GEARING UP FOR VAT

DATE:
July 2017
AGENDA

1. VAT BACKGROUND AND ECONOMICS
2. VAT EXPLAINED
3. VAT CALCULATION EXAMPLE
4. THE VAT CYCLE
5. COMMON VAT RULES
6. WHAT WE KNOW TODAY
7. HOW VAT WILL IMPACT YOUR BUSINESS
8. VAT PROJECT ROADMAP
9. PROJECT TIMELINE
10. WORK COMPLETED TO DATE
11. QUESTIONS AND ANSWERS
VAT BACKGROUND
VAT BACKGROUND AND ECONOMICS

- Revenues from VAT are estimated to generate 7.5% of GDP globally.
- VAT provides a strong example of 20th-century tax policy convergence.
- The only developed nation without a federal VAT is the USA, but there is growing belief that the introduction of VAT in the USA is inevitable.
- VAT is regarded as the best method of taxing general consumption, raising revenue and at the same time being neutral on exports.
- These factors explain VAT’s global rise and its appeal to policymakers.
- IMF has recently applied pressure on GCC to adopt indirect taxation.
## VAT BACKGROUND AND ECONOMICS

### Indirect tax rates – recent changes

<table>
<thead>
<tr>
<th>Country</th>
<th>Old</th>
<th>New</th>
<th>Change</th>
<th>+/-</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cyprus</td>
<td>17.0%</td>
<td>19.0%</td>
<td>2.0%</td>
<td>+</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>20.0%</td>
<td>21.0%</td>
<td>1.0%</td>
<td>+</td>
</tr>
<tr>
<td>Dominican Republic</td>
<td>16.0%</td>
<td>18.0%</td>
<td>2.0%</td>
<td>+</td>
</tr>
<tr>
<td>Finland</td>
<td>23.0%</td>
<td>24.0%</td>
<td>1.0%</td>
<td>+</td>
</tr>
<tr>
<td>France</td>
<td>19.6%</td>
<td>20.0%</td>
<td>0.4%</td>
<td>+</td>
</tr>
<tr>
<td>Honduras</td>
<td>12.0%</td>
<td>15.0%</td>
<td>3.0%</td>
<td>+</td>
</tr>
<tr>
<td>Israel</td>
<td>17.0%</td>
<td>18.0%</td>
<td>1.0%</td>
<td>+</td>
</tr>
<tr>
<td>Italy</td>
<td>21.0%</td>
<td>22.0%</td>
<td>1.0%</td>
<td>+</td>
</tr>
<tr>
<td>Japan</td>
<td>5.0%</td>
<td>8.0%</td>
<td>3.0%</td>
<td>+</td>
</tr>
<tr>
<td>Montenegro</td>
<td>17.0%</td>
<td>19.0%</td>
<td>2.0%</td>
<td>+</td>
</tr>
<tr>
<td>Pakistan</td>
<td>16.0%</td>
<td>17.0%</td>
<td>1.0%</td>
<td>+</td>
</tr>
<tr>
<td>Slovenia</td>
<td>20.0%</td>
<td>22.0%</td>
<td>2.0%</td>
<td>+</td>
</tr>
<tr>
<td>Sudan</td>
<td>15.0%</td>
<td>17.0%</td>
<td>2.0%</td>
<td>+</td>
</tr>
</tbody>
</table>
VAT BASICS
The generally accepted **essential characteristics** of VAT-type tax are as follows:

- The ultimate **burden** of the tax is on the **consumer**
- The tax applies generally to transactions related to **goods and services**
- VAT is **charged at each stage of** the production and distribution **process**
- The **vendor may deduct the VAT paid** during the preceding stages on goods and services acquired
- As VAT is an **invoice-based tax**, vendors are generally required to account for VAT on the invoice (**accrual**) basis
- Typically there is a **limited** range of goods and services which are either **exempt**, or which are subject to VAT at a **zero rate**
VAT EXPLAINED

- Distinction between zero rated and exempt is important. **Can claim input credits when zero rated but not when supplies are exempt**
- VAT charged on supplies made (output VAT) less VAT paid to your suppliers (input VAT) and other permissible deductions = the amount of **VAT payable/refundable**
- Some countries adopt a **credit system** for refunds vs refunding the Vendor when in credit. **Refunds** will typically be subject to an **audit**
- The fact that there are **refunds** under the VAT system and that it is **self-assessed**, makes it **tempting** for vendors to **overstate input tax or to under declare output tax**
- **VAT should not become a cost** to your business as a general rule but typically some expenses exist upon which input tax is specifically denied (such as entertainment and the purchase of certain motor vehicles not necessary for the supply of the goods and services)
VAT EXPLAINED

- There are however hidden costs especially relating to compliance and in the event of maladministration and errors (for example, penalties and interest for late payment of vat due).
- Vendor duties and responsibilities can be very onerous for responsible officers.
- With good administration and compliance systems, Revenue authorities will in time trap offenders and the consequences AND PENALTIES are normally a big deterrent to ensure compliance.
- Essentially VAT is also a self policing system as invoices often require reflection of the vat registration numbers of both parties and bigger enterprises ensure compliance of smaller enterprises (for example the producing of vat clearance certificates prior to conclusion of contracts or awarding tenders).
# VAT CALCULATION

## Practical example pre and post VAT

<table>
<thead>
<tr>
<th>Description</th>
<th>Pre VAT</th>
<th>Post VAT</th>
<th>Un-registered</th>
<th>Registered</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase item</td>
<td></td>
<td></td>
<td>AED</td>
<td>AED</td>
</tr>
<tr>
<td>Add Input VAT @ 5%</td>
<td></td>
<td></td>
<td>100.00</td>
<td>100.00</td>
</tr>
<tr>
<td>Total Price VAT incl.</td>
<td>100.00</td>
<td>105.00</td>
<td>105.00</td>
<td>105.00</td>
</tr>
<tr>
<td>Less Input VAT credit</td>
<td></td>
<td></td>
<td>-</td>
<td>-5.00</td>
</tr>
<tr>
<td>Net Cost of goods</td>
<td>100.00</td>
<td>105.00</td>
<td>100.00</td>
<td>100.00</td>
</tr>
<tr>
<td>Add 50% mark up</td>
<td></td>
<td></td>
<td>50.00</td>
<td>52.50</td>
</tr>
<tr>
<td>Selling price of Goods ex VAT</td>
<td>150.00</td>
<td>157.50</td>
<td>150.00</td>
<td>150.00</td>
</tr>
<tr>
<td>Add Output VAT @ 5%</td>
<td></td>
<td></td>
<td>-</td>
<td>-7.50</td>
</tr>
<tr>
<td>Price end consumer pays</td>
<td>150.00</td>
<td>157.50</td>
<td>157.50</td>
<td>157.50</td>
</tr>
<tr>
<td>VAT received by the fiscus</td>
<td></td>
<td></td>
<td>-</td>
<td>5.00</td>
</tr>
<tr>
<td>VAT on Value Added (AED50 x 5%)</td>
<td></td>
<td></td>
<td>-</td>
<td>7.50</td>
</tr>
<tr>
<td>Additional amount paid by Consumer</td>
<td>AED</td>
<td></td>
<td>-</td>
<td>7.50</td>
</tr>
<tr>
<td>Additional percentage paid by Consumer</td>
<td></td>
<td></td>
<td>0%</td>
<td>5%</td>
</tr>
</tbody>
</table>
THE VAT CYCLE

A farmer grows cotton which is plucked and sold to a factory.

