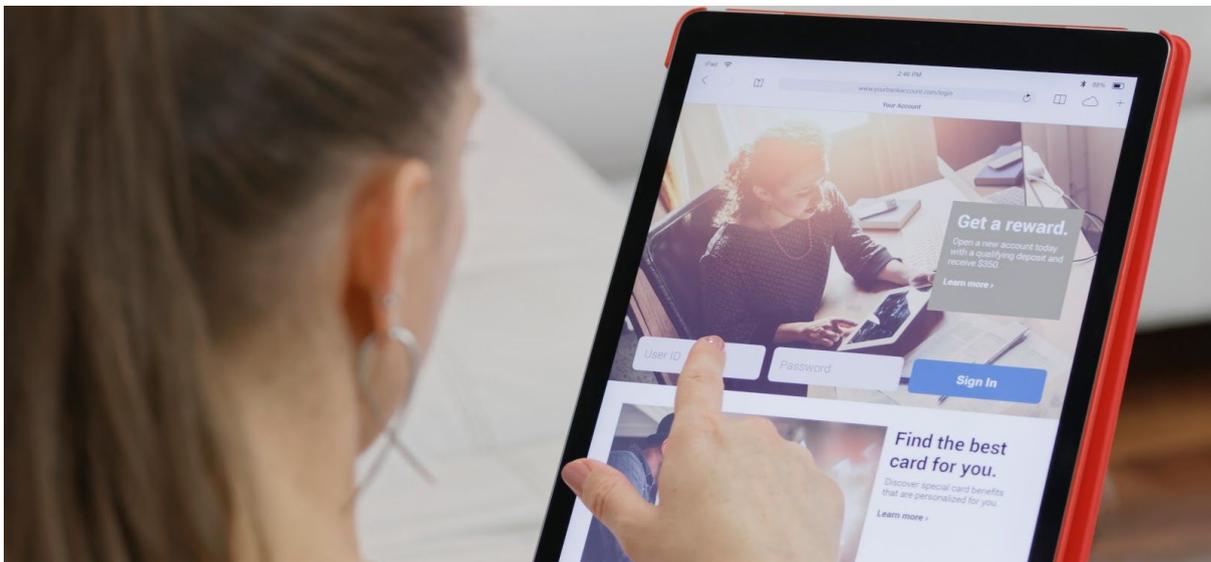

GCC VAT Newsletter - April 2018 Edition

April 2018

We are pleased to share with you our April edition of the PwC GCC VAT Newsletter on the latest VAT developments in the GCC Region.



Kingdom of Saudi Arabia (KSA)

Practical update - Guides published in April 2018 by the General Authority of Zakat and Tax

In April 2018, the General Authority of Zakat and Tax (“GAZT”) has issued four VAT guides pertaining to (i) financial services sector; (ii) imports & exports related matters; (iii) input tax deduction; and (iv) digital economy. These guides intend to help the taxpayers in getting a better understanding of the KSA VAT system. It is to be noted that the contents of these guides are not legally binding and only provide an overview of the tax authority’s interpretation and practical application of the KSA VAT law. Guides can be subject to change by the GAZT anytime (as applicable).

VAT Guide for Financial services sector (in English)

The guide elaborates on the VAT implications associated with various types of financial services, place of supply rules, transitional provisions related to financial services, as well as VAT compliance matters such as registration, input tax deduction and VAT reporting. The following key topics are covered by the guide:

- Types of financial services
- Supplier of financial services
- Taxable financial services
- Exempt financial services
- Possible VAT registration for a supplier providing exempt supplies only
- VAT treatment of financial services – banking sector & other financial institutes
- VAT treatment of financial services - insurance business
- VAT implications for various financial service providers associated with insurance businesses
- Single supply or multiple supplies
- Place of supply

It is now available in English and Arabic and is accessible through the following links:

https://vat.gov.sa/sites/default/files/2018-04/VAT_Financial_Services_Eng.pdf

https://www.vat.gov.sa/sites/default/files/2018-04/VAT_Financial_Services_0702_v.f.3.pdf

KSA VAT Guideline on imports and exports

The guide elaborates VAT implications associated with various parts of imports and exports of goods and services. The key points highlighted in this guide are as follows:

- Import Customs declaration and clearance procedures
- Adjusting Customs data
- Valuation of goods that are re-imported
- Exempt Imports
- Goods which are subjected to zero rate.
- Goods that are considered to be exempted from Customs Duties specified in the Common Customs Law
- Suspension of Customs duties and temporary entry
- VAT payment for imports of goods through the VAT return
- Reverse charge mechanism
- Indirect export
- VAT deduction on imports

It is currently available only in Arabic and is accessible through the following link:

https://www.vat.gov.sa/sites/default/files/2018-04/VAT_import_Export_Guideline.pdf

VAT Guide on Input tax deduction

The guide elaborates on the input VAT deduction mechanism and explains the approach taken by GAZT towards recoverability of input VAT on various aspects:

- Eligibility of input VAT deduction
- Payment of VAT on imports of goods through the tax return and supporting documentation required
- Arabic invoices – GAZT clarifies that a taxable person which does not hold an invoice in Arabic (which is a condition for a valid tax invoice as per Article 53 of the Implementing Regulations) may be allowed to claim the input VAT incurred on this invoice provided certain conditions are met

It is currently available only in Arabic and is accessible through the following link:

https://vat.gov.sa/sites/default/files/2018-04/VAT_Input_Tax_Deduction_Guideline.pdf

VAT Guide on Digital economy

This guide defines the term ‘digital economy’ and addresses VAT issues related to ecommerce. It notably clarifies the place of supply rules associated with digital economy and also covers the following:

- Sales of goods and services to and from the Kingdom as well as VAT related issues on imports of goods for business conducting ecommerce activities;
- Supplies of goods and services through agents or intermediaries;
- Transitional rules applying to the digital economy.

