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MANAGING PARTNER'S NOTE



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As we move along a brand-new year charged with optimism and resolutions, above all, there's hope to return to newer versions of normalcy. For us at EVAS International, despite the challenges, 2020 was truly transformational. In the latter part of the year, we signed the Memorandum of Understanding (MoU) with participating entities for the In-Country Value (ICV) program pioneered by ADNOC. We are now one among the 21 certifying bodies in the UAE for the program. For 2021, we hope to channel this momentum and continue to grow.

EVAS International was established close to a decade ago, with sustainable growth forming the very core of our vision. The last 10 years have been invested in developing expertise, building a core team, and empowering our clientele. Over time, this commitment has translated into lasting client relationships and we are truly grateful to them.

We have joined hands with Geneva Group International, an international alliance that unites independent firms around the globe, ensuring clients access to the best from the industry. With a growing presence back in India and several expansion plans into GCC countries under way, we are striving to build a network that transcends geographical boundaries and stands the test of time.

UAE is at a critical juncture with a number of new regulations being introduced and secretarial practice growing in relevance. Our team is here to guide you through these evolving times and as an extension, we've decided to introduce a quarterly newsletter series, EVAS PLUS. This newsletter will give you a chance to get to know us better and will be covering a myriad of topics pertaining to the Middle East, from corporate reporting to compliance to personal finance and workplace productivity.

For our very first edition, our team has thoughtfully curated some highly relevant topics. Hope you find them insightful and informative. Happy reading.

Vijaya Mohan



IN-COUNTRY VALUE (ICV) PROGRAM



Vijaya Mohan
Managing Partner



Evas International has been listed in the Unified Empaneled Certifying Body for the In-Country Value Program (ICV Program) and has accordingly signed a Memorandum of Understanding (MOU) with the Participating Entities.

We at Evas International are elated to be part of the ICV Program as a Certifying Body. We are a team of auditors, tax agent, consultants, and accountants with more than 15 years of diverse professional experience across sectors, in the UAE and GCC Region. As a Certifying Body for the program, we will guide you through the process of ICV certification and implementation, alignment of the Company's records with the ICV Program, steps to achieve the desired ICV results while demonstrating the long-term benefits that can be derived as a Certified Entity.

There are 21 Firms in the entire UAE Region who are authorized by the Participating Entities to act as Certifying Body for the ICV Program. The Certifying Body shall have the powers and responsibility to verify the ICV Certification and Implementation and co-ordinate with the Participating Entities for the issue of the Certificates under the Program.

The In-Country Value (ICV) program has been pioneered by ADNOC and implemented in ADNOC group of companies since the beginning of 2018, offering suppliers new opportunities to conduct business with ADNOC Group. Since late 2019, the program has expanded to cover different governmental and semi-governmental entities, which has increased the potential business opportunities for the private sector entities as well as further strengthen an efficient platform for local value add generation.

The program delivers In-Country value by focusing on three main objectives:

- GDP diversification through increased expenditure on a growing variety of local goods and services
- Emiratization and personal development opportunities for UAE Nationals in the private sector
- The localization of strategic capabilities for critical supply chain functions.

The In-Country Value program consists of two parts, which are ICV certification and ICV Implementation. The Company who wishes to acquire an ICV certificate (Supplier(s)) are expected to complete the Certification Submission Template and approach one of the Empaneled Certifying Bodies who are authorized to issue ICV certificates.



The Participating Entities for ICV Program are as follows:

1. ADNOC;
2. Department of Economic Development, Government of Abu Dhabi;
3. Aldar Properties PJSC;
4. Abu Dhabi Ports.

For ICV calculations, the following areas are considered:

- a) Goods Manufactured (only for Suppliers holding Industrial License)
- b) Third Party Spend (only for Suppliers holding non Industrial License)
- c) Investment
- d) Emiratization
- e) Expatriate Contribution
- f) Bonus – i) Revenue from outside UAE , ii) Emirati Head count and iii) Investment Growth

Certain facts:

- ICV certificate shall be obtained for each legal entity of the Supplier, which intends to be certified.
- Each license of a Company is considered as an independent legal entity even if the ownership is the same. However, if a Company has different branches in the same Emirate with identical activities and ownership listed on the licenses, then one combined ICV certificate will be issued for the Company in that Emirate.
- All figures entered in the ICV certificate template should tally with Supplier's latest audited Financial Statements (prepared under IFRS). Cost Figures reported shall be in AED in the ICV Certificate.
- The ICV certificate shall be valid for a period of 14 months from the date of issuance of Audited Financial Statements. Supplier can get recertified during the validity of the ICV certificate if he chooses to, using the same audited financial statements, but the validity of 14 months from the first issue will remain.
- Suppliers are encouraged to amend their existing trial balance codes appropriately to separately capture specific costs required by ICV. This ensures that certification is smooth and cost effective for future years. For example, Suppliers could have a separate code for Emirati payroll costs, training costs, manufacturing costs – overseas, etc.

