

UAE VAT – Professional Opportunities- 1

Joint Empowerment Initiative in UAE VAT

The Excise Tax & Value Added Tax are going to be implemented in the UAE for the first time from 01st Oct 2017 and 01 Jan 2018 respectively. This provides a unique service possibility to enable smooth implementation of the new laws in a Country where taxes were not there.

The law being new, the industry and trade would need the following:

- awareness and knowledge of the law,
- right interpretation / understanding of the law
- its impact on the various industries,
- how they should get ready,
- how they should ensure they continue their business once the taxes are implemented,
- how they could safeguard their present margins in the competitive environment,
- whether their business needs restructuring due to Excise & VAT,
- whether they need to make any representation due to lack of clarity in the law,
- may be more...

The first opportunity which would be available for the professionals would be to train the officers in around 400,000 Companies who are expected to be registered including those in the Designated (Free Trade) Zones who would also be impacted. Larger Companies have already started the training but large majority are unaware of the need and where to start. However the time available may not be much as VAT which is widely impacted almost all businesses is slated to be in place by 1st January 2018. The Decree Law is already in place and the Executive Regulations are expected soon during this month.

The Indirect Tax Committee of the ICAI with the local Chapter/ Branch are supporting the Dubai & Abu Dhabi Chartered Accountants by the following initiatives:

- A. Getting out a Background Material on VAT (Including 1 chapter on Excise Tax) by End September 2017. Around 20 professionals from UAE and India are presently working on this publication.
- B. Identifying the CAs who have read the law (including the GCC framework) who can be trained as faculty by the 1st/ 2nd week of October.
- C. Train these faculties / trainers also by 15th of October 2017.
- D. This would be followed by the preparation of the FAQs which would certainly be useful for the Government to spread the compliance of the law.
- E. Sectoral Articles from the members of UAE who have vast experience in Industry would be encouraged.
- F. Analytical articles from the members in India who may be able to support the CAs in UAE would also be encouraged.
- G. A 1 day awareness program would be taken up at Dubai & Abu Dhabi from the 2nd Week of October, every fortnight if members show interest.
- H. A three day training for CAs in industry including some sectoral understanding would be taken up thereafter.
- I. A Certificate Course for in depth understanding of the subject would also be launched within 1 month of the regulations being put in public domain.

All this information would be available to the members for free download and access for updating and training themselves.

The knowledge Updation in VAT starts with this article with the next one on Impact Analysis in the next 3 days.

Training of Employees/ Accountants who Outsource

The training of internal staff gains importance as VAT is going to be an additional compliance which has cost impact immediately. Training is required for following departments:

- ▶ **Accounts and Finance:** This department is responsible for maintaining records, proper accounting and ensuring statutory compliance. All employees are required to undergo in-depth training to ensure error free compliance during pre, during and post transition to VAT and Excise Tax.
- ▶ **Procurement:** Proper selection of vendor assumes significance to optimize the tax benefits. Procurement team needs to be trained to inter alia consider tax aspect in identification of vendors, explaining benefit of taking registration to vendors, guiding them to file return before due date so that credit is not lost. This can substantially support accounts and finance function in discharging their obligations.
- ▶ **Operations:** Knowledge of VAT would be important for operational personnel assigned with the following job responsibilities:
 - ▶ *Raising bills:* Personnel responsible for raising bills are expected to know basics of VAT to enable them to fill up all the fields of system for raising of invoice, identify nature of tax to be charged, tax rate to be applied, sorting out queries of the customers etc.
 - ▶ *Raising purchase order and receiving bills from vendors:* Purchase orders are issued and bills are verified by various departments in respect of expenditures incurred by them. It is necessary to identify taxes applicable on purchases, mention appropriate tax in purchase order and cross verification of the same with the tax charged by vendors.
- ▶ **Marketing:** Marketing team is responsible for business development. They should know taxes applicable on various services rendered by XYZ so that negotiation can be made with potential customers accordingly.
- ▶ **Legal:** This department is responsible for drafting/amending agreements with vendor and customers. Their training is also important so that all tax related clauses are properly incorporated in the agreements.

As there would be numerous developments in the indirect tax laws, it is suggested to have proper training program for concerned employees in the initial period to ensure better compliance. The payoff of the training could be a) decrease of costs, b) avoiding penalties and 3) increase in the profit margin along with empowering the executives.

Proper understanding and right interpretation of the provisions of the law are key for each and every stakeholder. All employees of the organization even if not directly involved must be knowledgeable in order to ensure quality compliance and avoiding penalties and persecution for violations.

Likewise all the professionals who are providing services to its clients should be equipped with right and complete knowledge to serve its clients and don't misguide them due to lack of knowledge or unclear about certain provision / requirements.

Indirect Tax Committee of the ICAI

With Dubai/ Abu Dhabi Branch/ Chapters of ICAI.

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