The factory processes the cotton and manufactures clothes which are sold to a retail chain.

The clothes are stocked in stores and placed for sale to consumers.

A consumer buys a new dress.

The farmer collects VAT from the factory on behalf of the government.

The factory collects VAT from the retail chain on behalf of the government.

The retail outlet collects VAT from the consumer on behalf of the government.

The following table summarizes the VAT process:

<table>
<thead>
<tr>
<th></th>
<th>Sales</th>
<th>VAT Charged</th>
<th>VAT Recovered</th>
<th>VAT Payable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Farmer</td>
<td>AED 1,000</td>
<td>AED 50</td>
<td>AED 0</td>
<td>AED 50</td>
</tr>
<tr>
<td>Factory</td>
<td>AED 3,000</td>
<td>AED 150</td>
<td>AED 50</td>
<td>AED 100</td>
</tr>
<tr>
<td>Retailer</td>
<td>AED 5,000</td>
<td>AED 250</td>
<td>AED 150</td>
<td>AED 100</td>
</tr>
<tr>
<td><strong>Total VAT</strong></td>
<td></td>
<td></td>
<td></td>
<td><strong>AED 250</strong></td>
</tr>
</tbody>
</table>

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

نتيجة الناتج النهائي = يتم تحصيل ضريبة القيمة المضافة من خلال سلسلة التوريد وتحمل المستهلك النهائي التكلفة.
VAT CASH FLOW IMPACT

- VAT WILL IMPACT ON CASHFLOW AND IN SOME CASES SIGNIFICANTLY
- CONSTRUCTION AND CONTRACTING BUSINESSES MAY BE MORE AFFECTED
- EXPENDITURE NORMALLY PRECEDES REVENUE
- INPUT CREDIT MAY NOT BE REFUNDED MONTHLY OR AT ALL IF OFFSET AGAINST OUTPUT VAT
- WITH TIME OF SUPPLY RULES WILL NEED TO BE CAREFULLY CONSIDERED
- OUTPUT VAT MAY BE PAYABLE PRIOR TO RECEIPT OF FUNDS
- VAT PAYMENTS AND REFUNDS WILL NOT NECESSARILY FOLLOW THE TIMING OF SUPPLIER PAYMENTS AND CASH RECEIPTS WHICH WILL REQUIRE CAREFUL PLANNING TO ENSURE YOUR CASHFLOW IS NOT NEGATIVELY IMPACTED BY VAT

12
## VAT Cashflow Impact

<table>
<thead>
<tr>
<th></th>
<th>Jan AED</th>
<th>Feb AED</th>
<th>Mar AED</th>
<th>Apr AED</th>
<th>May AED</th>
<th>Jun AED</th>
<th>Jul AED</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Post VAT</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>1,000</td>
<td>1,000</td>
<td>1,000</td>
<td>1,000</td>
<td>1,000</td>
<td>1,000</td>
<td>1,000</td>
</tr>
<tr>
<td>Credit (90 day terms)</td>
<td>1,000</td>
<td>1,000</td>
<td>1,000</td>
<td>1,000</td>
<td>1,000</td>
<td>1,000</td>
<td>1,000</td>
</tr>
<tr>
<td>Add Output Vat @ 5%</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td><strong>Total sales (VAT inclusive)</strong></td>
<td>2,100</td>
<td>2,100</td>
<td>2,100</td>
<td>2,100</td>
<td>2,100</td>
<td>2,100</td>
<td>2,100</td>
</tr>
<tr>
<td>Received from Customers</td>
<td>1,050</td>
<td>1,050</td>
<td>1,050</td>
<td>2,100</td>
<td>2,100</td>
<td>2,100</td>
<td>2,100</td>
</tr>
<tr>
<td>Costs @ 70% of sales</td>
<td>-1,400</td>
<td>-1,400</td>
<td>-1,400</td>
<td>-1,400</td>
<td>-1,400</td>
<td>-1,400</td>
<td>-1,400</td>
</tr>
<tr>
<td>Add Input Vat @ 5%</td>
<td>-70</td>
<td>-70</td>
<td>-70</td>
<td>-70</td>
<td>-70</td>
<td>-70</td>
<td>-70</td>
</tr>
<tr>
<td>Paid to supplier (COD terms)</td>
<td>-1,470</td>
<td>-1,470</td>
<td>-1,470</td>
<td>-1,470</td>
<td>-1,470</td>
<td>-1,470</td>
<td>-1,470</td>
</tr>
<tr>
<td><strong>VAT Payments / Receipts</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Input tax due from Tax Authorities</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>210</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Output tax payable to Tax Authorities</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-300</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net Cashflow - monthly</strong></td>
<td>-420</td>
<td>-420</td>
<td>-420</td>
<td>540</td>
<td>630</td>
<td>630</td>
<td>630</td>
</tr>
<tr>
<td><strong>Cumulative cashflow</strong></td>
<td>-420</td>
<td>-840</td>
<td>-1,260</td>
<td>-720</td>
<td>-90</td>
<td>540</td>
<td>1,170</td>
</tr>
<tr>
<td><strong>Pre VAT</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>1,000</td>
<td>1,000</td>
<td>1,000</td>
<td>1,000</td>
<td>1,000</td>
<td>1,000</td>
<td>1,000</td>
</tr>
<tr>
<td>Credit (90 day terms)</td>
<td>1,000</td>
<td>1,000</td>
<td>1,000</td>
<td>1,000</td>
<td>1,000</td>
<td>1,000</td>
<td>1,000</td>
</tr>
<tr>
<td>Add Output Vat @ 0%</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Sales</strong></td>
<td>2,000</td>
<td>2,000</td>
<td>2,000</td>
<td>2,000</td>
<td>2,000</td>
<td>2,000</td>
<td>2,000</td>
</tr>
<tr>
<td>Received from Customers</td>
<td>1,000</td>
<td>1,000</td>
<td>1,000</td>
<td>2,000</td>
<td>2,000</td>
<td>2,000</td>
<td>2,000</td>
</tr>
<tr>
<td>Costs @ 70% of sales</td>
<td>-1,400</td>
<td>-1,400</td>
<td>-1,400</td>
<td>-1,400</td>
<td>-1,400</td>
<td>-1,400</td>
<td>-1,400</td>
</tr>
<tr>
<td>Add Input Vat @ 0%</td>
<td>-1,400</td>
<td>-1,400</td>
<td>-1,400</td>
<td>-1,400</td>
<td>-1,400</td>
<td>-1,400</td>
<td>-1,400</td>
</tr>
<tr>
<td>Paid to supplier (COD terms)</td>
<td>-400</td>
<td>-400</td>
<td>-400</td>
<td>600</td>
<td>600</td>
<td>600</td>
<td>600</td>
</tr>
<tr>
<td><strong>Net Cashflow - monthly</strong></td>
<td>-400</td>
<td>-800</td>
<td>-1,200</td>
<td>-600</td>
<td>-600</td>
<td>-600</td>
<td>-1,200</td>
</tr>
<tr>
<td><strong>Cumulative cashflow</strong></td>
<td>-400</td>
<td>-800</td>
<td>-1,200</td>
<td>-600</td>
<td>-600</td>
<td>-600</td>
<td>-1,200</td>
</tr>
</tbody>
</table>