Please let us know and our specialists shall be in touch with you for the best assistance.

ISRAEL AND UAE RELATIONSHIPS

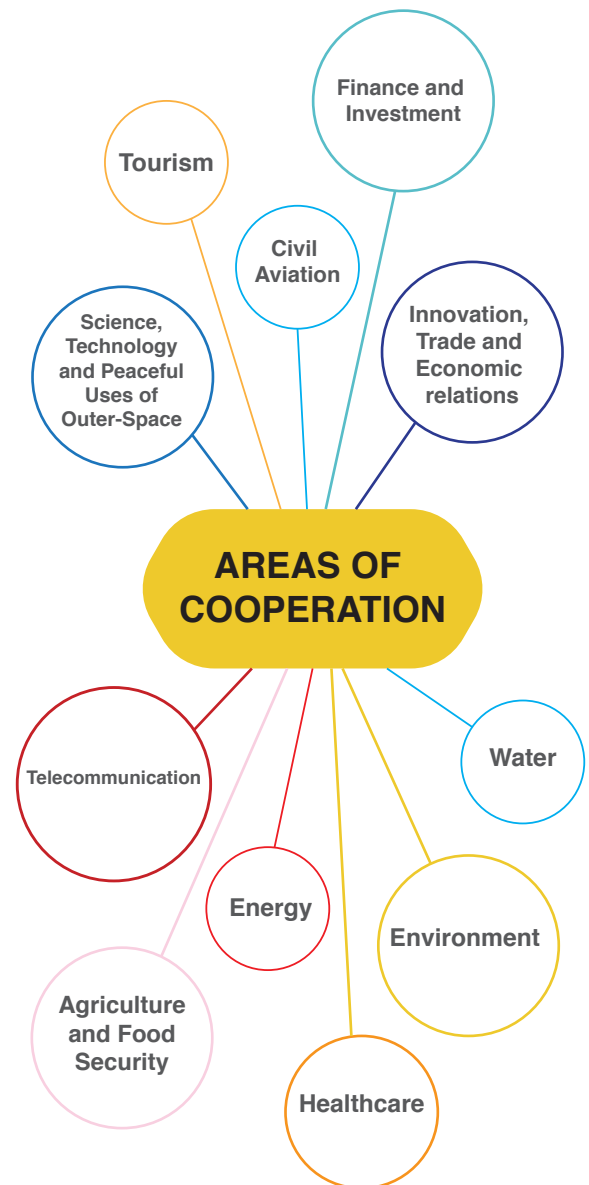


Edger Mathew
Partner
Consulting



On 15th September 2020, a treaty of peace, diplomatic relations and full normalization, (the “Abraham Accords Peace Agreement”) was signed between The United Arab Emirates and The State of Israel. The Treaty aspires to realize the vision of a Middle East region that is stable, peaceful and prosperous, for the benefit of all states and people in the region. The Treaty believes that the further development of friendly relations meets the interests of lasting peace in the Middle East and that challenges can only be effectively addressed by cooperation and not by conflict. The Treaty reaffirms the shared commitment to normalize relations and promote stability through diplomatic engagement, increased economic cooperation and to develop and enhance their dynamic and innovative economies. The Abraham Accord is expected to be a critical milestone in the evolution of peace and security in the region and creates a new horizon for the prosperity amongst the citizens of both the countries.

The businesses in both the countries are looking forward to exploring the various business opportunities which this treaty is expected to bring forth. Various companies in both the countries have already announced their investments and expansion plans as a direct result of this cooperation between two countries. The Abraham Accord lets both the countries to conclude bilateral agreements to unlock the great potential of their countries and of the region.



CHALLENGES FACING SME'S AND ROLE OF CFO



Vinod Balan
Partner

Taxation and Accounting,
In charge of CFO Services

Liquidity is an essential component for any business, not simply from a growth perspective, but to sustain itself. As we recover from the 2020 turbulence, getting fresh inflow of funds and managing existing funds is challenging. SME's need to focus deeply on their financial stability every step of the way to ensure their business is on the right path.

