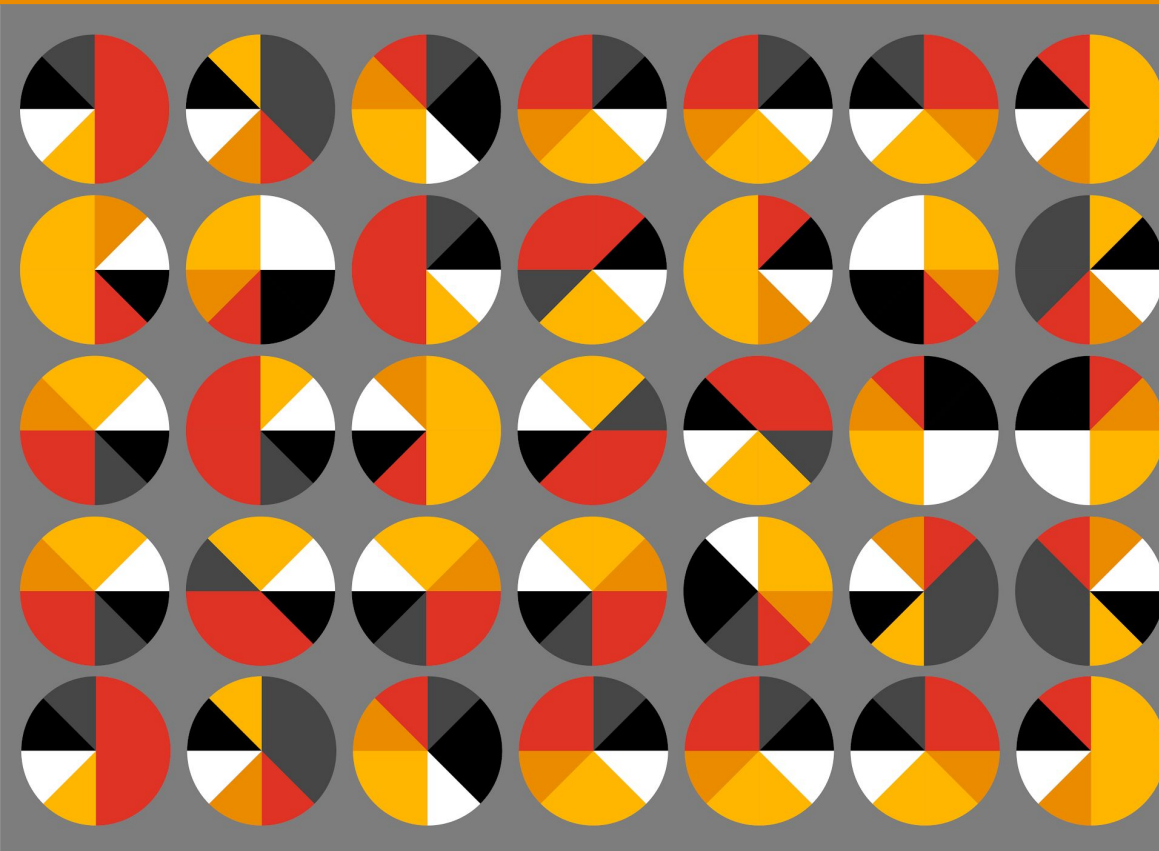


Saudi Arabia: Circular on VAT refund to eligible real estate developers

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In brief

The Zakat, Tax and Customs Authority ('ZATCA', formerly known as GAZT) has issued a Circular No. 2106002 dated 30 June 2021, which illustrates the registration process for real estate developers in order to refund input VAT incurred in relation to exempt real estate activities.

The circular is issued in Arabic language at the moment and can be accessed [here](#).

In detail

Following the terms and conditions listed in the Ministerial Resolution No. 1754 dated 30 November 2020, for considering a licensed real estate developer as an 'eligible person', ZATCA through the new circular clarifies the two phases to complete the process as follows:

- the registration process for real estate developers to become eligible persons; and
- the process to file an application for refund of input VAT incurred in relation to exempt real estate activities.

Phase 1 - Registration as an eligible person

The circular referred to the Royal Decree A/84 dated 1 October 2020 and provisions of Article 70(14) of the KSA VAT Implementing Regulations, which allow a real estate developer to register as an 'eligible person' in order to refund the input VAT incurred in relation to exempt real estate activities.

Such refund of input VAT is subject to fulfillment of certain conditions listed in the Ministerial Resolution No. 1754 (refer to our previous [newsalert](#) for more information on the detailed conditions).

Phase 2 - Submit a VAT refund application

Once ZATCA confirms the eligibility of the person to be a licensed real estate developer, a VAT refund application can be submitted online. The following should be considered in relation to the said application:

- Refund periods are available on a **quarterly** or on **annual** basis;
- Only **one refund request** needs to be submitted for each quarter or calendar year;
- The amount of total Input VAT to be reclaimed in each request must not be less than SAR 1,000.
- No input tax will be refunded for activities undertaken otherwise in the capacity of a license real estate developer or that incurred on items restricted under Article 50 of the KSA VAT Implementing Regulations;
- Eligible persons have the maximum time limit to submit a refund request **within 6 months from the end of calendar year** relevant to the claim period in case where no previous requests are made. If the maximum time limit has passed, the eligible person loses the right to refund the Input VAT.

Information to be mentioned in the refund application

The circular provides certain information that need to be included in refund application. These are summarized as follows:

- The eligible real estate developer must use the VAT refund registration number in all correspondence;
- For each refund request, name and VAT registration number of the supplier, invoice date, invoice number, total invoice amount, VAT amount and description of goods or services must be provided;
- The refund request will include the VAT paid for goods and services for which VAT invoice has been issued and that dated within the refund period;
- The eligible real estate developer must provide bank account that he wants to receive the refund amount on in case of ZACTA approved the refund request.

Other relevant information

- The Circular / the KSA VAT Implementing Regulations do not mention a specific period for processing the refund requests.
- ZATCA has the right to audit requests within a suitable period.
- ZATCA mentioned that it has the right to request copies of the VAT invoices and related supporting documents to audit the VAT refund application. Such documents must be provided within a period of 20 days.
- ZATCA employees can visit the premises to ensure that the eligible real estate developer is in compliant with rules and regulations.
- ZATCA should refund the amount of input VAT within 60 days of date of notification (full/ partial approval).

The Takeaway

Taxpayers engaged in real estate exempt activities should take note of the registration process as well as refund application filing mechanism. All the refund applications after obtaining the registration should be filed within the prescribed time frame.

Let's talk

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

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