



“Advisable To Ensure Key Accounting Systems”

Hisham Farouk, CEO of Grant Thornton, says it would be advisable for companies to start considering ERP implementation prior to the official VAT date, in order to prepare their back office systems and staff for the impending change

Considering that the UAE and other GCC countries are mulling over imposing VAT in the medium term, how businesses in the UAE can attune their processes to the impending tax and what measures companies must start considering now prior to the introduction of VAT?

Although no official imposing date has been confirmed, it has been said that within the next three years, all nations in the GCC will be implementing VAT which will inevitably bring change. In order to prepare for this, it would be advisable for companies to ensure key accounting systems, ERP systems (Enterprise resource planning) and point of sale systems are configured to capture the set percentage of VAT including other elements of tax which may come into place over time. When it comes to financial budgeting and cash flow management, companies need to ensure they factor in the possible VAT rate. Alongside this and in order to avoid

any ongoing concerns regarding VAT, companies may wish to contract a VAT advisor before considering recruiting a tax professional once taxation is imposed.

How VAT will affect companies' accounting systems and what changes companies need to make to their own accounting practices?

Businesses should ensure that either their current system can support VAT (taxation) or that their system can be customized to feature such changes in the future. Accounting systems need to reflect the intended VAT percentage, so that accountants can generate VAT reports which can be submitted to the authorities. This will expedite the process to submit the VAT return to comply with guidelines, once they are published. In order to support with VAT requirements and deadlines, companies should also ensure they have good internal controls and processes to adhere to guidelines and

avoid any unforeseen penalties.

A major issue is related to tax invoicing whereby dues are charged on a trader by his suppliers. How a SME company/trading establishment and retailers, such as grocers and chemists, will ensure that its dues are correctly invoiced?

Although it might be deemed as a major issue, it can actually be resolved quite simply. SMEs, trading establishments and retailers need to ensure that at the point of sale (POS), the system that they are using is updated and integrated to their ERP system. This will ensure that the amount of VAT imposed is captured for each transaction and can in turn, be simply translated to the VAT report. The same is the case for countries who already impose VAT, you will often find that at the POS, the amount of VAT is automatically captured and translated to VAT returns and similar reporting.