






UAE - VAT

ARE YOU REVIEWING AND FILING YOUR VAT RETURNS CORRECTLY?

Often taxpayers misunderstand the concept of reviewing and filing VAT returns. There is a notion that return filing only involves reviewing sample invoices and filling a 2-pager VAT201 return. However, it is not as simple as it seems.

In this Article, I have tried to pen down some thoughts on what generally needs to be checked before filing any VAT return –

Sr. No.	Checks	Description
1	<p>Correct data extraction (viz., sales register and purchase register)</p> 	<p>Generally, a Company has two systems viz, a source system for accounting and a tax system for return filing. First and foremost check should be to ensure that all the data from source system is correctly uploaded in the tax engine. To ensure this, Company can –</p> <ul style="list-style-type: none"> • Reconcile the number of entries between source system and tax system • Match the total values between source system and tax system • If there are any manual entries in tax system, then confirm that it is replicated in the source system as well
2	<p>Arithmetical accuracy</p> 	<ul style="list-style-type: none"> • Check whether data for the correct tax period is extracted from the system • Check whether output tax at 5% is computed correctly. Identify the nature of difference, if any • Check whether input tax at 5% is computed correctly. Identify the nature of difference, if any • Check whether VAT at 5% is computed correctly under reverse charge mechanism ('RCM'). Identify the nature of difference, if any
3	<p>Technical checks</p> 	<p><u>Sales</u></p> <ul style="list-style-type: none"> • Check emirate-wise reporting for sample transactions and ensure that it is in line with place of residence provisions • Confirm taxability of sample transactions. It is advisable to prepare transaction mapping for all products/ services/ charges and update the same regularly • Ensure zero-rated supplies and exempt supplies are appropriately reported • Check whether there are any bad debts scenarios and is there any need to do any output tax adjustment <p><u>Local Purchases</u></p> <ul style="list-style-type: none"> • Whether invoice date, invoice received date, approval date and payment date are appropriately captured with a trail

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		<ul style="list-style-type: none"> • Ensure that input tax is recovered within two tax periods of the internal approval process of the Company • Confirm eligibility of input tax and ensure that it is not recovered on entertainment expenses/ personal expenses, input tax towards exempt supplies, incorrect tax invoices, etc. • Confirm whether payment is made within six months of the agreed date and is there any requirement to undertake any adjustment • Perform input tax apportionment calculation as per standard method in case there are any input tax directly attributable towards exempt supplies <p><u>Import of goods and services</u></p> <ul style="list-style-type: none"> • Confirm the taxability of all import transactions and identify whether there are any zero-rated imports • In case of import of goods ensure that all the appropriate documents such as Customs import declaration, foreign vendor invoice, etc. is available • Identify is there any requirement for adjustment under Box no. 7 in case of import of goods • In case of import of service ensure that foreign vendor invoice is available and exchange rate is considered as per Central Bank of UAE
4	<p>Documentation</p> 	<p><u>Sales</u></p> <ul style="list-style-type: none"> • Check sample tax invoices and tax credit notes raised by the Company are in line with Regulations. Ensure that it is delivered to customers • In case of export of goods, ensure that exit certificate is available along-with Customs declaration and other documents <p><u>Local Purchases</u></p> <ul style="list-style-type: none"> • Check sample vendor tax invoices received and ensure that it is line with Regulations. • Sampling could be based on various criteria's such as high value, entertainment expenses, accommodation expense, fuel, motor vehicle, etc. <p><u>Imports</u></p> <ul style="list-style-type: none"> • Check sample Customs documentation and related invoices in case of import of goods • Check sample foreign vendor invoices in case of import of services
5	<p>Reconciliation</p>	<ul style="list-style-type: none"> • Ensure that income reconciliation and expense reconciliation is prepared between VAT return and books of accounts • Ensure that import reconciliation is prepared between FTA's auto-populated imports and Company's data

It is pertinent to note that the above is an indicative generic list required for reviewing and filing VAT returns which may be applicable in most of the cases. There may be additional requirements to review in case of exceptional transactions such as deemed supply transactions, vouchers, barter, implicit margin, etc.

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