Impact of Upcoming VAT on Oil & Gas Sector in GCC

For the GCC, the need to reduce dependence on oil has become even more critical and structured reforms are essential to promote diversification and non-oil sector growth in order to create jobs for the growing workforce. The scope of oil and gas services is quite broad and includes upstream as well as downstream business operations including drilling services, seismic surveying, pipeline installation etc.

In accordance with VAT framework agreement, every GCC state may choose to apply the zero-rate to oil, oil derivatives and the gas sector but the exact conditions of the zero-rating and the definition of supplies covered by the provisions are left up to each state to determine. Oil and gas sector has a number of complexities – and the introduction of VAT across the GCC will add extra considerations for businesses across the supply chain.

Here are some of the generic as well as specific issues that will impact the oil and gas industry. These would require in depth analysis with regard to the upcoming VAT regime.

Treatment of VAT on generic transactions:

- Transfer of goods within group companies or sister concerns and associated enterprises
- Treatment of VAT in case of Foreign Currency transactions
- Levy of VAT in case of retention money
- Levy of VAT on commission/incentive to agents and other intermediaries
- Shift from Centralised procurement to De-centralised procurement

Implication of VAT on specific transactions:

- Goods transferred between oil and gas companies
- Import of capital goods for temporary purpose
- Payment of royalties and production sharing/cost recovery agreements
VAT classification on repair and maintenance services on floating production and storage offloading facilities

Levy of VAT on deposits received (refundable as well as non-refundable) for returnable gas containers

Determining extent of input tax credit availability where an entity provides taxable as well as exempt supplies

Treatment of mobilization advance

Levy of VAT in case of long term contacts

How can we help

### VAT Impact Assessment
- Understand business transactions
- Map VAT impact on business transactions
- Undertake Financial & Working Capital impact, Legal & IT Impact & Supply-Chain function related Impact of VAT on business
- Outline Implementation Roadmap basis the Impact Assessment

### Awareness Sessions
- Conducting generic VAT awareness session
- Specific awareness sessions for business functions and verticals post impact assessment
- Workshop for undertaking compliance and reporting requirements
- Industry specific issues & challenges awareness sessions covering vendors and customers

### Redesign Business Process
- Suggest changes in the business model on account of introduction of VAT
- Undertake transaction structuring basis VAT impact
- Suggest changes in documents, contacts, invoices, business processes & Technology etc
- Drafting of Standard Operating Process Manuals/User Manuals basis revised operating model

### Implementation Support
- Regular meetings with various functional heads including ERP vendor/in-house IT team
- Converting Implementation Roadmap to Actual Implementation
- Project Management Support & Resource Deployment
- Policy Advocacy & Representation

### IT and System Upgrade Recommendation
- Undertake GAP Analysis and assess As-Is’ scenario
- Recommend Master and Transaction level changes in System
- Suggest report formats considering VAT filings and recommend System logic to be configured
- Conduct UAT and Sign-off for System Readiness

### Hypercare Support
- Assist in Accounting and Record Keeping
- Real-time support to address the queries raised post Go-live phase
- Assistance in Registration, Computation of VAT Liability, Filing of Returns and processing of Refund Claims
- Representation support during VAT Audit by Revenue Department

### Contact Us

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