### Difference in net cash

|                  | (20) | (40) | (60) | (120) | (90) | (60) | (30) |
CURRENT GCC DEVELOPMENTS

- GCC STATES SUPREME COUNCIL DECISION ON 9-10 DECEMBER 2015; INTRODUCE VAT (VALUE ADDED TAXATION) ACROSS THE GCC AT A RATE OF 5%.
- EACH STATE HAS UNTIL 1 JANUARY 2019 TO INTRODUCE VAT. CURRENT STATUS;

<table>
<thead>
<tr>
<th>STATE</th>
<th>FRAMEWORK AGREEMENT RATIFIED</th>
<th>IMPLEMENTATION DATE</th>
</tr>
</thead>
<tbody>
<tr>
<td>UNITED ARAB EMIRATES</td>
<td>YES</td>
<td>1 JANUARY 2018</td>
</tr>
<tr>
<td>KINGDOM OF SAUDI ARABIA</td>
<td>YES</td>
<td>1 JANUARY 2018</td>
</tr>
<tr>
<td>STATE OF QATAR</td>
<td>YES</td>
<td>EXPECTED 1ST QUARTER OF 2018</td>
</tr>
<tr>
<td>STATE OF KUWAIT</td>
<td>NO</td>
<td>EXPECTED 1ST QUARTER OF 2018</td>
</tr>
<tr>
<td>SULTANATE OF OMAN</td>
<td>NO</td>
<td>EXPECTED 1ST QUARTER OF 2018</td>
</tr>
<tr>
<td>KINGDOM OF BAHRAIN</td>
<td>NO</td>
<td>EXPECTED 3 QUARTER OF 2018</td>
</tr>
</tbody>
</table>
CURRENT GCC DEVELOPMENTS

- COMMON GCC FRAMEWORK AGREEMENT HAS BEEN SIGNED AND PUBLISHED ON 3 MAY 2017 BY KSA IN ARABIC.
- THE AGREEMENT IS ENFORCEABLE AFTER RATIFICATION BY THE SECOND MEMBER STATES IS DEPOSITED WITH THE SECRETARIAT GENERAL OF THE GCC COUNTRIES.
- MODELLED ON EU VAT REGIME.
- FRAMEWORK COVERS 80% OF WHAT IS REQUIRED BY MEMBER STATES.
CURRENT GCC DEVELOPMENTS

- EACH STATE CAN DECIDE ON MATTERS SUCH AS:
  - ZERO RATED AND EXEMPT SUPPLY INCLUSION LIST.
  - DEEMED SUPPLY CONDITIONS.
  - PENALTIES AND JOINT LIABILITY CONDITIONS.
  - TAX GROUP CONDITIONS.
  - CONDITIONS AND DISCIPLINES FOR THE INPUT TAX DEDUCTION.
  - THE INFORMATION REQUIRED ON A TAX INVOICE.
  - THE CONDITIONS FOR A TAX REFUND THAT IS DEDUCTIBLE OR TO BE MOVED TO THE NEXT TAXATION PERIOD.
  - THE CONDITIONS AND REGULATIONS OF LODGING OBJECTIONS AGAINST THE DECISIONS OF THE COMPETENT TAX AUTHORITY.

- ANY MEMBER STATE THAT DOES NOT ENFORCE ITS LOCAL LAW SHALL BE CONSIDERED OUTSIDE THE SCOPE THIS AGREEMENT UNTIL THE DATE ITS LOCAL LAW ENTERS INTO FORCE.
VAT KEY DATES AND NUMBERS

- VARIOUS GOVERNMENT MINISTERS HAVE ANNOUNCED VARIOUS FACT AT PRESS CONFERENCES.
- THE UAE MINISTRY OF FINANCE (MOF) HAS DELIVERED BRIEFINGS AND ALSO VARIOUS VAT FORUMS HAVE BEEN HELD AT WHICH VARIOUS ACCOUNTING FIRMS INVOLVED IN THE PLANNING STAGES HAVE PROVIDED CERTAIN SPECIFICS AND CONFIRMED 1 JANUARY 2018 AS THE GO LIVE DATE.
- THE UAE MOF HAS ANNOUNCED THAT VOLUNTARY REGISTRATION WILL COMMENCE JULY / AUGUST 2017 AND COMPULSORY REGISTRATION DURING 3RD QUARTER OF 2017
- GCC FRAMEWORK WHICH AGREEMENT SETS THE RULES – PUBLISHED 4 MAY 2017 IN ARABIC
- KSA PUBLISHED DRAFT VAT LAWS – 29 MAY 2017. PROVIDES FOR PUBLIC INPUT UNTIL 29 JUNE 2017
- JUST OVER 100 WORKING DAYS LEFT BEFORE THE IMPLEMENTATION OF VAT IN THE UAE AND KSA!
GCC FRAMEWORK AGREEMENT

- GCC FRAMEWORK AGREEMENT SETS THE FRAMEWORK RULES – PUBLISHED 4 MAY 2017 IN ARABIC.
- THE DRAFT KSA LAW OFTEN JUST REFERS TO THE “AGREEMENT” VS REPEATING THE ARTICLES. (THEREFORE AN ANALYSIS IS REQUIRED OF BOTH THE FRAMEWORK AGREEMENT AND THE LOCAL LAWS.
- ALLOWS FOR EXTENSIVE INFORMATION SHARING.
- SETS OUT BASIC FRAMEWORK FOR PENALTIES BUT EACH MEMBER STATE WILL DECIDE ON OWN DETAILED PROVISIONS RE BREACH OF LAW.
- SIMILAR PROVISIONS TO EU – ‘INTERNAL SUPPLIES’ HAVE SPECIAL TREATMENT WITH RESPECT TO PLACE OF SUPPLY.
- LOCAL LAWS IN EACH MEMBER STATE PRESCRIBE OPTIONAL TREATMENT OF CERTAIN SUPPLIES E.G. HEALTHCARE, SOME FOODS, AS WELL AS ADMINISTRATION DETAILS.
- VAT COMPLIANCE WILL BE GOVERNED THROUGH:
  - GCC FRAMEWORK AGREEMENT
  - LOCAL STATE LAW
  - LOCAL STATE REGULATIONS
WHO HAS TO REGISTER (ARTICLE 50 – 51)

☐ TAXABLE PERSON

☐ ANY PERSON (NATURAL, LEGAL OR PARTNERSHIP) WHO CARRIES ON AN ECONOMIC ACTIVITY (REGULAR OR CONTINUOS) WHO IS REGISTERED OR OBLIGED TO REGISTER FOR TAX PURPOSES

☐ MANDATORY REGISTRATION (Article 50 and 12 (2))

☐ THE TAXABLE PERSON RESIDENT IN ANY OF THE MEMBER STATES WITH AN ANNUAL TURNOVER > $100,000

☐ NON RESIDENT OF A MEMBER STATE, WHO IS OBLIGED TO PAY THE TAX, REGARDLESS OF THE VALUE OF HIS BUSINESS TRANSACTIONS. SUCH A PERSON CAN REGISTER HIMSELF DIRECTLY OR THROUGH A TAX REPRESENTATIVE.

