

HOW TO PREPARE FOR UAE VALUE ADDED TAX (VAT) AUDIT



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WHAT IS A VAT AUDIT?

The term Audit refers to the checking/review of records, returns and other documents to ensure compliance to requirements, therefore Federal tax authority (FTA) conducts VAT Audit to check whether the supplies declared, tax paid, VAT refund claimed VAT are correct. In this process, FTA ensures that every liability is paid and every tax due is collected and given to the government within the given timeframe. As a part of the audit process, FTA may request the businesses to submit their business information which will be verified against the details declared in VAT returns or any other declarations made to FTA.

WHEN WILL VAT AUDIT BE CONDUCTED BY FTA?

In the initial VAT decree Law, FTA had option to do the VAT Audit within 5 years from end of the relevant Tax Period, but effective 1st January 2023, there has been an addition of Article 79bis Statute of limitation in UAE VAT Decree-Law which gives FTA option to add 4 years to conduct tax audit by way of notifying in advance before the expiration of the 5 years from the end of the relevant tax period. FTA can issue VAT Audit notice without any prior reason to believe to conduct VAT audit. A notice will be issued to the company, at least five days before the scheduled audit date. It will contain details, such as the audit schedule, place, involved parties, reason (if anything particular), etc. The auditor/s and the company will meet at the scheduled place at the scheduled time and the process will begin.

WHAT DOCUMENTS FTA CAN ASK FOR?

FTA gives 5 working days to provide. following list of documents/questions,

- Transactions list in prescribed/suggested format provided by FTA
- Different Reconciliations to match return with financials such as revenue reconciliation, VAT ledgers reconciliation, RCM reconciliation etc.
- Audited/Management financials
- Sample documents for each type of transactions such as custom clearance documents for export of goods, supporting documents of out of scope of VAT transactions,
- Format of documents such as format of Tax Invoices, Tax Credit Notes,
- Stock movements/verification report
- Other documents as seem fit by the tax auditor appointed by FTA.

WHAT ARE THE AUDIT PROCEDURES?

FTA can conduct VAT Audit in the following manner

- Remote & Desk bases
- On Site

Initially, the emphasis may be on remote, desk-based audits where system data and documentation provide is the primary assessment model. If this is considered unsatisfactory, an onsite audit may occur which will require further preparation.



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HOW SHOULD TAXABLE PERSON PREPARE THEMSELVES?

Following documents, the taxable person shall keep it ready:

- Tax invoices and documents pertaining to goods and services provided
- Relevant documents related to export of goods such as customs declaration, exit certificate, transportation documents
- Relevant documents for imports of goods/services such as supplier invoices, custom documents etc.
- Tax Invoice received for the goods/services against which VAT input claimed
- Received tax credit notes and alternative documents received or provided
- Compiled Transaction list of goods/services received/provided in the format suggested by FTA
- Tax period-wise Reconciliation of Revenue and VAT ledger

Some other precautions can be taken before Audit as mentioned below:

- Regardless of the accounting software used, processes followed, internal controls, front end invoicing systems used by the Taxable person, should be checked/reviewed/audited on regular basis to ensure that they comply with all VAT accounting guidelines and laws.
- Review of VAT returns before submission
- Regular/periodic review of VAT return by external consultants if submitted in-house
- Shall keep ourselves updated about the changes in Tax Law
- Shall make necessary changes in the system with regards to changes in the Tax Law

WHAT COULD RESULT FROM AN AUDIT?

An audit could lead to several outcomes that range from:

- Assessment and penalties for non-compliance and underpaid taxes
- Further thorough process if additional issues are identified

If you prepare well and undertake a thorough review of your returns, your ability to manage an audit will be greatly enhanced.



WHAT ARE THE ADVANTAGES OF PREPARING FOR VAT AUDIT?

- Minimize the resources required to collect the necessary documents once the audit is initiated
- Quicker completion of the audit, avoiding the deadline extensions and delays in receiving VAT refund, if applicable
- Ability to identify, rectify and voluntarily disclose any error that might emerge from preliminary reviews of the documents collected ahead of the audit initiation
- Potential penalties reduction

HOW WE AS PREMIER BRAINS CAN HELP FOR WITH AUDIT?

We as Premier Brains can assist in getting ready for Tax Audit, we designed our 'VAT health check' services in such a way that covers all the aspects of Tax Audit. we believe in making the corrections before FTA finds the mistakes and get our clients ready for upcoming tax audits. Find below overview of what we cover and deliver in our VAT health check :

- We suggest our clients to keep the records in the same format suggested by FTA
- We update our clients about the changes made by FTA in the suggested format
- We prepare/check the different reconciliation might be asked by FTA
- We check all the supplies provided by the taxable person and provide our opinion of the correctness of the transactions in line with the VAT law in UAE
- We check all type records/documents kept by the taxable person for different supplies received/provided by them
- We prepare/review stock movement/missing list kept by the taxable person
- We provide our findings/suggestion on the format of different documents
- We provide suggestions on the immediate changes required in the VAT return/ VAT TRN application

We provide comprehensive report that covers all the aspects/suggestions/changes according to the need/requirement of a taxable person.

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"Reach out and let's connect!"



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