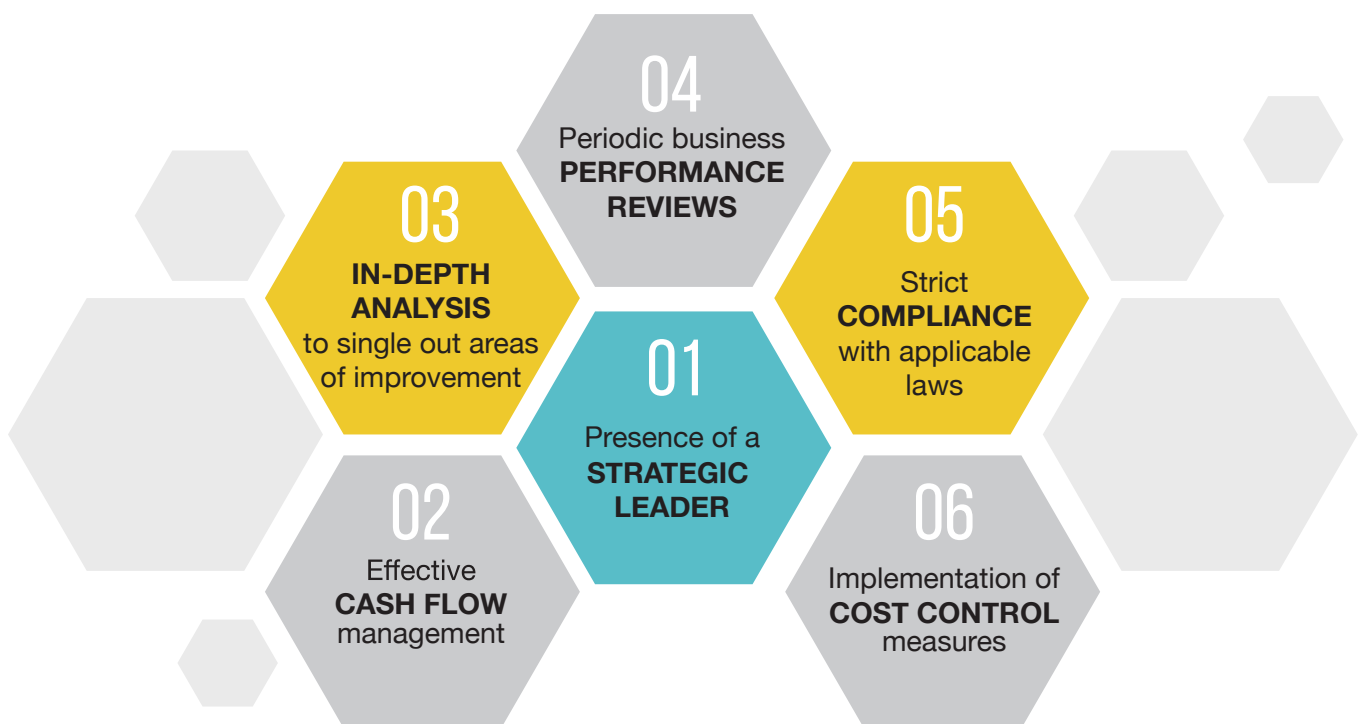
The sudden unpredictability of cash flows could be due to several factors. From customers delaying payments and suppliers hesitating to offer the same credit terms, the pandemic has impacted nearly every stage of the operation cycle. Procuring fresh funds from lenders/banks continue to be difficult, and at the same time existing credit limit may be reduced by them on grounds of prudence.

DO YOU NEED A CFO?

The answer is yes, if your team:

- Is unable to effectively manage cash flow,
- Is unable to offer you a detailed analysis of the company's financial performance for the purpose of evaluating the effectiveness of your current business model, benchmark it to the industry standards and help design for the future, or
- Does not have the practice of preparing a budget for the year or need help in financial forecasting for various purposes including, but not limited to, securing funding from lenders/banks, making strategic decisions in investing into a new business segment or for expansion of an existing segment.

BENEFITS OF HIRING A CFO



OUTSOURCED CFO SERVICES

Most SME business owners juggle between several key roles within their organization. This creates a situation where they're unable to devote adequate attention to areas of analyzing the financial and operational data.

Appointing a CFO is crucial for forward thinking and for steering your business in the right direction. Outsourcing this function can have a range of benefits:

Firstly, you can be relieved of this critical task. Rest assured, the financial planning and growth of your business will be in the hands of seasoned experts.