☐ NOTE: A PERSON SUBJECT TO VAT WHO ONLY PROVIDES SUPPLIES SUBJECT TO 0% (ZERO RATED), MAY APPLY FOR EXEMPTION FROM THE COMPULSORY REGISTRATION FOR TAXATION PURPOSES.

☐ IF THE GROSS VALUE OF A SUPPLIER’S TRANSACTIONS TO AN UNREGISTERED VENDOR IN ANOTHER GCC STATE EXCEEDS $100 000, THE SUPPLIER THEN HAS TO REGISTER FOR TAXATION IN THAT COUNTRY. (Article 12 (2))

☐ SUPPLIERS OF ELECTRONIC SERVICES WILL HAVE TO REGISTER IN GCC COUNTRY WHERE THEY ARE SUPPLYING SERVICES (SEE PLACE OF SUPPLY PROVISIONS)
WHO HAS TO REGISTER

- **VOLUNTARY REGISTRATION (ARTICLE 51)**
  - A resident of any of the Member States and has an annual turnover > $50,000
  - A resident of any of the Member States and has annual expenses > $50,000

  *Note: Rep. offices may register if parent co making taxable supplies and expenses > $50,000*

- **GROUP REGISTRATION (ARTICLE 4)**
  - Member States have the right to allow group registration
  - UAE will allow subject to same ownership and control – key issue in UAE with different sponsors per entity
  - Article 5 of the KSA Draft Law to groups of companies to register as a VAT group which is defined as a group of entities which carry on an economic activity, reside in KSA and have close financial or economic ties with one another.

- **REGISTRATION IN KSA**
  - GAZT will start registering businesses for VAT purposes through its electronic registration system-ERAD, once the regulations are published. Upon registration, a taxable person shall be assigned a tax identification number (TIN).
SUPPLIES IN SCOPE (ARTICLES 5 – 9)

SUPPLY OF GOODS AND SERVICES (DEFINITIONS IN ARTICLES 5-8) INCLUDES DEEMED SUPPLIES SUCH AS:
- CHANGE IN USE TO NON ECONOMIC ACTIVITY
- SUPPLY OF GOODS FOR FREE UNLESS LOW VALUE GIFTS OR SAMPLES

SERVICES DEFINED AS ANYTHING OTHER THAN GOODS

THREE CATEGORIES OF SUPPLIES
- WITHIN OWN COUNTRY,
- WITHIN GCC AND
- EXPORTED OUTSIDE GCC (SEE PLACE OF SUPPLY RULES)

SUPPLIES TO ONESELF (REVERSE CHARGE MECHANISM)
- RECEIPT OF SUPPLIES FROM OTHER GCC COUNTRY
- RECEIPT OF SERVICES FROM OUTSIDE GCC
PLACE OF SUPPLY (ARTICLE 10 TO 16)

- **GENERAL RULE – GOODS.**
  1. SUPPLY OF GOODS WITHOUT TRANSFER – PLACE WHERE MADE AVAILABLE TO CUSTOMER.
  2. SUPPLY OF GOODS WITH TRANSPORT – PLACE WHERE TRANSPORT STARTS.

- **SPECIAL RULES FOR INTRA GCC GOODS SUPPLIES.**
  1. EXEMPTION FROM 2 EXISTS IF:
     - CUSTOMER IS REGISTERED FOR VAT
     - IF CUSTOMER IS NOT REGISTERED FOR VAT AND SUPPLIER IS REGISTERED FOR VAT IN DESTINATION GCC STATE.
  2. SUPPLY TO AN UNREGISTERED CUSTOMER IN ANOTHER GCC STATE – PLACE WHERE GOODS WERE STARTED TO BE TRANSPORTED PROVIDED VALUE DOES NOT EXCEED $100,000 PER ANNUM. IF VALUE > $100,000, THE SUPPLIER MUST REGISTER IN OTHER GCC STATE.
  3. IF SUPPLY OF GOODS WITHOUT TRANSFER TAKES PLACE AND IT IS LATER PROVED THAT SUPPLY DID TAKE PLACE AS PER 1 ABOVE, THEN THE DESTINATION STATE CAN RECOVER TAX FROM STATE WHERE GOODS ORIGINATED FROM.
  4. SUPPLY OF OIL, GAS, WATER AND ELECTRICITY – PLACE OF CONSUMPTION (B2C) OR PLACE OF CLIENT BUSINESS (B2B)

- **GENERAL RULE – SERVICES**
  1. SUPPLY OF SERVICES BY A REGISTERED VENDOR TO AN UNREGISTERED CUSTOMER (B2C) - THE SUPPLIER’S PLACE OF RESIDENCE.
  2. SUPPLY OF SERVICES BY A REGISTERED VENDOR TO AN REGISTERED CUSTOMER (B2B)– THE CUSTOMERS PLACE OF RESIDENCE.
PLACE OF SUPPLY SPECIAL RULES (ARTICLE 17 TO 22)

- TRANSPORTATION HIRING (B2C) – PLACE IT IS PUT AT DISPOSAL OF CLIENT
- SUPPLY OF GOODS AND PASSENGER TRANSPORT (B2B) – PLACE WHERE THEY START (NOTE ARTICLE 33 POSSIBLE EXCEPTION FOR PASSENGER TRANSPORT)
- REAL ESTATE RELATED SERVICES AS DEFINED IS PLACE WHERE THE REAL ESTATE IS LOCATED
- SUPPLY OF TELECOMMUNICATION SERVICES AND SERVICES SUPPLIED ELECTRONICALLY IS THE PLACE OF USE (CONSUMPTION)
- OTHER SERVICES; HOTEL, SPORTS, ARTS ETC IS PLACE OF PERFORMANCE
- PLACE OF THE IMPORT IS WHERE THE GOODS ARE RELEASED FROM CUSTOMS
TIME OF SUPPLY (TAX POINT) ARTICLE 23

The tax point (or ‘time of supply’) for a transaction is the date the transaction takes place for VAT purposes. You need to know this because, for example:

- It’s included on tax invoices
- It tells you which VAT period the transaction belongs to
- It tells you which VAT return to put the transaction on

The tax point set out in Article 23 is as follows:

- Earlier of delivery of goods/completion of services, issuing of invoice or partial or full payment – consequences for advance payments in services industry, mobilisation advances in construction
- Time of supply for continuing services (includes construction related) is the date of each milestone invoice
- Tax due on the import is when goods are released from customs
- If invoice is issued within 15 days – invoice date = tax point otherwise refer above
## TIME OF SUPPLY (TAX POINT)  ARTICLE 23

### THE TAX POINT SUMMARY AND EXAMPLES

<table>
<thead>
<tr>
<th>SITUATION</th>
<th>TAX POINT</th>
</tr>
</thead>
<tbody>
<tr>
<td>NO INVOICE NEEDED</td>
<td>DATE OF SUPPLY</td>
</tr>
<tr>
<td>VAT INVOICE ISSUED</td>
<td>DATE OF INVOICE</td>
</tr>
<tr>
<td>VAT INVOICE ISSUED 15 DAYS OR MORE AFTER THE DATE OF SUPPLY</td>
<td>DATE THE SUPPLY TOOK PLACE</td>
</tr>
<tr>
<td>PAYMENT OR INVOICE ISSUED IN ADVANCE OF SUPPLY</td>
<td>DATE OF PAYMENT OR INVOICE (WHICHEVER IS EARLIER)</td>
</tr>
<tr>
<td>PAYMENT IN ADVANCE OF SUPPLY AND NO VAT INVOICE YET ISSUED</td>
<td>DATE PAYMENT RECEIVED</td>
</tr>
</tbody>
</table>
VALUE OF THE SUPPLY AND ADJUSTMENTS
(ARTICLES 25 -28)

