

# KSA newsalert: Key tax related items from the 2017 National Fiscal Budget of Kingdom of Saudi Arabia

January 2017

## In brief

The Kingdom of Saudi Arabia (KSA) National Budget 2017 sees a progressively lower budget deficit with the aim of achieving breakeven by 2020. The government has considered taxes as one of the sources for additional revenue with the introduction of certain new/revised levies on expatriates and, most notably, the Value Added Tax (VAT). Whilst these reforms will result in additional revenue for the government, it may increase the cost of doing business in KSA.

## In detail

### Expatriate Levy

Currently, companies pay a levy of SAR 200 per month per expatriate employee, but only for expatriate employees that exceed the number of Saudi employees. From next year, this fee will be increased gradually (from January every year) until 2020. Furthermore, for expatriate employees not exceeding the number Saudi employees, the fee will no longer be waived but will be levied at a discounted rate.

In addition, a new fee on dependents of expatriate employees will be levied. This fee will be applicable from July 2017. The fee will be SAR 100 per dependent per month and will increase gradually every year until 2020.

The potential plans to levy income tax and or remittance tax on expatriate employees has been placed on hold for now.

Please refer to the following table which summarises the levies per expatriate.

Year	Expat levy per dependent per month	No. of expats is ≤ no. of Saudis	No. of expats is > no. of Saudis
	SAR	SAR	SAR
2017	100		
2018	200	300	400
2019	300	500	600
2020	400	700	800

### Value Added Tax (VAT)

The Saudi National Budget 2017 revealed that KSA signed the GCC (member states comprising Bahrain, KSA, Kuwait, Oman, Qatar and UAE) unified framework agreement for VAT in December 2016. The Saudi National Budget 2017 also confirmed the implementation of VAT in KSA from January 2018.

The current indication is that most goods and services will be subject to VAT at 5%. Certain goods and services may be either zero rated or exempt from VAT. More details on applicability of VAT will be available once the GCC framework and KSA VAT law is published.

### Excise Tax on harmful goods

Excise tax will be implemented on certain products that are viewed to be harmful to individual's health.

Excise Tax of 50% on soft drinks (at this stage, there is no indication on whether it will apply to all or specific soft drinks), and 100% on tobacco products and energy drinks will be imposed from April 2017. This will result in these specific products becoming costlier and potentially achieving the objective of reduced consumption.

### The takeaway

Businesses will need to factor into their business planning, budgeting and HR policies the new expatriate levy.

The introduction of VAT is a clear milestone in the country's tax system.

Although the unified framework agreement has not been published nor is there current visibility of the KSA draft VAT law, the Budget

confirms the anticipated introduction of VAT in KSA and an expected implementation in January 2018.

Given the tight timeframe this implies that businesses should be commencing their VAT implementation readiness plans.

## ***Let's talk***

For a deeper discussion of how this issue might affect your business, please contact:

### **Jeddah**

Mohammed Yaghmour,  
[mohammed.yaghmour@pwc.com](mailto:mohammed.yaghmour@pwc.com)

Mohammad Hussein Amawi ,  
[mohammad.h.amawi@pwc.com](mailto:mohammad.h.amawi@pwc.com)

Yaseen AbuAlkheer,  
[yaseen.abualkheer@pwc.com](mailto:yaseen.abualkheer@pwc.com)

Fehmi Mounla,  
[fehmi.o.mounla@pwc.com](mailto:fehmi.o.mounla@pwc.com)

### **Riyadh**

Soudki Zawaydeh,  
[soudki.zawaydeh@pwc.com](mailto:soudki.zawaydeh@pwc.com)

Mohammed Al-Obaidi,  
[mohammed.alobaidi@pwc.com](mailto:mohammed.alobaidi@pwc.com)

Abdulkhamid Muminov,  
[abdulkhamid.muminov@pwc.com](mailto:abdulkhamid.muminov@pwc.com)

Fayez Aldebs,  
[afayez.aldebs@pwc.com](mailto:afayez.aldebs@pwc.com)

Wael Osman,  
[wael.osman@pwc.com](mailto:wael.osman@pwc.com)

### **Khobar**

Ebrahim B Karolia,  
[ebrahim.karolia@pwc.com](mailto:ebrahim.karolia@pwc.com)

Mugahid Hussein  
[mugahid.hussein@pwc.com](mailto:mugahid.hussein@pwc.com)