You can attract multi-faceted professionals, at a fraction of the investment. Drawing on their arsenal of experience, your business can leap ahead.



The right CFO will ensure that his/her expert knowledge directly translates into the stability and success of the business. Be sure to discuss your long-term and short-term goals with them, while ensuring 100% transparency for the best results.

CLIENT CASE STUDY

A company was operating on a trading distribution model with a very thin margin but high volume of revenue. This company also operates another division which extended services with a reasonable margin. However, the focus on this division was much less and hence volume of revenue was not as high. Since the trading division of the company operated by extending credit facility to its customers, the company was constantly under high cash flow risk. Default in payment from one major customer would wreak havoc and erode the profit of the entire organization. Every year, on account of collection default from a few of its customers and pressure from suppliers for payment, the company was constantly under immense pressure. In the light of this, they approached us to extend CFO services. We took on the role and clearly demonstrated the issue to the key stakeholders. The company changed its model of distribution by reducing the volume of trade division sales and shifted focus to the service business which fetched them a decent margin. This has significantly reduced the cash flow risk of the company and improved the bottom-line figure with lower risk and a higher rate of return than before!

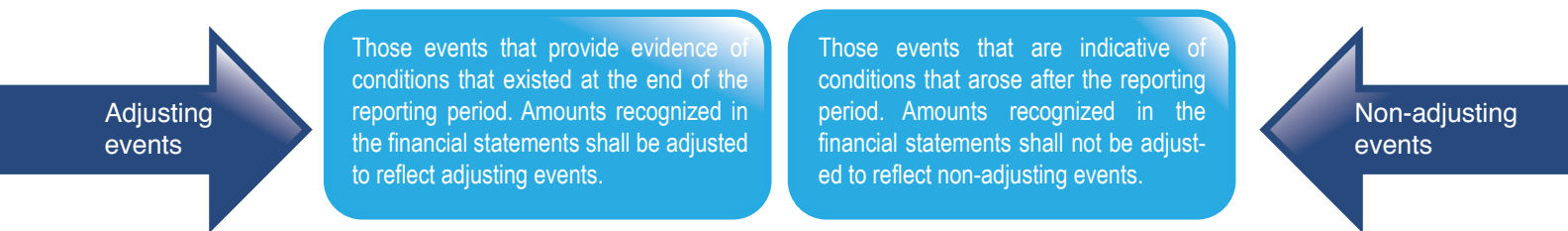
IMPACT OF COVID-19 ON FINANCIAL STATEMENTS



Benny A. Bejoy
Partner
Audit and Assurance,
(Also In charge of Northern Emirates offices)