- Advertised price must include VAT
- Value of supply includes all charges imposed by the supplier
- Fair market value concept applies for deemed supplies
- Adjustment is allowed for reduction in the value of supply (credit notes) as well as non collection of consideration (subject to local criteria)
- For goods temporarily exported to complete manufacture or repair, VAT is applied on the value added upon re-import
- Value of imported goods includes
  - All incidental expenses such as commission, packing, transport and insurance costs incurred up to the goods’ first destination in the GCC
  - All such incidental expenses where they result from transport to a further place of destination in the GCC if that place is known at the time of importation
  - Any customs duty or levy payable on importation into the GCC
  - Any excise duty or other charges payable on importation into the GCC (except the VAT itself)
EXCEPTIONS (ARTICLES 29-38)

- EXEMPTED SUPPLIES
  - FINANCIAL SERVICES – INTEREST ONLY
  - IMPORT EXEMPTIONS
    - TRANSHIPMENT WHERE THE GOODS WILL BE EXEMPT OR ZERO RATED IN FINAL DESTINATION
    - ITEMS COVERED BY THE COMMON CUSTOMS LAW SUCH AS MILITARY DIPLOMATIC, PERSONAL GOODS, RECYCLED GOODS

- ZERO RATED SUPPLIES
  - MEDICINES AND MEDICAL EQUIPMENT
  - INTRA GCC AND INTERNATIONAL TRANSPORT
  - THE SUPPLY OF GOLD SILVER AND PLATINUM FOR INVESTMENT PURPOSES
  - EXPORTS OUTSIDE GCC
MEMBER STATE OPTIONS

MEMBER STATES MAY **EXEMPT**;

- CERTAIN GOVERNMENTAL BODIES, CHARITIES, EXHIBITORS, PRIVATE HOMES, FARMERS AND FISHERMEN

MEMBER STATES MAY **ZERO RATE**;

- CERTAIN FOODS (STANDARD)
- SUPPLY OF SEA, LAND, AIR TRANSPORT **MEANS** INCLUDING FOR RESCUE PURPOSES

MEMBER STATES MAY **EXEMPT OR ZERO RATE**; (UAE IN BRACKETS)

- EDUCATION (ZERO EXCEPT FOR ANCILLARY SUPPLIES)
- HEALTHCARE SECTOR (EXCEPT MEDICINE AND EQUIPMENT) (ZERO. SUBJECT TO DEFINITION – ELECTIVE?)
- REAL ESTATE (RES; FIRST SUPPLY ZERO, THEREAFTER EXEMPT. COMMERCIAL STANDARD)
- LOCAL TRANSPORT (GOODS STANDARD, PEOPLE ZERO)
- OIL, GAS, PETROL DERIVATIVES (PETROL STANDARD)
- OTHER FINANCIAL SERVICES SUPPLIES (BANK FEES STANDARD, LIFE INSURANCE EXEMPT, OTHER INSURANCE STANDARD)
OBLIGATION TO PAY THE TAX (ARTICLES 40-43)

- **THE TAXABLE PERSON (WHO ISSUED THE INVOICE) SHALL PAY THE TAX TO THE COMPETENT TAX AUTHORITY WITHIN THE PRESCRIBED PROCEDURES SET OUT IN EACH LOCAL LAW – WHERE THE PLACE OF SUPPLY IS LOCATED**

- **IMPORTER OF GOODS – IMPORTER WILL PAY THE TAX IN ACCORDANCE WITH THE PROVISIONS OF THE CUSTOMS LAW – IN KSA (ARTICLE 23) AUTHORITY MAY ALLOW TAX TO BE COLLECTED THROUGH THE IMPORTERS RETURN.**

- **TAX USING THE REVERSE CHARGE MECHANISM – CLIENT OBLIGED TO PAY TAX.**
TAXABLE PERSONS MAY DEDUCT TAX INCURRED IN CARRYING OUT TAXABLE SUPPLIES ON THE TAX DUE DATE

INCLUDES PERSONS SUBJECT TO THE REVERSE CHARGE MECHANISM

APPORTIONMENT RULE APPLIES E.G BANKS

REDUCTION IN VALUE OF SUPPLY; SIMILAR RULES TO OUTPUTS

MUST HAVE COMPLIANT DOCUMENTS (TAX INVOICE) INCLUDING CUSTOMS DOCUMENTS (CERTIFICATE) IN CASE OF IMPORT

CAN DEDUCT TAX INCURRED BEFORE REGISTRATION IF INCURRED FOR MAKING FUTURE TAXABLE SUPPLIES
COMPLIANCE

- Registration and payment on line
- Reporting revenue by emirate
- Five year record retention period (fifteen for real estate)
- Records must be in Arabic in KSA (others?) – translate TB
- Invoices must be unique, sequential. Duplicates must be clearly marked
- Refunds will be made – subject to audit?
- UAE collection AED12BN to AED20BN – compliance ↑!
- Principle officer must be appointed – responsible!
- Audits require prior notice unless risk of loss to MOF
- Penalties up to 500% and business closure for 72 hours
COMPLIANCE - PENALTIES

- **Joint Liability:** Any person who intentional participates in the violation of any of the provisions is jointly liable. (Principle officer, auditors, tax agents will be included)

- Penalties up to 500% and business closure for 72 hours

- KSA Law provides for:
  - Failure to register for VAT purposes: SAR. 10,000 (Ten thousand Saudi Riyals);
  - Errors in tax returns: Fifty percent (50%) of the under reported tax;
  - Overstated claims for refund: Fifty percent (50%) of the amount by which the claim to tax refund is overstated;
  - Failure to pay VAT when due: SAR. 1000 (One thousand Saudi Riyals) plus an amount calculated as follows:
  - Five percent (5%) of the unpaid tax if the delay does not exceed thirty (30) days from the time limit specified in the draft law and the regulations;
COMPLIANCE - PENALTIES

