 13 years of experience in financial accounting reporting, business analysis, budgeting and project management. She is a subject matter expert on accounting in courier, logistics and freight forwarding. Meryjhel has worked with government and consulting previously with Accenture. In addition, Meryjhel lead finance functions for one of the world's largest logistics companies, FedEx Corporation with stints in the United Arab Emirates, Kenya and Afghanistan. She gained mastery of skills to manage finance functions, strategy development and leadership on her experienced in Middle East, Africa and Asian markets.