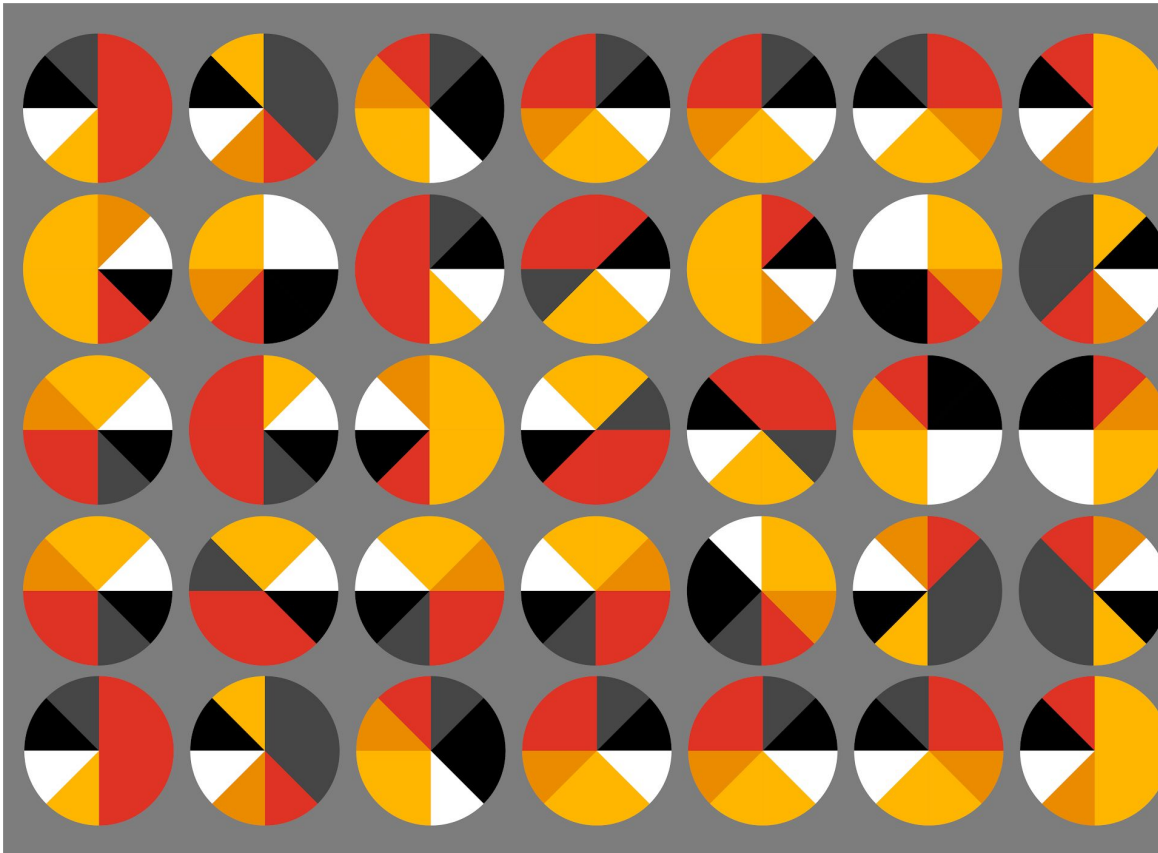


GCC: VAT refund in the GCC for non-resident eligible persons

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In brief

Subject to certain conditions, non-resident persons that are not registered for VAT purposes in the GCC VAT Implementing States (currently KSA, UAE and Bahrain) and are not engaged in any economic activities therein, may file a claim for VAT refund.

The deadline for submitting VAT refund applications for KSA and UAE is within 6 months from the end of the calendar year in which the VAT was paid; whereas for Bahrain, the deadline is within 3 months.

Eligibility

The Gulf Cooperation Council (“GCC”) VAT Framework Agreement (the “Agreement”) defines a “Non-Resident Person” as a person who is not resident in a State if he has no Place of Residence therein.

Article 67 of the Agreement stated that each Member State may allow persons who are not resident in the GCC territory to request refunds for VAT paid in that State if all of the following conditions are met:

1. The non-resident person does not supply goods or services for which it is required to pay VAT in any Member State;
2. The non-resident person is registered for VAT purposes in his country of residence, if such country applies a VAT system or a similar tax system;
3. The VAT is borne by a person who is not resident in any Member State for the purposes of his Economic Activity.

Each Member State’s VAT legislation provides certain non-resident businesses that are conducting economic activity outside of that State with the opportunity to apply for a refund of the VAT paid in that State. To obtain a refund, several conditions must be satisfied.

Since the Electronic Services System in the GCC is not yet implemented, supplies of goods and services between the GCC Member States are treated as international trade (exports and imports). Consequently, GCC businesses incurring VAT in other Member States should also consider their eligibility for a refund of VAT incurred.

Implications

Foreign businesses that have incurred VAT in the GCC VAT Implementing States (UAE, KSA and Bahrain) should assess their eligibility to claim the refund.

Where foreign businesses are eligible for a refund, the refund application should be prepared along with prescribed supporting documents for submission with the tax authority of the State within a set deadline.

While tax authorities (such as KSA tax authority) has not yet provided detailed guidance on the refund mechanism, businesses should take steps to preserve their entitlement for a refund of VAT incurred during the year by way of filing a formal application within the set timeline.