- **KSA LAW PROVIDES FOR (Cont.):**
  - TEN PERCENT (10%) OF THE UNPAID TAX IF THE DELAY EXCEDES THIRTY (30) DAYS AND DOES NOT EXCEED NINETY (90) DAYS FROM THE TIME LIMIT SPECIFIED IN THE DRAFT LAW AND THE REGULATIONS;
  - TWENTY PERCENT (20%) OF THE UNPAID TAX IF THE DELAY EXCEEDS NINETY (90) DAYS AND DOES NOT EXCEED THREE HUNDRED SIXTY-FIVE (365) DAYS FROM THE TIME LIMIT SPECIFIED IN THE DRAFT LAW AND THE REGULATIONS;
  - TWENTY FIVE PERCENT (25%) OF THE UNPAID TAX IF THE DELAY EXCEEDS THREE HUNDRED SIXTY-FIVE (365) DAYS FROM THE TIME LIMIT SPECIFIED IN THE DRAFT LAW AND THE REGULATIONS;
  - FAILURE TO FILE TAX RETURNS: SAR. 1000 (ONE THOUSAND SAUDI RIYALS) PLUS AN AMOUNT EQUAL TO TWO PERCENT (2%) OF HIS AVERAGE MONTHLY TAXABLE SUPPLIES CALCULATED IN ACCORDANCE WITH THE DRAFT LAW AND THE REGULATIONS, WITH A MAXIMUM OF SAR. 20,000 (TWENTY THOUSAND SAUDI RIYALS) PER OCCURRENCE;
  - ISSUING OF INVOICES BY UNAUTHORIZED PERSONS: A PENALTY EQUAL TO THE HIGHER OF SAR. 1,000 (ONE THOUSAND SAUDI RIYALS) OR DOUBLE THE AMOUNT OF VAT;
  - FAILURE TO MAINTAIN BOOKS AND RECORDS: SAR. 1,000 (ONE THOUSAND SAUDI RIYALS) AND TWO PERCENT (2%) OF HIS AVERAGE MONTHLY TAXABLE SUPPLIES CALCULATED IN ACCORDANCE WITH THE DRAFT LAW AND THE REGULATIONS, PROVIDED THAT THE PENALTY DOES NOT EXCEED SAR. 20,000 (TWENTY THOUSAND SAUDI RIYALS) PER OCCURRENCE.
COMPLIANCE - PENALTIES

- KSA LAW PROVIDES FOR (Cont.):
  - TEN PERCENT (10%) OF THE UNPAID TAX IF THE DELAY EXCEEDS THIRTY (30) DAYS AND DOES NOT EXCEED NINETY (90) DAYS FROM THE TIME LIMIT SPECIFIED IN THE DRAFT LAW AND THE REGULATIONS;
  - PENALTY FOR EVASION OF TAX (ARTICLE 68)
    - TWENTY THOUSAND (20,000) RIYALS, AND MAY BE REFERRED TO THE ADMINISTRATIVE COURT TO IMPOSE ANY ADDITIONAL PUNISHMENTS IN OTHER RELEVANT LAWS REGARDING THE OFFENCE MAY APPLY.
    - SUCH PUNISHMENT MAY, ON CONVICTION, INCLUDE AN ADDITIONAL FINE OF UP TO ONE MILLION (1,000,000) RIYALS OR IMPRISONMENT FOR UP TO TWO YEARS, WITHOUT PREJUDICE TO ANY CRIMINAL PENALTY THAT MAY BE IMPOSED UNDER OTHER LAWS IN FORCE.
MISCELLANEOUS

- TRANSITIONAL RULES PRE AND POST IMPLEMENTATION (ARTICLE 73)
  - WORK CARRIED OUT BEFORE, BILLED AFTER NOT SUBJECT TO VAT
  - CONVERSELY CANNOT ‘PRE-INVOICE’ OR ‘PRE-PAY’ E.G NEW MOTOR CARS

- FREE ZONES (TBC);
  - FENCED – OFFSHORE (EXEMPT)
  - UNFENCED - ONSHORE

- UTILITIES WILL BE STANDARD RATED

- SUPPLIES TO GOV STANDARD RATED

- IF CONTRACT IS SILENT, DEEMED TO BE VAT INCLUSIVE

- MARGIN SCHEME (SECOND HAND DEALERS) – SPECIAL LOCAL RULES FOR VAT ON PROFIT MARGIN
How will VAT impact Your business

- Business
  - Cash flow
  - Vatable transactions and rulings
  - Imports and exports
  - Group structure
  - Administrative costs

- Compliance
  - Registration
  - Governance, processes and procedures
  - Invoices
  - Returns
  - VAT Payments
  - Audit
  - Record keeping

- Technology and systems
  - Systems upgrades – accounting, POS
  - Data and record storage

- Sales and Marketing
  - Effect on demand and pricing
  - Customer communication
  - Current contracts

- Suppliers
  - VAT status of suppliers
  - Supplier compliance
  - Current supply contracts

- Staff
  - Capability assessment
  - Responsible officer
  - Training, job descriptions
  - Change management
VAT PROJECT ROADMAP

PHASE 1
VAT IMPACT ASSESSMENT, VAT PROJECT PLAN AND STRATEGY.

PHASE 2
DETAILED DESIGN AND SET UP PHASE.

PHASE 3
IMPLEMENTATION, TESTING AND GO LIVE.

PHASE 4
POST IMPLEMENTATION REVIEW AND SUPPORT.

VAT COMPLIANCE
# VAT Project Roadmap

<table>
<thead>
<tr>
<th>PHASE 1</th>
<th>PHASE 2</th>
<th>PHASE 3</th>
<th>PHASE 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vat impact assessment, Vat project plan and strategy.</td>
<td>Detailed design and set up phase.</td>
<td>Implementation, testing and Go live.</td>
<td>Post implementation and support</td>
</tr>
<tr>
<td><strong>Work performed</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Conduct stakeholder workshop. 2. Carry out VAT readiness assessment. 3. Review business as a whole and examine how it may be impacted from a VAT perspective across these dimensions: • Sales, pricing, marketing • Finance and Admin • AP and AR processes • Tax management • Cashflow impact • Compliance and controls • IT Systems. • Legal, Current and Future. • Human Capital 4. Develop an appropriate project plan for the business to adopt with respect to its new operating environment. This plan will set out the what, when, how and by whom. 5. Review ERP / IT system capability and requirements, assist with research, assessing etc.</td>
<td>1. Prepare / Review high level transaction maps prepared and identify and comment on VAT impact points. 2. High level mapping of the VAT legislation vis a vis all business transactions and processes. (Done once legislation is available). 3. Develop Input and output tax allocation matrix. 4. Complete technology assessment and plan. 5. Review of contracts and action plan developed to deal with specific issues in the contracts and the transition to a VAT environment</td>
<td>1. Advising on implementation of the VAT project plan. 2. ERP / IT system detailed design and solution implementation. 3. Project manage the ERP/ IT system changes / implementation. 4. Train staff. 5. Assist in testing the system / process changes to ensure they are fit for purpose. 6. Manage all VAT transitional matters and ensure that the business is VAT ready. 7. Advise and assist with VAT registration. 8. Assisting with VAT rulings on specific transactions. 9. Assist with communication plan; internal and external.</td>
<td>1. Sample checking and testing of records to ensure that the new post VAT implementation procedures are working correctly. 2. Assist staff with VAT return preparation / submission and perform high level reconciliation of VAT return to financial transactions. 3. Deal with VAT queries that may arise, internal and from the Tax Authorities. 4. Provide ongoing support as and when required. 5. Provide additional services as and when required.</td>
</tr>
</tbody>
</table>
# VAT Project Roadmap

<table>
<thead>
<tr>
<th>PHASE 1</th>
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<th>PHASE 3</th>
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<td>Detailed design and set up phase.</td>
<td>Implementation, testing and Go live.</td>
<td>Post implementation and support</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Additional actions</th>
<th></th>
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</thead>
<tbody>
<tr>
<td>Deliverables</td>
<td>PHASE 1</td>
<td>PHASE 2</td>
<td>PHASE 3</td>
</tr>
<tr>
<td>--------------</td>
<td>---------</td>
<td>---------</td>
<td>---------</td>
</tr>
</tbody>
</table>
PROJECT TIMELINE

June 2017 – July 2017
Assessment and planning.

