KSA: GAZT has published the Value Added Tax (VAT) Draft Law on its website for the purpose of public consultation

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In brief

GAZT has announced on its website that KSA will implement VAT on 1 January 2018, simultaneously with other GCC member states.

The publication of the VAT draft law is an important step for KSA towards the implementation of the new tax. In line with its efforts to improve communication with taxpayers and create public awareness, GAZT is conducting a public consultation and seeking feedback on the draft VAT law by 29 June 2017.

The draft VAT law is based on the VAT principles agreed in the Unified GCC Agreement for Value Added Tax (VAT) published in the Official Gazette on 21 April 2017. Most of the details of application of VAT including specific VAT requirements are left to the implementing regulations which are expected to be issued shortly.

For access to the VAT draft law, please visit the GAZT website link below:

In detail

The VAT draft law indicates that VAT will enter into force on 1 January 2018 except for the registration requirements highlighted in Articles 4, 5 and 6 which will apply from the day following the date of publication of the Law in the Official Gazette.

The VAT draft law was silent on the time frame upon which the implementing regulations should be issued however it indicates that these implementing regulations will enter into force on 1 January 2018, similar to the law, except for the registration requirements which become applicable from the day following the issuance of these implementing regulations.

The VAT draft law includes 12 chapters as follows:

- Chapter 1: General definitions – mostly aligned with the Unified GCC VAT Agreement definitions (“the Agreement”)

- Chapter 2: Imposition of tax – this chapter provides that VAT will be imposed broadly on most supplies of goods and services and on imports according to the Agreement

- Chapter 3: Taxable persons – this chapter defines taxable persons and links this concept to the performance of an independent economic activity and to the VAT registration and requirement. It also provides general rules regarding registration/deregistration as per the Agreement leaving most of the details to the implementing regulations

- Chapter 4: Supplies of goods and services – this chapter provides information on the types of supplies according to the provisions of the Agreement and leaves most of the details to the implementing regulations (e.g. the time of supply rules)

- Chapter 5: Place of supply – this chapter includes provisions relating to the determination of the place of supply e.g. when a supply or an import is considered to take place in KSA, including intra-GCC supplies. These provisions are based on the provisions of the Agreement and leave most of the details to the implementing regulations

- Chapter 6: Exempt and zero-rated supplies – this chapter simply indicates that exempt and zero rated supplies will be identified in the implementing regulations

- Chapter 7: Taxable value – this chapter provides guidance on the determination of the taxable value for VAT purposes with reference to the Fair Market Value concept and the allowed adjustments to the taxable value

- Chapter 8: Imports – this chapter provides guidance on what would be considered as import for VAT purposes and that the customs authorities will be in charge of collecting VAT at import
Chapter 9: Calculation of tax
This chapter provides details on VAT calculation including the eligibility to claim an input tax credit where available. It introduces special schemes such as “cash based accounting” and “supply of used goods” etc...

Chapter 10: Procedure and administration
This chapter provides guidance on the powers granted to the tax administration and the minister in the application of the tax, the confidentiality rules, the right of GAZT to obtain information, etc...
It also indicates that the tax period and tax returns specific details would be addressed in the implementing regulations and provides guidance on the following procedures/rules although most of the details were left to the implementing regulations: i) tax payment, ii) record keeping requirements, iii) the statute of limitation, iv) the financial security requirement, v) the execution and conservatory measures, vi) the joint tax liability concept, vii) tax refund claims (including tourist refunds), viii) anti avoidance rules, ix) review and appeals, x) tax identification number etc...

Chapter 11: Penalties and fines
This chapter provides details on the penalties and fines that would be applicable in certain cases such as not filing a return, failing to register etc...

Chapter 12: General provisions
This chapter includes transitional provisions and indicates when the law and implementing regulations enter into force

The takeaway
Considering that GAZT has provided a deadline for public consultation by June 29th 2017, businesses should take the opportunity to raise any specific VAT issue that may affect their business and that should be addressed in the law or the implementing regulations.

Also since VAT implementation date has been confirmed to be 1 January 2018, persons affected with VAT and operating across the GCC need to activate their VAT implementation plans to ensure they are ready to comply with the VAT requirements by go live date.

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