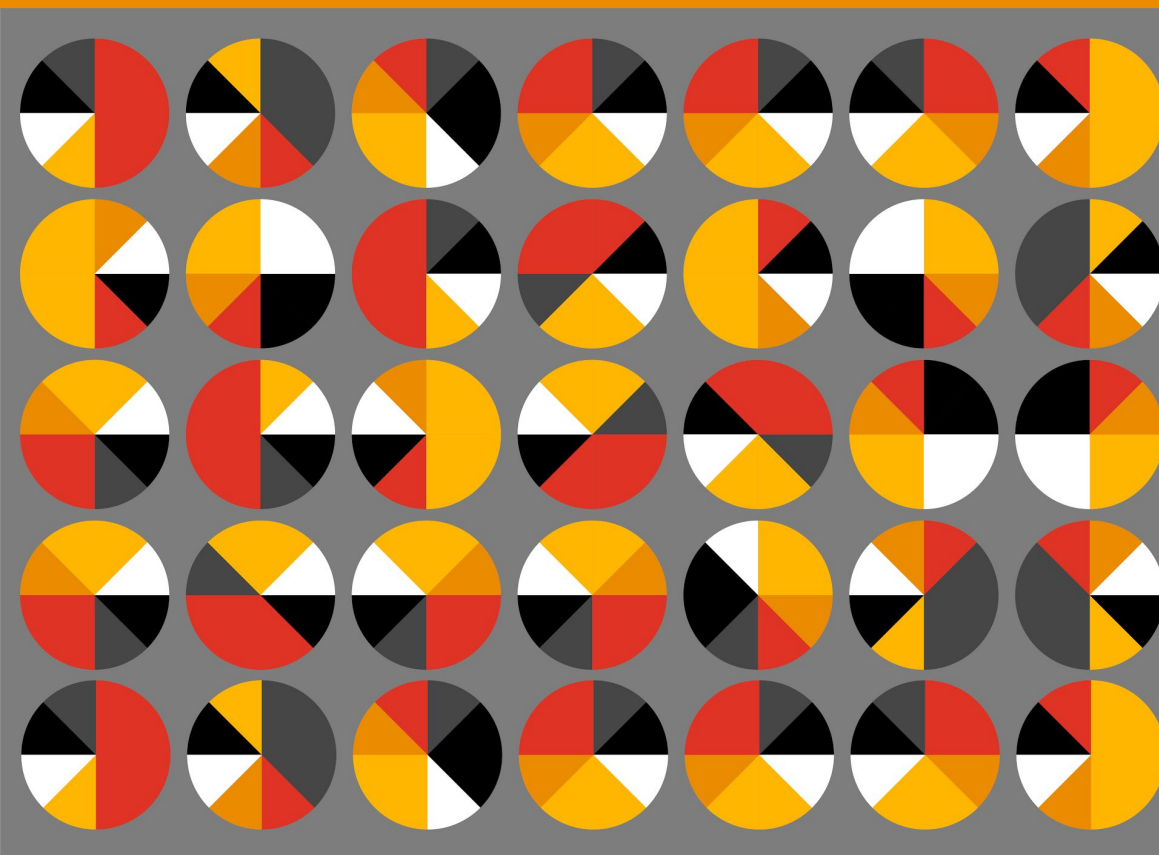


Saudi Arabia: VAT refund for designated persons

April 2020



In brief

In accordance with the provisions of Articles 70 and 72 of the Implementing Regulations, persons not carrying on economic activities in the Kingdom of Saudi Arabia ('KSA') and who have incurred VAT costs during the calendar year of 2019, shall apply for a VAT refund by June 30, 2020. The relevant provisions to the Implementing Regulations can be accessed through the following link:

<https://www.vat.gov.sa/sites/default/files/2018-01/20180125.pdf>

In detail

Eligibility

A designated person who is not carrying on any economic activity in KSA may be considered as an 'eligible person' for the purposes of refunding VAT incurred in KSA.