Oct 2017 to Dec 2017
Change management, Testing, Training.

Jan 2018 to April 2018
Go live support, Review audit and assessment

Aug 2017 to Sept 2017
Detailed design

1 Jan 2018
Go live
WHAT CAN BE DONE NOW (Pre legislation)

- Staff awareness training – VAT impacts most of the organization.
- VAT readiness assessment and impact assessment.
- Project plan, resource requirements and budget.
- IT capability review and IT strategy – will require configuration changes but is time for a review of ERP system?
- Retail POS assessment, redesign/upgrade.
- Design MIS and audit reports, procedures.
- Assess organisation structure and possible registration enterprises and VAT Group’s
- Assess cash flow impact and develop action plan to address any negative cashflow consequences.
- Review of GCC group structure and potential VAT impact. Consider possible “VAT Group’s”
WHAT CAN BE DONE NOW (Pre legislation)

- Preparation of transactions list for transactions that will be impacted by VAT.
- Process mapping of processes that will be impacted by VAT.
- Developing a input / output VAT transaction matrix.
- Identify policies and manuals required or to be updated.
- People capability assessment, training needs, recruitment assessment.
- Identifying and listing documentation requiring re-design.
- Document management system assessment (5 year record keeping required)
  Record keeping, data storage and back up.
- Contracts review and amendments required to be identified.
### 1. Project Information

<table>
<thead>
<tr>
<th>Client</th>
<th>VSG</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project Manager</td>
<td>Kelvin Tyfield</td>
</tr>
</tbody>
</table>

#### Score Summary

<table>
<thead>
<tr>
<th>Category</th>
<th>Score</th>
<th>Potential</th>
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</thead>
<tbody>
<tr>
<td>1. Human Capital</td>
<td>115</td>
<td>115</td>
</tr>
<tr>
<td>2. Corporate and Business Structure</td>
<td>27</td>
<td>70</td>
</tr>
<tr>
<td>3. Legal</td>
<td>67</td>
<td>155</td>
</tr>
<tr>
<td>4. Business process mapping</td>
<td>19</td>
<td>45</td>
</tr>
<tr>
<td>5. Information / ERP systems</td>
<td>113</td>
<td>230</td>
</tr>
<tr>
<td>6. Sales and Marketing</td>
<td>27</td>
<td>55</td>
</tr>
<tr>
<td>7. Suppliers</td>
<td>26</td>
<td>60</td>
</tr>
<tr>
<td>8. Customers</td>
<td>35</td>
<td>65</td>
</tr>
<tr>
<td>9. Finance and Administration</td>
<td>53</td>
<td>195</td>
</tr>
<tr>
<td><strong>Total Score</strong></td>
<td><strong>481</strong></td>
<td><strong>990</strong></td>
</tr>
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</table>

**Overall VAT Readiness**

49%
### VAT PROJECT RESOURCE AND TIME PLANNER

**CLIENT:** Company ABC  
**DEPARTMENT:** Overall VAT Plan

<table>
<thead>
<tr>
<th>No.</th>
<th>Activity Name</th>
<th>Start Date</th>
<th>End Date</th>
<th>Duration</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Carry out VAT readiness assessment - VSG</td>
<td>4-May-17</td>
<td>21-May-17</td>
<td>16 days</td>
</tr>
<tr>
<td>2</td>
<td>Conduct checklist meetings - VSG</td>
<td>22-May-17</td>
<td>24-May-17</td>
<td>2 days</td>
</tr>
<tr>
<td>3</td>
<td>Review business as a whole and examine how it may be impacted by VAT - VSG</td>
<td>25-May-17</td>
<td>25-May-17</td>
<td>1 day</td>
</tr>
<tr>
<td>4</td>
<td>Develop project plan - VSG</td>
<td>26-May-17</td>
<td>26-May-17</td>
<td>1 day</td>
</tr>
<tr>
<td>5</td>
<td>Review of ERP/IT system capability and requirements - VSG</td>
<td>27-May-17</td>
<td>28-May-17</td>
<td>2 days</td>
</tr>
<tr>
<td>6</td>
<td>Draft outline of the VAT registration and remind all business transactions and processes - VSG</td>
<td>29-May-17</td>
<td>30-May-17</td>
<td>2 days</td>
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<tr>
<td>7</td>
<td>Develop staff and client list of alternative VAT - VSG</td>
<td>31-May-17</td>
<td>31-May-17</td>
<td>1 day</td>
</tr>
<tr>
<td>8</td>
<td>Develop and review the new strategy of the VAT project plan - Part 1 - VSG</td>
<td>1-Jun-17</td>
<td>3-Jun-17</td>
<td>5 days</td>
</tr>
<tr>
<td>9</td>
<td>Develop Input and output tax allocation matrix - VSG</td>
<td>4-Jun-17</td>
<td>18-Jun-17</td>
<td>15 days</td>
</tr>
<tr>
<td>10</td>
<td>Complete technology assessment and plan - VSG</td>
<td>19-Jun-17</td>
<td>21-Jun-17</td>
<td>3 days</td>
</tr>
<tr>
<td>11</td>
<td>IT Transaction mapping - VSG</td>
<td>22-Jun-17</td>
<td>22-Jun-17</td>
<td>1 day</td>
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<tr>
<td>12</td>
<td>Project management of the ERP/IT system changes / implementation - VSG</td>
<td>23-Jun-17</td>
<td>17-Jul-17</td>
<td>15 days</td>
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<tr>
<td>13</td>
<td>IT Transaction mapping - ABC</td>
<td>18-Jul-17</td>
<td>31-Jul-17</td>
<td>14 days</td>
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<tr>
<td>14</td>
<td>ERP/IT system detailed design and solution implementation - VSG</td>
<td>1-Aug-17</td>
<td>1-Aug-17</td>
<td>1 day</td>
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<tr>
<td>15</td>
<td>Implement the new VAT legislation on all of the business transactions and processes - VSG</td>
<td>2-Aug-17</td>
<td>28-Aug-17</td>
<td>27 days</td>
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<tr>
<td>16</td>
<td>Debrief meeting for phase 3 - VSG</td>
<td>29-Aug-17</td>
<td>29-Aug-17</td>
<td>1 day</td>
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<tr>
<td>17</td>
<td>Final Go Live meeting - VSG</td>
<td>30-Aug-17</td>
<td>30-Aug-17</td>
<td>1 day</td>
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<tr>
<td>18</td>
<td>Final Go Live meeting - ABC</td>
<td>31-Aug-17</td>
<td>31-Aug-17</td>
<td>1 day</td>
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</table>

