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VAT AND ELECTRONIC INVOICES



VAT INSIGHTS

VAT AND ELECTRONIC INVOICES

In the VAT world, the most important document is the invoice.

The client's invoices are important because they are the justification of the turnover and of the output VAT declared.

Supplier's invoices could be seen as even more important because they are like currency note taken from the Government's pocket.

Electronic invoices are in the sense of History.

In some countries, this kind of invoices is mandatory for sales to public bodies.

Lot of countries encourage electronic invoices mainly because the costs linked paper invoices are, from far, more expensive .

Furthermore, it had been demonstrated that electronic invoices speed the commercial exchanges.

The GCC VAT Agreement states that the Members States must accept electronic invoices.

The KSA regulations are silent and refers to a future text.

The UAE regulations provide brief requirements and conditions for the use of electronic invoices:

"The Taxable Person may issue a Tax Invoice by electronic means provided that:

a. The Taxable Person must be capable of securely storing a copy of the electronic Tax Invoice in compliance with the record keeping requirements.

b. The authenticity of origin and integrity of content of the electronic Tax Invoice should be guaranteed."

There is no definition of electronic invoice. However, the definition accepted by many countries refers to an invoice issued and sent by electronic means, so the entire billing process must be electronic.

There are different type of electronic invoices. An invoice electronically issued, printed and sent on paper could not qualify as an electronic invoice.

An electronic file like a .pdf sent by mail is an electronic invoice. An invoice printed then scanned and send by email to the client should qualify as electronic invoice.

The "authenticity of origin" should mean the certainty of the identity of the supplier or the issuer.

Suppliers and clients must be in position to provide this certainty to the tax Authorities.

The demonstration of this certainty should lay in the company's workflows and internal processes. More likely than not those workflows and internal processes should be well documented in case of tax audit.

The "Integrity of the content" of the invoice means that no information shown in the original invoice have been modified. This is not as easy as that to provide this proof.

Therefore, the archiving methodology is crucial. With no doubt the archiving must guarantee the readability of the invoices and the preservation of the original format of the invoices received and issued.

At this stage, the regulations do not provide explanation concerning the way to comply with this new obligation. However, there are various, more or less simple, methodologies to be used. The size of the company, nature of its activity, its IT systems, and volume of invoices issued and received are parameters to take into account to determine the most relevant method.

Non-compliance could lead to a systemic issue because the invoices will be seen as non-original invoices, and the accounting ledgers and VAT returns will be seen as non-reliable.

Obviously this leads to VAT catastrophe and a financial disaster.

Contact

Jean-Paul Ouaksel

Partner – Tax Services

RSM KUWAIT

E: jeanpaul.ouaksel@rsm.com.kw

Arraya Tower 2, Floors 41 & 42 , Abdulaziz Hamad Alsaqar St.,
Sharq, P.O. Box 2115, Safat 13022, State Of Kuwait

T: +965 22961000 | F: +965 22412761 | M: +965 66334467

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