VAT: beyond the first 100 days
The introduction of VAT was a landmark event, but what have we learned in the first 100 days and what might we expect going forward?

It appears that for a minority, the introduction of VAT was straightforward but for many it had mixed results. Despite significant publicity around the matter, many organizations were not registered for VAT on time or were not properly prepared. This had an impact on those who were prepared because they were burdened with discussions with unprepared suppliers and customers and the ramifications of inaccurate documentation.

During the first 100 days, worries included technology gremlins, customer enquiries and supplier slips. Many organizations either delayed or failed to issue valid VAT invoices resulting in reputational, commercial, cash-flow or administrative issues. Several failed to link all their customs certification numbers with their tax registration numbers resulting in them experiencing difficulties in the delays in importing their goods.

Many may have found the process of completing a VAT return challenging depending on their level of experience, processes, controls and use of technology. The greatest difficulty encountered so far is ensuring that the information included in the return is complete and accurate.

We are now in a live VAT environment where every transaction has a consequence. It is likely mistakes will be made; the difference will be how these are managed and reported. In this document, we have listed five key areas of opportunities which if implemented on time, will help strengthen your organization’s VAT adoption.

As a team, we look forward to discussing these opportunities with you in the coming weeks. We will continue to update you on VAT as we see it evolve.

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1. Post-implementation review

Why?
To assess and identify any issues or potential areas of improvement. A post-implementation review independently assesses whether VAT was implemented as intended, and prioritizes an opportunity to enhance reporting or correct any areas of concern, ideally before an audit is requested by the FTA.

Benefits?
Avoids unnecessary costs, streamlines processes and enhances management information and compliance.

What?
Discussions with key stakeholders in finance, together with a review of transactional data based on the system information compared to the VAT returns filed.

When?
Ideally after a couple of returns are filed and the business is operating VAT routinely.

How can KPMG help you?
Our team has significant experience, including having completed audits for other tax authorities. KPMG applies this insight by providing a combined VAT advisory and technology approach, where our VAT advisors discuss and review the VAT technical content, while our VAT technology advisors will add value through data analytics.

2. Process improvement projects

Why?
Any company considering a finance transformation, supply chain restructure, Enterprise Resource Planning (ERP) improvement or shared services implementation will now need to be assessing the VAT consequences from an internal and external perspective, aiming to correctly report information and have a robust VAT compliant outcome.

Benefits?
Avoids unnecessary costs, streamlines processes and enhances management information and compliance.

What?
A VAT work stream will need to be included as part of the project structure and our VAT team will assess the relevant internal or external impact of the proposed changes.

When?
Ideally from the initiation of the project so that VAT components can be taken into consideration when looking into the potential business case of each project.

How can KPMG help you?
Given the extent of our experience, KPMG will assist clients with identifying the likely issues from a VAT and VAT technology viewpoint and help to ensure a well informed and effective outcome.
3. Restructuring

**Why?**
To determine any significant organizational change (merger, acquisition, divestment, or any dealings related to real estate) does not result in unknown or unnecessary VAT cost.

**Benefits?**
Direct and indirect VAT costs can be identified and, where appropriate and practicable, avoided. Management can take informed decisions on structure, price, warranties and indemnities.

**What?**
Discussions with key stakeholders in finance together with a review of transactional data based on the system information compared to the VAT returns filed.

**When?**
Ideally at the initiation of the process to aim for timely identification of any possible risks.

**How can KPMG help you?**
By providing VAT diligence and VAT advisory services to assist in undertaking a well-informed transaction in an appropriate way, striving to keep costs to a minimum and depending on your circumstances.

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4. Compliance

**Why?**
To drive organizational improvement through VAT compliance. Preparation and/or review of periodic VAT returns is an essential activity in a live VAT environment.

**Benefits?**
An enhanced compliance and comfort factor, which can reduce VAT risks and help avoid financial penalties and reputational damage, and will result in standardized processes and controls, as well as releasing finance teams to focus on higher-value activities.

**What?**
Depending on the request of the client, we can support in high-level or detailed review of the data with samples of invoices review and other support.

**When?**
At the earliest opportunity.

**How can KPMG help you?**
By providing a combination of VAT advisory and technology approach, where our VAT advisory team looks into the VAT technical content, while our VAT technology team provides support on data analytics.
5. Other GCC VAT implementation

Why?
To assist our clients with timely preparation for the implementation of VAT in other GCC member states where they have activities or in which they trade.

Benefits?
Early intervention and planning helps reduce overall cost by securing appropriate resources to allow a smooth transition to a new VAT environment and reporting obligations.

What?
Determine the impact of VAT in other jurisdictions and/or identify the gap between UAE activities and those in other GCC countries to map variations in VAT legislation and any additional VAT requirements.

When?
Ideally, as soon as possible, organizations should start with the identification of the impact and activities gap. We do not recommend waiting until the VAT legislation is published.

How can KPMG help you?
By providing a combined VAT advisory and technology approach, where our VAT advisors consider the VAT technical content at the same time as our VAT technology advisors provide support on ERP implementation.
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