Application

The table on the next pages summarizes the rules, conditions and timelines in order to claim/ apply for refund of VAT incurred in the current VAT Implementing States of the GCC.

	United Arab Emirates	Kingdom of Saudi Arabia	Kingdom of Bahrain
Who can claim a refund?	<p>Foreign businesses who meet the following conditions are eligible to apply for a VAT refund in the UAE:</p> <ul style="list-style-type: none"> The person has no place of establishment or fixed establishment in the UAE or an Implementing State; The person is not a taxable person in the UAE; The person is not carrying on business in the UAE; The person is carrying on a business and is registered as an establishment with a competent authority in the jurisdiction in which they are established. 	<p>Foreign businesses who meet the following conditions are eligible to apply for a VAT refund in the KSA:</p> <ul style="list-style-type: none"> The person is established in a country with a transaction tax system similar to VAT; The person is registered with the competent tax authority for the purposes of that similar tax; The country of non-resident person allows a similar mechanism to provide refunds of tax to residents of the KSA who are charged tax in that country. 	<p>Foreign businesses who meet the following conditions are eligible to apply for a VAT refund in the Bahrain:</p> <ul style="list-style-type: none"> The Person is not making supplies of goods or services in Bahrain that would make them liable to pay VAT in Bahrain; The person is registered for tax or other similar tax in the country of their residence; The tax incurred is for the purpose of the person's business activity.
Refund period	The period of each refund claim shall be 12 calendar months.	The period of each refund claim shall be 12 calendar months.	The period of each refund claim shall be 12 calendar months.
Minimum amount of VAT to refund	The minimum amount of VAT for which a claim may be submitted shall be AED 2,000	The minimum amount of VAT for which a claim may be submitted shall be SAR 1,000	The minimum amount of VAT for which a claim may be submitted shall be BHD 200
Process	Online process using the Federal Tax Authority (FTA) portal: www.tax.gov.ae	GAZT is yet to establish the process / formalities of the scheme	Online process using the National Bureau of Revenue (NBR) email: registration@nbr.gov.bh
VAT Refund submission deadline	6 months from the end of the calendar year when the VAT was due.	6 months from the end of the calendar year when the VAT was due.	3 months from the end of the calendar year when VAT was due.
Refund approval / payment timeline	The refund claim will be processed within 4 months of submission. Once the claim is approved, the FTA will aim to issue the refund within 10 business days.	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 approval date.	The refund claim will be processed within 3 months of submission.

	United Arab Emirates	Kingdom of Saudi Arabia	Kingdom of Bahrain
Supporting documents required	<ul style="list-style-type: none"> • Proof of incorporation in your country of establishment (such as a certificate of incorporation / registration with the competent authority). • Tax Registration certificate with the competent Tax Administration. • If you are undertaking exempt or non-business activities in your country of establishment, which do not give you the right to fully recover any input tax, you will need to provide a letter, or alternative evidence, from your Tax Administration which would indicate the level of input tax you are eligible to recover on expenses. • The relevant tax invoices with proof of payment that you are claiming for refund. • Copy of passport of the Authorised Signatory • Proof of Authority of the Authorised Signatory. 	<ul style="list-style-type: none"> • Proof of incorporation in your country of establishment (such as a certificate of incorporation / registration with the competent authority). • Tax Registration certificate with the competent Tax Administration. • The relevant tax invoices along with prescribed information and a proof of payment that you are claiming for refund; • Any other information which the tax authority may require. 	<ul style="list-style-type: none"> • Identification documents of the authorised contact person. • Tax registration certificate or letter issued by the Tax Authority of the person's country of residence. • If the person is a member of a VAT group, an official document from the relevant tax authority detailing VAT/Tax group members. • Certificate or official letter issued by the bank proving that the bank account provided in the application is in the name of the non-resident. • Copies of VAT invoices issued by Bahraini suppliers. • Completed excel spreadsheet using the template provided by NBR. • If you are undertaking exempt or non-business activities in your country of establishment, which do not give you the right to fully recover any input tax, you will need to provide a letter, or alternative evidence, from your Tax Administration which would indicate the level of input tax you are eligible to recover on expenses. • Evidence from the tax authority of country of the residence of the applicant that they allow VAT refund requests based on a reciprocity agreement or unilaterally.

	United Arab Emirates	Kingdom of Saudi Arabia	Kingdom of Bahrain
Countries eligible for VAT refund	Austria, Bahrain, Belgium, Denmark, Finland, France, Germany, Iceland, Isle of Man, Kuwait, Korea, Lebanon (in certain circumstances), Luxembourg, Namibia (refunds only available for business goods that are exported and not for services consumed in the UAE), Netherlands, New Zealand, Norway, Oman, Qatar, Saudi Arabia, South Africa (refunds only available for expenses relating to goods that are exported from a designated UAE port within 90 days and does not apply to services), Sweden, UK, Zimbabwe, Switzerland.	No list has been specified by KSA tax authority yet.	No list has been specified by Bahrain tax authority yet.

Key takeaway

Non-resident persons not carrying on any economic activity in the GCC countries having active VAT regime, should consider whether they are an eligible person and submit an application for refund of the VAT incurred in the respective state within the stipulated timeline.

For KSA, the mechanism and process of filing refund application is still unclear, eligible persons may contact GAZT to demonstrate eligibility for refund or alternatively reserve their rights to the refund by filing a manual application or by way of submission of application to the designated email address of GAZT along with the suggested/ prescribed supporting documents.

Let's talk

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

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