



Tax Update

UNLOCKING OPPORTUNITIES AND KEEP CONTROL OF TAX AFFAIRS

16 March 2020

Last Saturday at 12am, I was speaking online with a friend in my native Belgium, just at the moment that it felt like the country was stepping in a new era. That was the moment the Belgian government took further ownership and stepped up by rolling out far-reaching measures (as did other countries around the World). The message was though that “we are NOT going into a lockdown”. Well, what happens if you ask someone NOT to think about a pink camel? Right s/he will exactly think about a pink camel. So the feeling is about a lockdown...

Clearly we cannot deny the seriousness around the World and in Bahrain of this virus and it has yet to be seen how big the actual impact will be on people and business. But as we see now the first positive signs coming out of China, one needs to look ahead and look at both opportunities and issue management within the business. This is not different for your Tax affairs in Bahrain and other countries where your organization may be active.

1. It's time to “unlock”

I strongly believe that it's a time now of “unlock” rather than “lockdown” and review what smart and innovative solutions are available to keep not only control of your Tax affairs but to even significantly improve and optimize. In 1665, the University of Cambridge temporarily closed due to the bubonic plague. Isaac Newton had to work from home and he used the opportunity of focused time to develop the theory of gravity.

Quite a few of the current changes in working processes will no doubt for good remain with us. Remote working, needs for higher accuracy of business and tax data, cost efficiencies to address business pressures.

Use the opportunity not to go into lockdown but to unlock a strategy using for example Tax RPA (Robotics Process Automation). RPA solutions can lead to more close to 99% accuracy on tax data quality and up to 30 to 40% time savings in the Tax compliance processes.

A VAT compliance robot connects seamlessly and in a light touch way to the central finance and underlying systems and can automatically define VAT transaction types, review VAT determination decisions, look up duplicates, auto-populate missing data, perform the legally required GL reconciliations, create the VAT reports required by NBR and even generate accurate Tax invoices. In combination with other tools such as OCR (Optical Character Recognition), the end-to-end Tax accounting and Tax compliance efficiency and quality can be significantly improved within 6 to 8 weeks.

We are working with clients on such RPA solutions' roll outs and if you want to hear about the experiences, do let me know.

2. There is a need to pro-actively address the potential issues for Tax

No communication has yet been issued by NBR in Bahrain on possible measures around VAT and its reporting. But the current pressures in the market almost inevitably cause issues that often have a forgotten tax impact. Businesses must take these into account :

- Impacts on your AR. VAT invoiced is due and must be paid regardless if you have received payment from customers.
- Cancellations or reduction of orders. Do address the related tax invoicing and credit notes, recovery of VAT paid, reimbursement of VAT to customers, tax accounting reconciliations etc.
- Cancellation of reservations. If you are in the hospitality sector, do consider the correct VAT treatment.
- Change of time of services (with no change fees etc.). Do consider the time of supply rules for VAT so avoid incorrect reporting.
- Supply chain optimization. Do review the options and related (positive) tax impacts to switch to call off stock arrangements.
- Discarding of stocks will require a proper assessment of the VAT impact

There are many more aspects to consider. So if within your business your general terms and conditions are being updated or your clients delay payments, you make new arrangements within your supply chain, start to review alternative and new business offerings (including online shopping), do not leave the review of the tax implications aside as they can prove to be very costly afterwards.

3. Tax Planning

Across the World and also in Bahrain there has been major tax planning around income events. It may now be the time to consider (tax) planning for loss events and distressed assets. We see some examples such as;

- Saudi Arabia unveiled a 50bn riyal (\$13.3bn) stimulus plan for small and medium sized businesses as the oil-rich Gulf States act to support economies hit hard by Coronavirus.
- UAE's decision earlier on Saturday, 14 March to launch a 100bn dirham (\$27.2bn) economic support package to assist corporate and retail banking clients affected by the impact of coronavirus. With a focus on the recovery of 20% of custom fees on imported products sold locally in the UAE, cancellation of the AED50,000 bank guarantee or cash required to exercise customs clearance activity, and 90% reduction on the fees imposed on submitting customs documents.

We also see the potential for relief in other neighboring GCC countries. At KPMG we will keep you updated on Bahrain and other country-specific (tax) policies providing relief (delayed filing dates, payment delays or spreads).

Also, on behalf of my team, I convey our commitment of partnership and support to all of you.

Philippe Norré

Tax Partner | Head of Tax & Legal
Indirect Tax
Tax Reporting, Strategy and Technology

KPMG Fakhro
12th Floor, Fakhro Tower
P.O. Box 710, Manama
Kingdom of Bahrain

[Privacy](#) | [Legal](#)

©2020 KPMG Fakhro, a Bahrain partnership registered with the Ministry of Industry, Commerce and Tourism (MOICT), Kingdom of Bahrain and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved.

The KPMG name and logo are registered trademarks or trademarks of KPMG International Cooperative ("KPMG International").

home.kpmg/bh

