



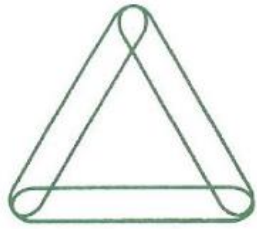
# Introduction to GCC VAT

GreenChain Software Solutions Private Limited



# What is VAT

- ▶ VAT is an indirect tax applied upon the consumption of most goods and services.
- ▶ VAT is levied by VAT registered businesses which make supplies of goods and services in the course or furtherance of their business. VAT will also apply on the importation of goods.
- ▶ Although VAT will apply to most goods and services there are some likely exceptions: this includes basic food items, essential medicines and exports of goods and international services which are expected to be zero rated supplies.
- ▶ Furthermore other supplies such as healthcare, education, sale or lease of residential property and finance and insurance are expected to be exempt from VAT.



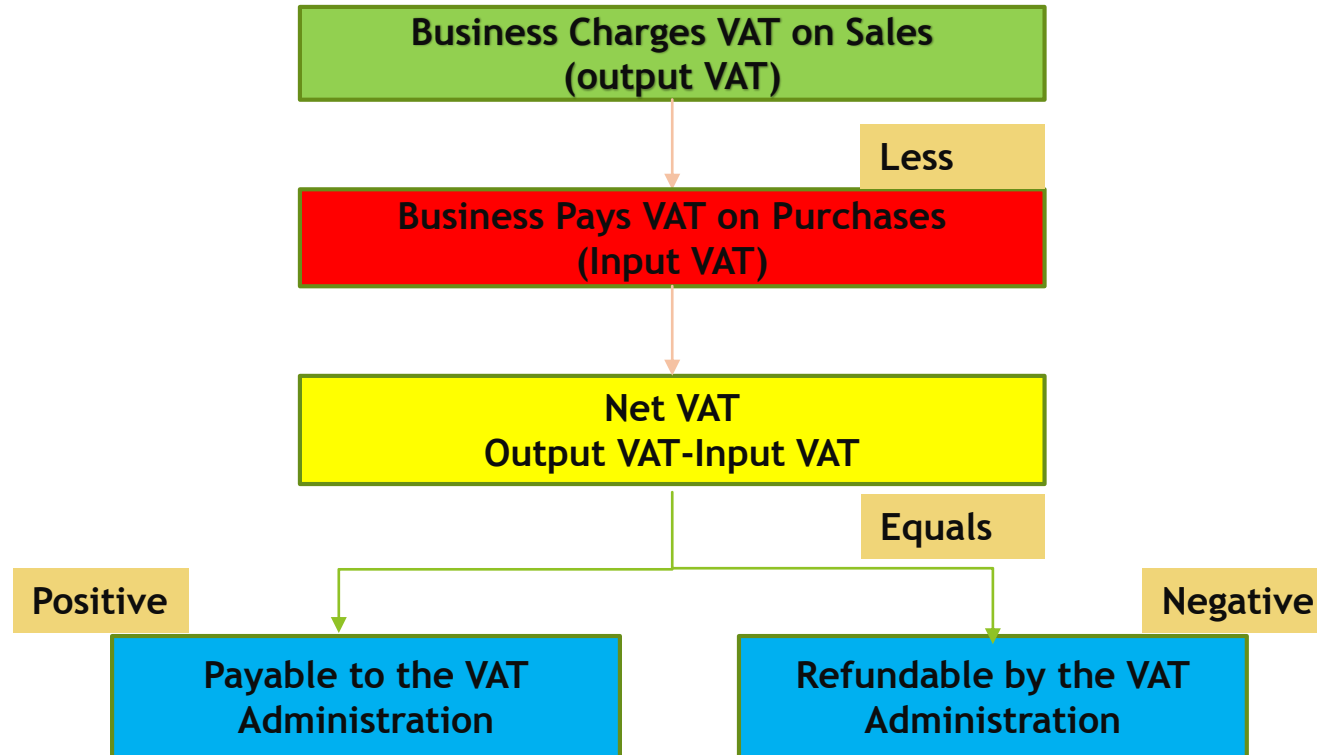
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## How does VAT work?