**VAT PROJECT TIMING SUMMARY**

<table>
<thead>
<tr>
<th>S.No</th>
<th>Start Date</th>
<th>End Date</th>
<th>Duration</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>3-May-17</td>
<td>1-Jun-17</td>
<td>31 days</td>
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<tr>
<td>2</td>
<td>1-Jun-17</td>
<td>30-Jun-17</td>
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<td>3</td>
<td>30-Jun-17</td>
<td>30-Jul-17</td>
<td>30 days</td>
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<td>4</td>
<td>30-Jul-17</td>
<td>30-Aug-17</td>
<td>30 days</td>
</tr>
<tr>
<td>5</td>
<td>30-Aug-17</td>
<td>30-Sep-17</td>
<td>30 days</td>
</tr>
<tr>
<td>6</td>
<td>30-Sep-17</td>
<td>30-Oct-17</td>
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<tr>
<td>7</td>
<td>30-Oct-17</td>
<td>30-Nov-17</td>
<td>30 days</td>
</tr>
<tr>
<td>8</td>
<td>30-Nov-17</td>
<td>30-Dec-17</td>
<td>30 days</td>
</tr>
</tbody>
</table>

**Timeline Summary**

- **Total planned days:** 98
- **Expected days to complete:** 86
- **Completed days:** 12
- **% Completion:** 12%

---

**DEVELOP A VAT PLAN**

**VAT SERVICES GROUP**

**VAT PROJECT RESOURCE AND TIME PLANNER**

**CLIENT:** Company ABC  
**DEPARTMENT:** Overall VAT Plan

- **Project Manager:** Kelvin Tyfield

<table>
<thead>
<tr>
<th>Task</th>
<th>Responsible Person</th>
<th>Start Date</th>
<th>End Date</th>
<th>Duration</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Carry out VAT readiness assessment - VSG</td>
<td>4-May-17</td>
<td>21-May-17</td>
<td>16 days</td>
</tr>
<tr>
<td>2.</td>
<td>Conduct checklist meetings - VSG</td>
<td>22-May-17</td>
<td>24-May-17</td>
<td>2 days</td>
</tr>
<tr>
<td>3.</td>
<td>Review business as a whole and examine how it may be impacted by VAT - VSG</td>
<td>25-May-17</td>
<td>25-May-17</td>
<td>1 day</td>
</tr>
<tr>
<td>4.</td>
<td>Develop project plan - VSG</td>
<td>26-May-17</td>
<td>26-May-17</td>
<td>1 day</td>
</tr>
<tr>
<td>5.</td>
<td>Review of ERP/IT system capability and requirements - VSG</td>
<td>27-May-17</td>
<td>28-May-17</td>
<td>2 days</td>
</tr>
<tr>
<td>6.</td>
<td>Draft outline of the VAT registration and remind all business transactions and processes - VSG</td>
<td>29-May-17</td>
<td>30-May-17</td>
<td>2 days</td>
</tr>
<tr>
<td>7.</td>
<td>Develop staff and client list of alternative VAT - VSG</td>
<td>31-May-17</td>
<td>31-May-17</td>
<td>1 day</td>
</tr>
<tr>
<td>8.</td>
<td>Develop and review the new strategy of the VAT project plan - Part 1 - VSG</td>
<td>1-Jun-17</td>
<td>3-Jun-17</td>
<td>5 days</td>
</tr>
<tr>
<td>9.</td>
<td>Develop Input and output tax allocation matrix - VSG</td>
<td>4-Jun-17</td>
<td>18-Jun-17</td>
<td>15 days</td>
</tr>
<tr>
<td>10.</td>
<td>Complete technology assessment and plan - VSG</td>
<td>19-Jun-17</td>
<td>21-Jun-17</td>
<td>3 days</td>
</tr>
<tr>
<td>11.</td>
<td>IT Transaction mapping - VSG</td>
<td>22-Jun-17</td>
<td>22-Jun-17</td>
<td>1 day</td>
</tr>
<tr>
<td>12.</td>
<td>Project management of the ERP/IT system changes / implementation - VSG</td>
<td>23-Jun-17</td>
<td>17-Jul-17</td>
<td>15 days</td>
</tr>
<tr>
<td>13.</td>
<td>IT Transaction mapping - ABC</td>
<td>18-Jul-17</td>
<td>31-Jul-17</td>
<td>14 days</td>
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<tr>
<td>14.</td>
<td>ERP/IT system detailed design and solution implementation - VSG</td>
<td>1-Aug-17</td>
<td>1-Aug-17</td>
<td>1 day</td>
</tr>
<tr>
<td>15.</td>
<td>Implement the new VAT legislation on all of the business transactions and processes - VSG</td>
<td>2-Aug-17</td>
<td>28-Aug-17</td>
<td>27 days</td>
</tr>
<tr>
<td>16.</td>
<td>Debrief meeting for phase 3 - VSG</td>
<td>29-Aug-17</td>
<td>29-Aug-17</td>
<td>1 day</td>
</tr>
<tr>
<td>17.</td>
<td>Final Go Live meeting - VSG</td>
<td>30-Aug-17</td>
<td>30-Aug-17</td>
<td>1 day</td>
</tr>
<tr>
<td>18.</td>
<td>Final Go Live meeting - ABC</td>
<td>31-Aug-17</td>
<td>31-Aug-17</td>
<td>1 day</td>
</tr>
</tbody>
</table>
# VAT TRANSACTION LIST MAPPED TO THE LAW

<table>
<thead>
<tr>
<th>GCC Framework Agreement transaction list</th>
<th>Place of supply reporting Required</th>
<th>Tax Status of Customer</th>
<th>Article</th>
</tr>
</thead>
<tbody>
<tr>
<td>VAT standard processes</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Output Tax</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Local transactions</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Registered taxpayer</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Unregistered taxpayer</td>
<td></td>
</tr>
<tr>
<td>Taxable supplies</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A Standard Rated Supplies</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Supply of Goods</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1 Supply of Goods without Transportation - Local</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>2 Supply of Goods with Transportation - Local</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>3 Assigning possession of Goods under an agreement</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>4 Granting rights in rem deriving from ownership giving the right to use real estate.</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>5 Compulsory transfer of ownership of the Goods for Consideration pursuant to a decision of the public authorities or by virtue of any applicable law</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>6 Supply of second hand goods (Based on Profit margin)</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Supply of Services (B2B and B2C)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7 General services, Consulting, Audit, Legal, Advisory etc.</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>8 Services relating to the hiring out of a means of transport</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>9 Goods and passenger transport services</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
</tbody>
</table>
STEERING COMMITTEE RESPONSIBILITIES AND REQUIREMENTS

- DEVELOP AN OPERATING CHARTER FORMALIZING THESE ROLES AND RESPONSIBILITIES.
- DEVELOP AND MAINTAINING A SET OF PROJECT “VISION AND GOALS”.
- MANAGING THE PROJECT SCOPE.
- MANAGING COSTS. (NOTE: THE PROJECT MANAGER IS RESPONSIBLE FOR PROVIDING ACCURATE COST INFORMATION TO THE STEERING COMMITTEE)
- MANAGES PROJECT TIMING, OPERATIONAL ISSUES AND RISKS.
- CHAMPIONS THE BUSINESS VAT COMPLIANCE.
- COORDINATES THE RELATED PROJECTS I.E. IT SYSTEMS CHANGES.
- DEVELOPS THE VAT COMPLIANCE POLICY.
- OBTAINS SUPPORT/AGREEMENT FROM ALL STAKEHOLDERS.
- RESOLVES OBSTACLES.
- COMMUNICATES TO ALL STAKEHOLDERS. THE STEERING COMMITTEE TAKES RESPONSIBILITY FOR COMMUNICATING STATUS AND NEEDS TO ALL STAKEHOLDER AGENCIES.
Questions?

VSG
The Vat Services Group