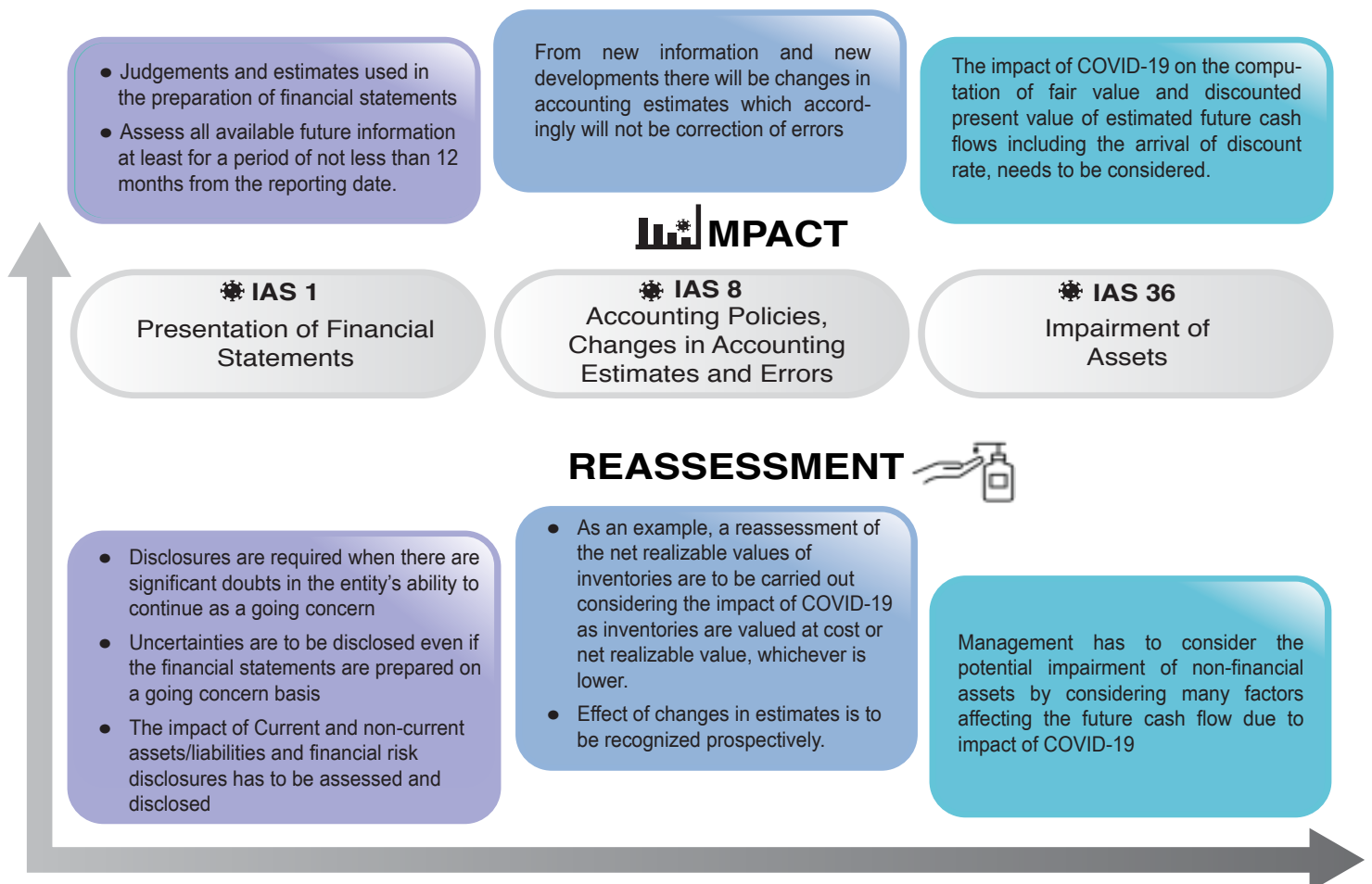
The outbreak of novel coronavirus (COVID-19) and its rapid spread throughout the world, has adversely affected the general economic conditions and consequently the operations of entities worldwide, either directly or indirectly. Entities need to carefully consider the financial and operational impact of this on its businesses and evaluate implications regarding accounting and financial statements disclosures.

IAS 10 (Events after the Reporting Period) defines events after the reporting period as those events, favorable and unfavorable, that occur between the end of the reporting period and the date when the financial statements are authorized for issue. These events can be classified as:



Though COVID-19 was initially reported in December 2019, the World Health Organization (WHO) declared it as a global pandemic in March 2020. Accordingly, for reporting periods ending on or prior to 31 December 2019, the impact of COVID-19 would be a non-adjusting event which requires disclosure in the financial statements.

Certain other international financial reporting standards (IFRS) that are relevant regarding financial and accounting implications of COVID-19 are summarized below:



Affect the valuation techniques in determining the fair value of an asset or a liability as such techniques uses the relevant observable inputs than the unobservable inputs

- Estimates of variable consideration could be affected
- Transaction prices may be impacted due to any additional incentives to be provided to the customer, volume discounts/ rebates, penalties etc.
- Disclose the judgements and changes in judgements that significantly affect the determination of the amount and timing of revenue.

- Modification of a lease (change in the scope of a lease) including full or partial termination, change in the consideration.
- Modification of lease can result in a separate lease or change in the accounting for the existing lease
- Concessions like rent holidays, rent deferrals, rent reductions etc. were granted by lessors to lessees

- Expected Credit Losses (ECL) may be higher in the current environment.
- Specific consideration for the impact of COVID-19 to be made while estimating the future economic forecast.

IMPACT

IAS 13
Fair Value Measurements

IFRS 15
Revenue from Contracts with Customers

IFRS 16
Leases

IFRS 9
Financial Instruments

REASSESSMENT

Valuation techniques has to be reassessed and accordingly requires entities to disclose the valuation techniques and the inputs used in the fair value measurement as well as the sensitivity of the valuation to changes in assumptions.

- Reassess the transaction price at the reporting date
- Where an entity uses input method to measure progress of a contract, the estimate needs to be reassessed to reflect any possible impacts of COVID-19 like delays in completion, additional costs, commercial substance, right to goods or services and payment terms etc.

- Reassessment of lease period
- Impairment of right of use assets due to challenging business conditions.
- Optional exemption to lessee (only) to consider the rent concession as non-lease modification to address the operational challenges.

