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VAT reporting: adding value to your business

In this article, we focus on value-added tax (VAT) reporting, and in particular, how accurate VAT reporting can generate business value. VAT reporting depends on accurate VAT determination processes and ongoing data quality assurance.

Why is VAT reporting important?

From the outset, it is key to understand the two main purposes of VAT reporting: the ability to efficiently track VAT within your organization and any related or required management reporting, and the generation of reports required by the tax authority. In essence, the two are one and the same. A tax return is a report that indicates output taxes and input taxes for a certain period of time, presented in a way determined by the relevant local tax authority.

Whether it is reporting for management or tax authority purposes, both items play a critical part in the VAT lifecycle. As outlined in previous articles, accurate VAT reporting is possible when organizations have appropriate tools to manage ongoing VAT data quality and determination processes (please refer to our previous articles, VAT determination: avoiding the domino effect and VAT data quality: keeping the core strong).

How can organizations use VAT reporting to empower the business?

In addition to the reporting required or requested from tax authorities, there are other reports that a business may require. These reports can function as critical indicators for the business and can be used to inform strategic decision-making. A few examples include:

- ▶ **VAT forecasting:** Paying more VAT than forecasted could be the result of a good sales quarter and with this information being readily available you could introduce additional marketing pushes on the product in question.
- ▶ **VAT throughput:** If the tax authority was to change rules, as is often the case globally, correct reporting will allow you to quickly analyze your potential exposure/risk.
- ▶ **Managed VAT:** This is often one of the most important metrics that the tax/finance department will want to know, how much VAT do we currently hold for the authorities that we are managing for them. This can often have a knock-on impact on the cashflow, both positive and negative.

These are just a few examples of how VAT reporting can be used to help your business overall, but there are other use cases worth exploring, such as expense analysis, enhanced market analysis, bad debt analysis and early cash leakage detection.

How can organizations select the correct technology?

There are multiple factors to be considered when selecting the appropriate technology for your organization, such as your existing IT landscape, budgets, and your overall tax transformation strategy. Other factors such as the general look and feel of the reports, how they will be accessed (e.g., laptop, tablet, large format screen or mobile device) may also play a factor.

Lastly and importantly, some of the reports that need to be sent to the tax authority on a regular basis, such as your tax return, may only be allowed through certain reporting platforms; therefore, this may also play a large part in your technology selection. EY Tax, Technology & Transformation (TTT) teams can assist you in selecting the correct technology that matches the needs of your organization.

EY Global VAT Reporting Tool (GVRT)

One of the VAT reporting solutions that organizations may want to consider, especially if the ask is for an affordable product, is EY own tool known as the Global VAT Reporting Tool (GVRT). GVRT is a reporting solution that standardizes the preparation, production and reporting process across 80 countries, and is built and hosted using Microsoft technologies. Furthermore, GVRT is maintained by EY tax professionals across the globe and any changes in tax legislation, or any other factors that may impact your reporting requirements, are automatically updated on the tool by one of the EY member firms.

In addition to the automated preparation and reporting of VAT returns, GVRT also offers management dashboards for VAT metrics such as the issues discussed above and other important factors, such as KPIs, error rates and supply chain. This in turn, provides businesses with greater visibility into their overall VAT process. This helps businesses improve their VAT risk management, and gain insights into potential cost savings and other opportunities.

Another key feature of GVRT is the tax technical testing engine. This engine can identify anomalies by reviewing the VAT treatment applied to transactions against highly customizable parameters that cover general VAT checks and business-specific scenarios. Anomalies are highlighted to help focus review time on corrective action, reducing the risk of noncompliance.

Reviewers can generate detailed audit packs from the GVRT, that allow users to review transactions by VAT/GST codes breakdown and track all changes that have been applied throughout the compliance process. Overall, EY GVRT is a cost-effective, detailed solution that offers businesses a standardized and automated approach to reporting, with robust controls, governance, and audit trails.

Find out more about EY alliance with Microsoft by visiting https://www.ey.com/en_ae/alliances/microsoft

Why work with EY?

Taxes and tax-related processes are becoming technologically advanced and often drive business transformation. EY TTT teams helps clients realize transformational benefits through system integration and business integration for tax by transforming tax functions into intelligent tax functions. TTT operates as one connected teams across the globe with physical hubs in key markets, including MENA. Wherever your business operates, EY teams will be able to assist you in your tax transformation journey. This in turn means that you get access to professional assistance in every jurisdiction that EY member firms operate in.

With all the recent indirect tax developments and rapid overall digitization of tax processes in MENA, EY TTT and Indirect Tax professionals work hand-in-hand, helping implement effective indirect tax solutions for multiple organizations across the world. Furthermore, the TTT teams works very closely with all our collaborators so that we are always at the forefront of technology, to be able to recommend the appropriate -fit solution for your organization.

In the upcoming article, we will focus on VAT controversy.



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Working across assurance, consulting, law, strategy, tax and transactions, EY teams ask better questions to find new answers for the complex issues facing our world today.

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For more information or any questions, please contact:



Aamer Bhatti

Partner

MENA Indirect Tax Leader
EY Consulting LLC, Dubai
aamer.bhatti@ae.ey.com



Muhammad Raza

Director

Tax Technology & Transformation
EY Consulting LLC, Dubai
muhammad.raza@ae.ey.com



Name

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XXXX

[email](#)



Name

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[email](#)