



AMLEGAL'S | Attorneys & Advisors | A Full Service Law Firm

VAT in GCC Region

PRACTICAL BUSINESS CHALLENGES

Legal intelligence Series

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"The ones, who are crazy enough to think that they can change the world, are the ones who do."

— Steve Jobs, Selected Writings



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CAUTION

The information contained in this white paper on VAT can disturb you by making you realise as to where you are lacking in your zest to accurately and perfectly implement VAT in your organisation in UAE.

You are requested to read it slowly and completely so that actual business challenges can be realised on VAT.

VAT – The era of tax to start in UAE

VAT is a tax well known to run along with every stage of supply in a business. UAE will be implementing VAT from January, 2018 along with Saudi Arabia amongst the countries falling under GCC. VAT will be levied @ 5%.

In entire world, VAT is known as the **Practical business tax** which means that VAT is not a “tax on income” but “a tax on business” as settled in courts of law in various countries having VAT regime. Thus, it was coined to be a practical business tax.

VAT – Anticipation in Business

The first challenge for each and every businesses organisation would be as to how VAT would affect their organisation and its working. Every person connected with **tax, finance, procurement, IT, marketing**, etc. is busy with either training or understanding as to what exactly VAT will bring to them and their business.

VAT - A Collective Exercise

The successful implementation of VAT requires collective role of departments of every organisation and most prominent role will be played by its **Finance, Accounts & Tax Department**.

This will be **supplemented** by **procurement & marketing departments in co-ordination with the IT department**.

VAT - Demand & Focus

VAT demands much wider horizon with a special focus on the **sensitive** and **grey areas**. Therefore, if these areas are not taken care of or are not even focused at, then we are afraid that it will lead to unforeseen losses and liabilities in coming days.

1. The first and foremost requirement is to observe, analyze & track your business, present transactions, and future commitments.

- *Review the corporate structure, MOA, Financial statements, balance sheet, Cash flow, income statements of the organisation.*
- *Review the present and future business plans.*
- *Identify the places of business.*

2. Second most requirement is to review the B2B sale, B2C sale, sale in designated zone, exports, imports, discount policy, retention policy, samples, transit sale, import for the purpose of re-export.

3. Other Requirement is to review the operational policy such as reviewing the credit policy, invoicing system, valuation mechanism, accounting and billing system, goods transfer to the job worker.

4. Above all, the most important requirement is to identify the important provisions of the contracts and the precautions that need to be taken during and after implementation of VAT in your organization.

VAT- A Management

VAT will require a **thoughtful management** of the following “**5 factors**”:

- a) VAT **Impact**
- b) VAT **Adaptability**
- c) VAT **Transactions**
- d) VAT **Risk**
- e) VAT **Reviews**



Out of these “5 factors”, wherever VAT is in operation around the world, only ‘a’ to ‘c’ was focused **and it brought reward of litigation finally.**

We always insist and advice on a balanced approach and VAT Risk & VAT Review Management will play a significant role in coming days in business community of GCC.

VAT - Risk Management versus Business Risk

Businesses have to be streamlined and new commercial mantras will dominate in market to change the equilibrium in every sector. The businesses have to be reviewed from 360° angle.

VAT- Understanding & Training

VAT requires thorough deliberation and understanding your system with respect to new challenges and preparedness towards it to sail through the impact of new tax.

Trust us, VAT is not a monster that people make hues and cry about but the only requirement is **REALISATION & PRECAUTION that needs to be taken care of by each and every organisation** otherwise it will open gates of litigation.

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Post VAT Phase - 5 “T”

It will be imperative to understand 5 “T” as below:

- 1. Nature of Transaction**
- 2. Reason of such Transaction**
- 3. Manner of Transaction**
- 4. Document for such Transaction**
- 5. Constant Training**

It's your responsibility to identify and find out the 5 “T” and take necessary action at most appropriate time.

VAT – A Conclusion & Realisation

The challenge is not only to implement VAT but to prevent the miscarriage of VAT.

“VAT will command a two way task wherein every business needs to understand its complete business model under the perspective of its vendor and customers along with its organisational standing.

“VAT requires complete screening and vetting of documents. It requires well thought anticipations and formulation of new Contracts and/or addendums to safeguard and incorporate every left out areas of business which may hover or effect in coming days”

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VAT is a loop which cannot be read, understood, analysed, perceived, and implemented with superficial approach but with a practical vision of adoptability and growing at the same pace.

VAT will rule the business and one who could factor VAT at right time and right place will result an x factor in competition of business.

VAT requires a dual approach and **it cannot be decided merely on the basis of some data** but actually it mandates the requirement of understanding the heart and soul of business.



AMLEGAL'S always emphasises that it's your business so understand it in real sense and then team up with a VAT advisor in such a manner that the heart and soul of a business comes first before acting upon the advice on VAT implementation.

Wish you all a successful VAT era!

About Author

Mr. Anandaday Misshra is a practicing Advocate specializing in Litigation & Advisory for almost last 2 decades at High Court of India, Appellate & Arbitral Tribunals, Civil Courts, etc.



He is an expert of the law domain focusing majorly on Goods & Services Tax (GST)/ Value Added Tax (VAT), Arbitration, Commercial, Company & Corporate Laws and IPR.

Mr. Misshra, has already authored two prominent books on GST/VAT i.e. **“GST - Law & Procedure”** and **“ITC - Law & Practice”**. He is also authoring his 3rd book on **“VAT in GCC”**.

He believes that “VAT will bring new business dynamics in entire GCC and ultimately to effect the international business in substantial manner. The better prepared business organisation will find out enhanced and effective opportunities in VAT regime”.



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About AMLEGALS

AMLEGALS is a leading full service law firm in India.

We have a specialised team in VAT, Arbitration, Contract, IPR & Debt recovery cum management.

Our law firm has focus on the following:

- i. Pro-active research based advisory,
- ii. Non-litigation &
- iii. Litigation

We advise & practice in **every law of India.**

AMLEGALS thrusts upon prevention of dispute rather than waiting for dispute to erupt and initiate a fight against a litigation.

AMLEGALS with a long term vision is committed to prevent dispute as a legal team always!

VAT Profs is the VAT wing of AMLEGALS to cater the needs of VAT requirement in GCC region.



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Our Team

Our Team comprises of in-house and associated seasoned advocates, company secretaries, cost accountants & chartered accountants to cater the need of VAT in entire GCC region.

The challenge is not only to implement VAT but to prevent the miscarriage of VAT.

Contact VAT Team

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