Re assess and disclose the expected significant impacts of COVID-19 on the risk arising from financial instruments and ways to manage such risks are to be made in the financial statements.

3 YEARS OF VAT CULTURE



Kaveri Shajan
Assistant Manager
Taxation and Compliance

As we approach the 3-year mark since VAT was first implemented in the UAE, it is worth noting how we've successfully navigated this span of time. The ambiguity and concerns that surrounded us in the beginning no longer persists. Since 2018, we have witnessed first-hand the evolution of an unconfined VAT regime, with the Federal Tax Authority (FTA) issuing 15 legislations, 23 User Guides, 22 Public Clarifications, 2 Business Bulletins and frequent snapshots or e-learning for common topics affecting many industries in a significant manner.

3 GCC countries implemented VAT and 1 more to go!

3 out of 6 GCC countries have successfully implemented VAT. Oman, following in the footsteps of KSA, Bahrain and UAE, will be introducing its new VAT regime in April 2021.

3+1 industries which faced major challenges during the 3 years of VAT system

- **Export and Import:** The major challenges faced were on the change in the definition of person 'outside UAE' for treating as export of service by amending the Executive regulation and practical limitations on collecting the documentation requirements for both export of goods and export of services within the specified time.
- **Logistics:** The taxability of charges being collected from the customers need to be defined and properly documented. Several companies in the logistics industry still have trouble differentiating between taxability of the commission being charged and the transportation and other related charges incurred on behalf of the customer.
- **Hospitals and Medical supplies:** One of the major impacts resulted from

the clarification issued by FTA was under the said sector, wherein several taxable persons were forced to submit voluntary disclosures. The clarification regarding taxability of medical services provided between B2B transactions, resulted in huge penalties for the sector.

- **Education sector:** Indecision was on the taxability of fees other than tuition fees collected from the students, including entrance fees, field trip fees etc. FTA has come up with 2 business bulletins exclusively for the education sector to offer clarity on the taxability of fees collected from students.

3 Common issues faced and their respective solutions, for businesses that attracted immense penalty during 3 years of VAT system!

- Penalty on non-payment of VAT payable due to non-receipt of funds from customers. Solving the issue of non-availability of funds requires an efficient, high-end cash flow management system, as well as good understanding of the date of supply. Fund flow management should be the highest priority and adequate resources must be dedicated to it.
- FTA charges late payment penalty on excess VAT liability declared in the voluntary disclosure. Since the late payment penalty will amount to a huge sum, if imposed, it will have a major impact on the business and can even lead to closure of business. To avoid such situations, taxable person must investigate all possible scenarios to ensure compliance with the regulations. This can help to decrease the risk of penalty before submitting the VD and VAT return.
- Penalty for non-compliance with the prescribed tax invoice format. This can be avoided by incorporating all the mandated fields both for tax invoice and tax credit note.

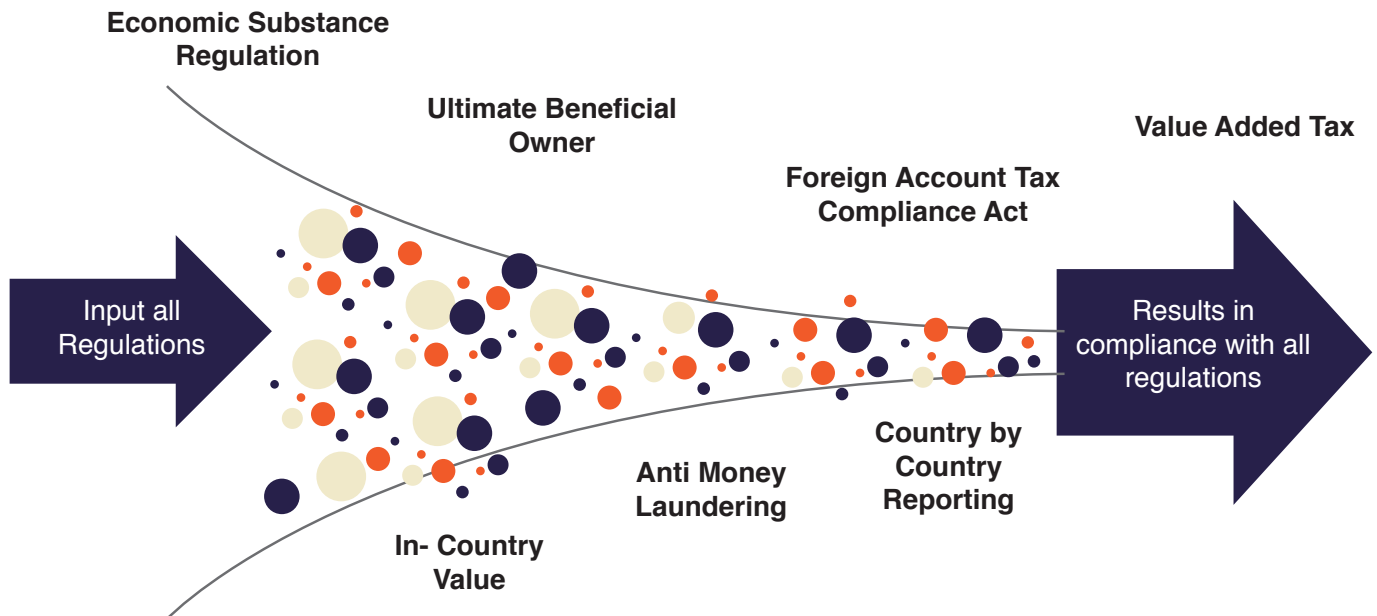
3 things taxable persons must follow keeping in mind that "Ignorance of law is not an excuse!"

