



ARE WE DOING RECONCILIATION BETWEEN ACCOUNTING RECORDS & VAT RETURNS FILED TO FEDERAL TAX AUTHORITY (FTA)?

Reason for Reconciliation

Accounting records are prepared based on the accepted accounting standards and VAT returns are prepared based on VAT laws and regulations published by the authority. As there is difference in method/approach in preparing book of accounts and VAT return, there are always different reasons for differences which will require reconciliation.

Find below some of the reasons for differences

- Advances received from Customers not having any impact on revenue till the delivery of goods.
- Reimbursement of expenses considered as reversal of expenses in the books instead of addition in income.
- Amount received in the nature of damages/compensation for loss suffered by the company; amount received for late payment of contractual consideration.
- Disbursement of expenses paid on behalf of entities within the Tax Group or other subsidiaries / branches outside the country
- Passive income such as, Dividends received from Investments, Interest earned on Fixed Deposits, Hedge Income etc.
- Exchange rate difference.
- Accounting adjustments. such as provision entries, employee related transactions, accrual of interest and reversal of the same.

Why Reconciliation is Important?

Reconciliation between different ledger such as Sale, Purchase, VAT ledger/VAT Control ledger with the VAT return is a necessary process that businesses shall undertake. Reconciling your accounting records with your VAT return is an essential process for several reasons as mentioned below

- Early identification of discrepancies and reasoning for the same
- Improve readiness from the point of FTA Tax audit
- It will prevent/identify the back dated transactions

Suggested format for Revenue Reconciliation

Revenue Reconciliation	Amount
Income as per books of account	
Sales as per books (all the sub-heads separately)	-
Other Income	-
Accounting Adjustment	-
Finance Income	-
Total Income as per books of account (A)	-
Output Supplies as per VAT Returns	
Standard rated supplies	-
Zero rated supplies	-
Exempt Supplies	-
Total Output Supplies as per VAT Returns (B)	-
Difference (A-B) *	-

** Taxable person shall record/list down the reasons for difference and keep it ready for FTA. Also. it is advisable to list down the difference separately for each heading i.e reason for difference in Standard rated, Zero rated, Exempted and Out of scope separately.*

"Reach out and let's connect!"

Prepared by: Syed Ashir - Tax Executive



Rishi Chawla FCA, MBA
Managing Partner
M: +971 50 394 6911
E:rishi@premier-brains.com



Bhawna Chopra CA, MBA
Tax Partner
M: +971 50 213 4525
E:bhawna@premier-brains.com



Vinit Gala, ACA, DIIT
Tax Director
M: +971 50 923 2194
E:vinit@premier-brains.com



Piyush Papneja, ACA, B.COM
Tax Manager
M: +971 52 989 0842
E: piyush@premier-brains.com

Contact Us



+971 4 354 2959

info@premier-brains.com

www.premier-brains.com