- ▶ VAT registered businesses charge and add VAT to the value of goods and services they supply.
- ▶ Such businesses can also reclaim VAT incurred on goods and services acquired for business purposes (subject to some restrictions) such as the purchase of raw materials and other consumables used for the purposes of business.
- ▶ For imports, VAT is charged at the first point of entry into home consumption (when customs duty may also apply). Please refer to the illustration for ease of understanding.



# How VAT Works



1. When Goods and Services are rendered to Customer, we will collect Output VAT
2. When we purchase Goods or Services from supplier, we will pay Input VAT
3. The difference  $\text{Output VAT} - \text{Input VAT} = \text{Net VAT}$   
If Net VAT amount is Positive(+) then it is Payable to VAT Administration  
If Net VAT amount is Negative(-) then it is Refundable from VAT Administration



# VAT Rates and Input Credit Details

**5% Input Tax deductible**

- Standard Rate
- Input Tax Deductible

**0% Input Tax deductible**

- Supply of Medicine and Medical Equipment
- GCC and International Transportation
- Supplies of Investment Gold, Silver and Platinum
- Supplies Out Side the GCC Territories

**Exempt Non deductible**

- Rent of Residential Real Estate
- Life Insurance

**Out of Scope**

- Capital Markets Activity
- All Margin based Financial Products
- Supply of Residential Real Estate Own / Close Relative Use



## VAT Tax Calculation in Various Phases

Gold	Sales	5% Charged on Sales	VAT recovered on the purchases	Net VAT Payable
Manufacturer	AED 100	AED 5.00	AED 0	AED 5.00
Distributor	AED 110	AED 5.50	AED 5.00	AED 0.50
Retailer	AED 125	AED 6.25	AED 5.50	AED 0.75
Total VAT Paid by the end consumer				AED 6.25



# VAT Invoice

## VAT INVOICE

**Invoice Serial Number**

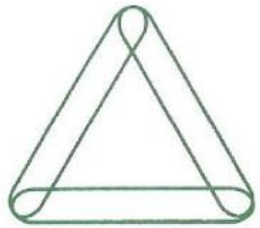
**Date**

**Name of Taxable Person**  
**VAT Registration Number**  
**Address and Contact Details**

**Name of Customer**  
**VAT Registration Number**  
**Address and Contact Details**

Ref Number	Description	Quantity	Unit Price exclusive of VAT	Unit Price inclusive of VAT	Total exclusive of VAT	Total inclusive of VAT

<b>Total</b>
<b>Applicable VAT rate</b>
<b>VAT amount</b>
<b>Subtotal</b>



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# Tax declaration

## Tax Declaration

Report Date 12-NOV-2014 16:02

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**Period** 11/01/2014 - 11/30/2014  
**Company**  
**Tax Registration Number**  
**Taxpayer ID**  
**Currency**  
**Ledger**

**Tax Rule** CRE-M  
**Tax Rate** 20  
**Account Number** 445667

Supplier Number	Supplier Name	Invoice Number	Status	Invoice Amount	Payment Amount	Taxable Amount	Recoverable Tax Amount	Recovery %	Tax Point Date
1277	Masson Inc	FRVAT001		1,200.00	1,000.00	1,000.00	200.00	100	12-Nov-2014

**Total for Tax Account 445667** 1,000.00 200.00

**Total for Tax Rate 20** 1,000.00 200.00

**Total for Tax Rule CRE-M** 1,000.00 200.00

**Tax Rule** DEB-M  
**Tax Rate** 20  
**Account Number** 445510

Supplier Number	Supplier Name	Invoice Number	Status	Invoice Amount	Payment Amount	Taxable Amount	Recoverable Tax Amount	Recovery %	Tax Point Date
1277	Masson Inc	DAS2001		1,200.00		1,000.00	600.00	100	01-Nov-2014
1277	Masson Inc	DAS2002		1,200.00		1,000.00	600.00	100	05-Nov-2014

**Total for Tax Account 445510** 2,000.00 1,200.00

**Total for Tax Rate 20** 2,000.00 1,200.00