- Keep updated on the FTA laws and regulations and have a proper interpretation of the laws.
- Wherever there is a requirement for further clarity, request for private clarification from FTA and make amendments where required.
- Maintain proper documentation and keep a check on taxability of transactions by implementing a maker-checker process.

Beware and get ready for VAT Audit!

Carry out VAT test or review

Educate and train the internal team members on VAT updates



Economic Substance Regulation

The Regulation require UAE onshore and free zone companies and certain other business forms that carry out any of the defined “Relevant Activities” to maintain and demonstrate an adequate “economic presence” in the UAE relative to the activities they undertake (“Economic Substance Test”). The application of the regulations must be assessed for each entity annually.

Ultimate Beneficial Owner

UAE passed a cabinet resolution that requires entities in UAE to disclose its beneficial owners to the Regulators and maintain register for the same. Such disclosure is intended to enhance transparency of entities registered in the state and ultimately build a reliable database containing ownership details for UAE based entities



Anti Money Laundering

The AML law introduced several concepts recommended by the Financial Action Task Force (FATF) designed to enhance UAE's effectiveness in identifying and preventing attempts at money laundering and terror financing. Risk based assessment, proper transactions monitoring, ensuring the legal source of money, identifying the ultimate beneficiary owners, having stringent policies and procedures, staff training, suspicious transactions report filing etc. are some of the important features to be followed by the organizations. Professional Firms are also coming under the purview of the AML requirements.



In Country Value

As part of the ADNOC ICV Program, ADNOC's suppliers are required to declare their ICV achievement ("ICV Certificate") with respect to the previous financial year. The ICV assessment now forms an integral part of ADNOC's tender evaluation and award process. ADNOC requires a third-party verification of the numbers in the ICV Certificate to be conducted by one of its Certifying Bodies on an annual basis.

Foreign Account Tax Compliance Act

It is a financial disclosure and transparency law, conceived as a tool to help the U.S. government crack down on tax evasion by U.S. taxpayers who hold investments in offshore accounts. Non-compliance with these obligations would result in US withholding tax on certain US source payments and passthrough payments that such foreign financial institutions or non-US persons receive. The UAE has become a FATCA partner which mandates, financial institutions across the country to comply with additional reporting obligations, to the Ministry of Finance and the IRS.

A graphic with the text 'Foreign Account Tax Compliance Act' in large, bold, red and black letters. The background is a blurred image of a financial document or spreadsheet with various numbers and text.

BUILDING BLOCKS OF PRODUCTIVITY

Sneha Mathew
Senior Consultant



Productivity, an obscure benchmark one uses to judge oneself on the regular. Yet, we hardly ever think about what it truly means. Take a second, think back to the last time you felt the most productive? Were you productive or simply busy?

Being productive might look different for you and me. It can mean devoting the best hours of your day to your most important tasks. Or it can mean setting aside time to do some groundwork before you begin your day. Either way, it has a lot more to do with getting quality work done than simply checking tasks off a list.

Productivity advice is often sold in a one-size-fits-all package when truthfully its far from it. So instead of advice, here are some fundamental concepts you can use as building blocks for your own productivity framework:



ATOMIC HABITS

Goals are great, goals are glamorous, they give you that initial rush of adrenaline. But this new year, instead of setting goals, try something different. Set systems. Its life changing.

