

What Should Be Your Company's Approach To VAT Compliance?

*Assess your
Company's current
readiness*

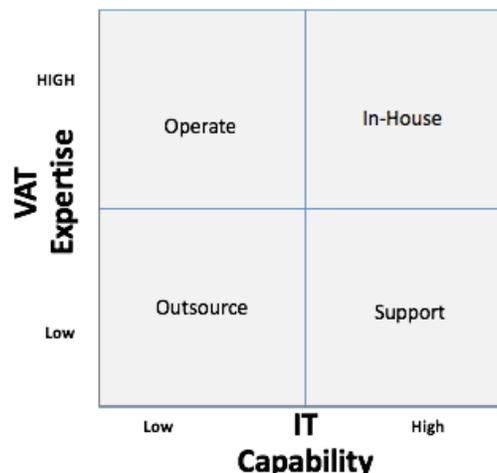
As your business is coming to terms with the introduction of VAT on January 1st, the implications of managing VAT compliance effectively may be generating a number of questions. In this blog, we'll discuss the options your business should be considering managing risks and cost of compliance.

Assessing Your Business' Capabilities

For VAT registered businesses, the UAE legislation and regulations bring into sharper focus several areas to manage in terms of how you sell, how you buy, what you record and how you recover VAT on your purchases.

To accurately see what strategy, you should take to meet the FTA requirements, the starting point should be to assess your company's current state and determine what approach you should take. Managing compliance and recovery effectively is ideally a combination of the functionality in your IT system and VAT expertise available in your business.

Plotting where you are will help you determine the strategy for the short term and assess your longer plan.



This table can provide an insight to the questions you should be asking to fully manage VAT in your business.

The most appropriate positioning and direction for your company will be dependent on the availability and capability of your current resources, budgets, nature of business and also your company's ability to manage changes from future FTA rules. Determining the cost, time and risks to develop your strategy is essential to plan correctly and meet the legislation requirements successfully.

Inhouse

Ideally most company's preference is to develop an in-house VAT compliance function to manage full VAT cycle. This will also require you to configure VAT logic/determination in your ERP or I.T. systems. However, this could imply a major investment and take time especially if you start with Low VAT expertise and Low IT capabilities.

Operate

If your weakness is the time and cost to ready your IT capability, the challenge could be solved by enabling your VAT compliance function to manage full VAT cycle and implement an external tax engine for VAT reporting. This could reduce impacts to IT and provide greater flexibility for your compliance function to manage changes. Ensuring your report is filed on time is a key consideration to avoid the late filing penalty. In this case, the optimal approach would be to secure external support to accurately assess VAT recoverability. This may be more cost effective if you have limited finance resources.

Support

Reviewing the legislation, hiring new staff or training existing finance team is a time-consuming process and may test your finance team. If they have little prior experience or have limited capacity to review account payables transactions to accurately recover your VAT, this could lead to missed VAT recovery or over claiming. Not all VAT charged by you suppliers can be recovered and some transactions need proper documentation.

Outsource

If your business has been working on a cash accounting basis and have low capabilities to start with, the challenge may be simpler than you imagine. You may wish to consider a full outsource to improve your company's ability to comply and secure external expertise to manage the issues cost effectively. A VAT-in-Box solution that also provides the mandatory accounting solution could be a fast option and allow for a most effective and cost-effective option.

Are you operating a cost-effective compliance and reporting model?

Key to your decisions should be an accurate assessment of your current position and a strategy to reach your future goal. In doing so your business will minimise risks and costs of compliance.

The Federal Tax Authority is providing clarifications and updates affecting many sectors. These updates require some assessment to your operating practices and VAT system to remain compliant. Recent examples are on recovery of business expenses and employee expenses. Continuous review and assessments are necessary to ensure you are managing accuracy for your returns.



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About SimplySolved:

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We are more than a bookkeeping and accounting partner. We deliver total solutions with the Accounting expertise and technology to offer unique support to VAT compliance in the UAE. Our offering is specially designed to the UAE laws with a complete service including the VAT & Accounting expertise and state of the art technology.

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