This guide is available in English and Arabic and is accessible through the following links:

https://www.vat.gov.sa/sites/default/files/2018-04/VAT_Digital_Economy_Guidebook_English.pdf

https://www.vat.gov.sa/sites/default/files/2018-01/VAT_Digital_Economy_Guidelines_210118.pdf

Compliance update

Change in the KSA VAT return form

A few days before the deadline for the submission of the third monthly VAT return in KSA, GAZT changed the return form and removed the box related to ‘first house sales to citizens’; implying thereby that the mechanism announced earlier this year by GAZT and consisting in directly bearing the VAT chargeable on the purchase of their first house by Saudi citizens up to a principal amount of SAR 850,000 has been changed. Therefore KSA VAT will be chargeable on the full price of the house when sold to Saudi citizens.

To date, there has been no official update regarding a new refund mechanism applicable for the VAT paid by Saudi citizens on the purchase of their first home.

United Arab Emirates (UAE)

Practical update - Guides published in April 2018 by the Federal Tax Authority (“FTA”)

The FTA has published a certain number of guides throughout the month of April. These guides intend to help the Taxpayers in getting a better understanding of the UAE VAT system. Such documents are easily accessible online through the FTA portal. It is to be noted that the contents of these guides are not legally binding but give an overview of the FTA’s interpretation and practical application of the UAE VAT legislation. Guides can be subject to change by the FTA anytime (as applicable).

FTA VAT Guide on Director Services

The FTA has issued a new guide on Director Services. This guide contains guidance on:

- Cases under which director services qualify as supplies for VAT purposes;

- Place of supply rules for these services;
- VAT rate applicable (i.e. 5% or 0%);
- VAT recovery;
- VAT treatment for special scenarios (director providing services overseas; director services to overseas entities; business providing director services; etc).

In a nutshell, employees who perform services for their employer are not considered to be making a taxable supply. However, taxable persons who provide independent director services are considered to be making taxable supplies of services; subject to place of supply rules. The consideration received by a director for the supply of director services may be monetary (e.g. basic director fees and cash bonuses) or non-monetary (e.g. stock options or free accommodation). A director making taxable supplies of director services should be able to recover input tax attributable to making such supplies.

See link below:

<https://www.tax.gov.ae/pdf/director-services.pdf>

FTA VAT Guide on Request for clarification

The FTA has published a Guide on the procedure for the submission of Requests for clarification as well as the form to be submitted as part of this procedure.

A Request for clarification can be submitted in order to receive written guidance from the FTA on the interpretation of a specific tax matter of uncertainty. The submission, in order to be considered by the FTA, is subject to a strict procedure and must be sent to the following email address: clarifications@tax.gov.ae

The procedure as laid out in the Guide requires the applicant to submit the below attachments along with the official clarification form:

1. Any tax advice received on the matter of uncertainty to be clarified;
2. A formal letter including details of the facts, legal references, technical view, any alternative treatment considered as well as the question(s) for the FTA to clarify; and
3. If a person is registered, the email should be sent from the authorized signatory.

Once a request is submitted in accordance with the procedure and conditions as laid down in the Guide, it may take up to 40 business days for FTA to respond to the clarification request (the final answer will be in a letter format attached to an email) or to ask for further information or for a re-submission (in case the submission is not incomplete).

In case of disagreement with the FTA's answer, it is possible to ask the FTA for a Reconsideration of the decision.

See link below:

<https://www.tax.gov.ae/pdf/clarifications-user-guide.pdf>

<https://www.tax.gov.ae/pdf/clarification-application-form.pdf>

FTA Payment User Guide (Full)

The FTA released the Full Payment User Guide which explains the step by step process to effect a VAT payment via the following mechanisms:

- eDirham Card
- Credit Card
- eDebit

- Paying via bank transfer (GIBAN)- local transfer
- Paying via bank transfer (GIBAN)- international transfe

See link below:

<https://www.tax.gov.ae/pdf/payment-user-guide.pdf>

Legal Update – New Decisions issued

Updated List of Charities that may Recover Input Tax – Cabinet Decision No (15) of 2018

The FTA has released on its website the updated list of charities in the UAE that can recover its input tax under Article 57 of the Decree Law.

A link to the list of charities is attached below:

<https://www.tax.gov.ae/pdf/charities-that-may-recover-input-tax.pdf>

Other GCC countries – Update

Oman - Ministerial Decision No.64/2018

The Ministry of Finance in Oman has issued a Ministerial Decision No. 64/2018 to modify the general budget classification of the State attached to the Executive Regulations of the Financial Law.

Article 1 of the Ministerial Decision stipulates to include a new article (Taxes on goods and services) with two sub accounts: Value Added Tax and Excise Tax to the revenue section of the state budget.

Under Article 1, Excise Tax is defined to include the amounts borne by the consumer and imposed on goods with damage to public health, environment or luxury goods in varying proportions. Value Added Tax is defined to include amounts collected from VAT.

This decision is a strong sign of Oman's commitment towards implementing VAT and we will provide further details on this when available.

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