Goal = Read 50 books a year

System = Set aside 30 minutes a day to read 40 pages and have a designated reading corner with a book on standby

SECOND BRAIN

We are constantly reading, listening, watching, consuming content. But the insights we gain are soon forgotten in the hustle of everyday life.

By noting down ideas, thoughts, observations, we build a database outside of our brains, thereby building a 'second brain'. This takes cognitive load off our brains, allowing it to focus on other, more creative endeavors.



POMODORO TECHNIQUE



This is a time management technique from back in the 80's.

Work in bursts of 25 minutes, followed by a 5-minute power break. After 4 of these 25-minute bursts, you could take longer, more restorative breaks. But during these 25-minutes, you should ideally be in your best form and focus.

IN HOUSE EVENTS

A perfect blend of creativity and technical wizardry



New year celebration at Dubai office



Renjith R. Nair & Athulya B.
Wedding was on 17th Dec 2020



Venugopal Vijayakumar & Vidya Vijayabalan
Engagement was on 13th Sep 2020



Kadhakali - A story play - Binu B.Nair



Sathvika is in safe hands of her sister Avanthika. Our partner, Sandeep Nair is blessed with another daughter

Welcoming our new joiners



Sony Saji



Devika Pookkat



Bebato Bobby



REWIND UAE IN 2020



JAN

World leaders gather for the official inauguration of Abu Dhabi Sustainability Week 2020

FEB

The Barakh nuclear plant in Abu Dhabi kicks off as the first of its kind in the Arab world in collaboration with IAEA and government of South Korea.

MARCH

In response to the Covid-19 pandemic, the country went into lock-down, cancelling all public events and international flights

APR

A chartered Finnair plane flew out Nordic and Baltic tourists from Dubai to the northern capitals Helsinki, Finland and Stockholm, Sweden

MAY

The 'UAE Volunteers', a joint community response to COVID-19, reaches 16,502 field and online volunteers from 126 nationalities in one month.

JUNE

The government lifts Coronavirus curfew on completion of the national sterilization program

JULY

Launch of Hope (Al Amal) probe to Mars which involved nearly 200 Emirati engineers and researchers.

AUG

Started Unit 1 of the Barakah Nuclear Energy plant, located in the Al Dhafrah Region of the Abu Dhabi which is expected to reduce carbon emissions

SEPT

A joint statement issued by the UAE, Israel and the US said that the 3 countries had "agreed to the full normalization of relations between Israel and the United Arab Emirates".

OCT

U.A.E emerges as the 37th country in Covid-19 Economic Index Ranking of Horizon Research group, making it the leading country in the Arab world

NOV

UAE announces Covid-19 vaccination distribution plans as part of the 'Hope Coalition' initiative.

DEC

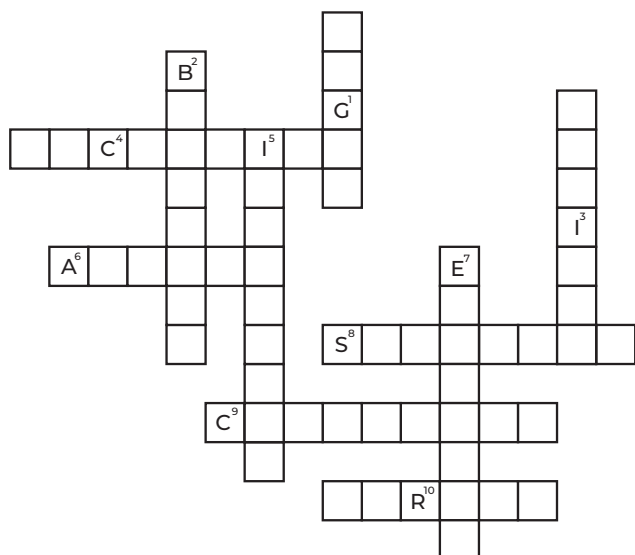
Seeds of the Union show on 49th National Day as a tribute to the Frontline Heroes



Devika Pookkat
Consultant

Trick or Treat

Complete the crossword puzzle below and find the solution on the QR Code below



1. Earnings to the employee on his invested assets.
2. Occurring twice a year
3. The amount by which expenditures or liabilities exceed income or assets
4. Producing a great deal of profit
5. A general rise in the price level in an economy over a period
6. Yearly is the adverb
7. To gain or get in return for service
8. The gasoline shortage in the 1970's
9. A substance or primary product brought/sold in large quantity
10. Commonly done to gain market share.

Answer for crossword >



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