



TEMENOS

The software specialist for banking and finance

A countdown to VAT in GCC, are you ready?



On January 1, 2018, value-added tax (VAT) will come into effect for the first time in the GCC.

However, each member state of the GCC will establish their own separate national legislation concerning VAT. This means that detailed compliance requirements and set of rules will be outlined in each respective legislation and businesses, including financial institutions (FIs) must be prepared for these variances. Agility as well as accuracy is key. Adhering to the new VAT requirements has implications for FIs' systems, their infrastructures and skills, as well as training. You must consider all aspects and be ready.

What is VAT in GCC?

- A tax on the consumption of goods and services.
- Levied at each stage of the supply chain¹
- VAT is not a business expense
- Businesses (inc. FIs) collect VAT for governments
- It is a cost passed on to the end-consumer
- Certain sectors will be exempt from paying²
- The VAT rate will be 5% across GCC countries
- Export of goods outside the GCC will be 0%³

¹ From the manufacturer, to the wholesaler, to the retailer, taxing the 'value added' by businesses at each point in the chain.

² Including healthcare, education, certain foods, some type of real estate transactions and local transport, but these may differ between member countries.

³ Exporters can claim a tax refund.

How does VAT in GCC effect financial services?

- VAT Compliance covers tax accounting, pricing, financial reporting and compliance processes etc.
- Banks have three VAT rates:
 1. Standard Rated
 - Bank collects output tax on services
 - Corresponding input tax paid to vendor adjusted against output tax
 - Net is paid to GAZT⁴
 2. Zero Rated
 - Bank does not collect output tax on services
 - Corresponding input tax is fully refundable
 3. Exempt
 - Bank does not collect output tax on services
 - Corresponding input tax is not refundable
- Non-compliance penalties are high (up to five times the VAT due).

How does VAT In GCC effect banking services/ systems?⁵

- NRFF⁶ is expected to be exempt
- Fees for Financial Services are expected to be taxable at standard rate
- Financial services provided with exempt financial supplies⁷ may also be VAT exempt
- Automation is recommended to reduce errors and associated risks
- Reporting needs to be adaptable and online to address changing requirements
- Outsourced services to third party service providers may be taxed under the VAT.

Your core banking system needs to be fully GCC VAT compliant from day 1. You must ensure that all GCC VAT compliance elements work seamlessly with your established systems. You need a module that meets the varying needs of each state's legislation, adapting as this changes and develops. Temenos core banking can support GCC's VAT requirement through its specially designed module TAXGST.

Designed based on over 20 years' of experience in supporting VAT schemes in Europe, Africa and Asia Pacific, the TAXGST module meets all your VAT compliance needs. Integrating into your Temenos Core Banking platform (T24), it enables you to be fully compliant. TAXGST is also fully compatible with the majority of Temenos core banking releases⁸.

Features and benefits

- **Automate** your VAT collection
- **Efficient** through straight through processing and online queries
- **Adapt** with our highly configurable solution
- **Full visibility** of all VAT paid and received⁹
- Manage your **tax refunds**
- Implementation available through our **wide range of partners**

Temenos has a proven track record, the breadth of experience and insight necessary to ensure your core banking system complies from GCC VAT from day 1. We are ready to support your compliance now, ensuring that you are VAT ready.

Speak to one of our specialists or request more information at info@temenos.com

4 'General Authority for Zakat and Tax'

5 Information supplied by Deloitte, July 2017

6 Interest Income less Interest Expense and fees integral to NRFF

7 Often referred to as 'incidental supplies'

8 Unsupported releases can be requested, but may be subject to an additional charge

9 To support further calculation of amounts to be paid to authorities