Further, a non-resident person not carrying on economic activity in KSA, may also apply to be considered as an eligible person if the following conditions are met:

- If the person is established in a country with a transaction tax system similar to VAT and is registered for that tax
- Reciprocal arrangement between both countries

In addition to above, Foreign Governments, International Organizations, Diplomatic and Consular Bodies and Mission may also submit an application as prescribed under provisions of Article 70 of the Implementing Regulations. GAZT has already initiated a process to register such persons through Ministry of Foreign Affairs ('MOFA') KSA.

Application to be treated as eligible person

As per the Implementing Regulations, designated persons fulfilling the above criteria need to file an application with the General Authority of Zakat and Tax ('GAZT') to be considered as 'eligible persons' in order to file an application for refund of VAT incurred in KSA.

As of now, there is no formal process/ mechanism stated by GAZT in this respect.

Individual Identification Number

If the application to be considered as an eligible person is accepted, an individual identification number will be issued to such person which needs to be mentioned on all correspondence with the tax authority.

GAZT has prescribed certain information in sub-article 10 of Article 70 which should be mentioned in the refund application to be filed once the person has been granted eligibility status.

Time period

Eligible persons may file a refund application for VAT incurred during the calendar year 2019 and the deadline to file such application is June 30, 2020.

All non-resident persons can only file a refund application after the end of a calendar year.

Other eligible persons (excluding non-residents) may also file a refund application for any quarterly period, however, only one application can be submitted with respect to any quarterly period or calendar year.

Restriction

No refund application will be entertained for an amount of VAT less than SAR 1,000.

VAT incurred on goods and services mentioned under Article 50 of the Implementing Regulations will not be refunded.

In case of approval of the application filed, payment will be made in the designated bank account of the eligible person within 60 days from the issuance of the notification.

Key takeaway

All such persons not carrying on any economic activity in KSA should consider whether they are eligible and submit an application for refund before June 30, 2020. Since the mechanism and process are still unclear, such persons may contact GAZT to demonstrate their eligibility for a refund.

Foreign Governments, International Organizations, Diplomatic and Consular Bodies and Missions should contact GAZT and MOFA to determine/ confirm their status as an 'eligible person' and to demonstrate their eligibility for a VAT refund.

Eligible persons may reserve their rights to the refund by filing a manual application or by submitting the application to GAZT's designated email address.

Let's talk

For a deeper discussion of how this issue might affect your business, please contact one of the KSA partners below:

Jeddah

Mohammed Yaghmour

Zakat and Tax Leader - KSA & Egypt
+966 56 704 9675
mohammed.yaghmour@pwc.com

Dr. Yaseen AbuAlkheer

Partner, Zakat and Tax
+966 54 425 0540
yaseen.abualkheer@pwc.com

Fehmi Mounla

Partner, Zakat and Tax
+966 2 610 4400
fehmi.mounla@pwc.com

Mohammad Amawi

Partner, Zakat and Tax
+966 2 610 4400
mohammad.h.amawi@pwc.com

Suleman Mulla

Partner, International Tax
+966 54 122 8051
suleman.mulla@pwc.com

Riyadh

Mohammed Al-Obaidi

Partner, Zakat and Tax
+966 11 211 0236
mohammed.alobaidi@pwc.com

Fayez Al Debs

Partner, Zakat and Tax
+966 11 211 0400
fayez.aldebs@pwc.com

Soudki Zawaydeh

Partner, Tax
+966 11 211 0400
soudki.zawaydeh@pwc.com

Chadi Abou Chakra

Partner, Indirect Tax
+966 56 068 0291
Chadi.Abou-Chakra@pwc.com

Mohammad Harby

Partner, Zakat and Tax
+966 56 907 2618
mohamed.harby@pwc.com

Ebrahim Karolia

Partner, Tax
+966 56 890 3663
karolia.ebrahim@pwc.com

Khobar

Mugahid Hussein

Partner, Zakat and Tax
+966 54 425 6573
mugahid.hussein@pwc.com

Wael Osman

Partner, Zakat and Tax
+966 56 699 4653
wael.osman@pwc.com