

UAE Accounting Compliance & Reporting

What Should You Consider?

*What has changed
for Businesses?*

For many companies operating in the UAE, maintaining a set of commercial books and financial reports has often been overlooked as a management reporting tool particularly for SMEs. Unless your business has mandatory requirements imposed by your special trade license obligations or you have business requirements to present a set of audited accounts, you may not have maintained a set of commercial books.

In reality these accounts may not provide the required detail for your business to make insightful management decisions. An annual set of accounts may give you a rear-view picture of your business performance, however they usually lack the detail and frequency for you to measure your performance and make important decisions during the year when they may matter the most.

As of January 1, 2018 through the introduction of VAT, the Federal Tax Authority (FTA) has compelled the preparation of financial reports pushing businesses to be more mindful of their books. This is an ideal opportunity for many businesses to adopt a financial reporting model and improve their competitiveness.

*Improve Your
Business's
Performance*

Benefit to Businesses

Many companies, especially SMEs may have not previously considered keeping good accounting and reporting policies. It is common for companies to have viewed this as an additional expense and complicating daily business processes; not fully realizing the numerous benefits it has towards increasing your competitiveness.

Any business that can base its decisions on objective information, is more likely to take the right decisions at the right time to deliver greater profitability and improve the long-term viability of any enterprise. Key to this will be ensuring your reporting framework serves your needs and reports what is important. This may vary and is dependent on the nature of your business and your competitive environment, therefore some support and attention to this will be a critical success factor.

For most businesses, good financial reporting delivers benefits including:

1. Compliance with the Executive Regulations

Maintaining accurate records will help you comply with the Federal Law, which requires every business to keep a set of accounts. This is important to avoid administrative penalties for non-compliance.

2. Company's Financial Health

Accurate accounts supported by a relevant reporting framework will help your business understand its financial performance at any given time and compare to previous periods and benchmark to your industry leaders.

3. Cashflow Management

In tight liquidity economic conditions, strong cashflow management and identifying cash demands and receivables can allow for prioritized actions to minimize issues. This is more relevant now to provision for your VAT obligations.

4. Raising Capital

A credible set of accounts provides confidence to lenders and investors to the management controls and viability of your business to deliver on its commitments. Accurate historical accounts and reporting provides insight on your financial trends and key performance indicators.

5. Strategic or Tactical Investment

When assessing a new direction for your business, ensuring your business can financially support new capacity or purchases maybe dependent on organic cashflow and historical returns. This can only be accurately assessed by a f understanding your business' planned budgets and cashflow generation capabilities.

*Mandatory
Compliance
Obligations*

Provisions in the Executive Regulations

Notwithstanding the business benefits, there mandatory requirements particularly for Tax registered companies. The FTA has mandated requirements for all businesses that accounting records and commercial books are accurately maintained and presented in 7 days when requested.



In addition, the Federal Tax Authority may also require confirmation that through a set of accounts, the businesses liability to register for Tax.

What are the accounting records and commercial books required?

According to Federal Law No. 7, Article 2, below are the list of accounting records and commercial books that a company must maintain.

1. Accounting books in relation to that Business, which include records of payments and receipts, purchases and sales, revenues and expenditures, and any business, and any matters as required under any Tax Law or any other applicable law, including:
 - a) Balance sheet and profit and loss accounts.
 - b) Records of wages and salaries.
 - c) Records of fixed assets.
 - d) Inventory records and statements (including quantities and values) at the end of any relevant Tax Period and all records of stock-counts related to Inventory statements.
2. In addition to the Accounting Records and Commercial Books mentioned above the Authority may require any other information that will confirm the company's tax obligation or its liability to register for VAT purposes.

*Mandatory
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How long should a company keep its records?

The Authority has a clear requirement on how a company should keep their records is compliance with the Federal Law. Below are the guidelines:

1. A taxable person should keep the records for a period of (5) years after the end of its tax period.
2. A non-taxable person must keep the records for a period of (5) years from the end of end of the calendar year in which the concerned documents was created.
3. For a period specified in the Tax Law for real estate records.

Before the expiry of the period specified above, the authority may inform the company to retain its record for a further period not exceeding (4) years.

How to keep Accounting Records and Commercial Books?

In compliance with the Federal Law No. 7, Article (4), below are the guidance on how to keep accounting records and commercial books.

1. Unless otherwise required by the Tax Law, the obligation to maintain Accounting Records and Commercial Books shall be met through any of the following:
 - a) Creating the record and the retention of original documents which support the entries contained in the record.
 - b) Creating the record and preserving the information that was contained in the original document, provided that:
 - I. The information matches the data contained in the original document and shall be available during the periods referred to in Article (3) of Federal Law No. 7.
 - II. The information retained or stored in either photocopy or electronic form, and an easily readable copy of it can be reproduced within a reasonable period, if requested by the Authority.
2. The Authority may lay down the rules of preserving information contained in accounting records and commercial books and impose such reasonable requirements for ensuring that the information will be as readily available to it as if the original records themselves had been preserved.

What are the penalties for not keeping Accounting Records and Commercial Books?

Companies who fail to comply with the Authority's requirements in keeping accounting records and commercial book shall be penalized for 10,000 AED for the first offense and 50,000 AED for repetition.

If your business needs the expertise to address your financial reporting and compliance issues, we can help.

As an ISO 9001 accredited company, we have helped many businesses to implement and improve their financial reporting and compliance model. Our approach is centered on quality and experience to implement quickly and effectively with minimal impact to your operations.

About SimplySolved:



Office M13, Al Makateeb Building, Sheikh Zayed Road, Al Quoz 3, Dubai, UAE.
Tel: +971 43445338 Web: simplysolved.ae Email: info@simplysolved.ae

SimplySolved provides bookkeeping, accounting, consulting, tax and related services to spanning multiple industries.

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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