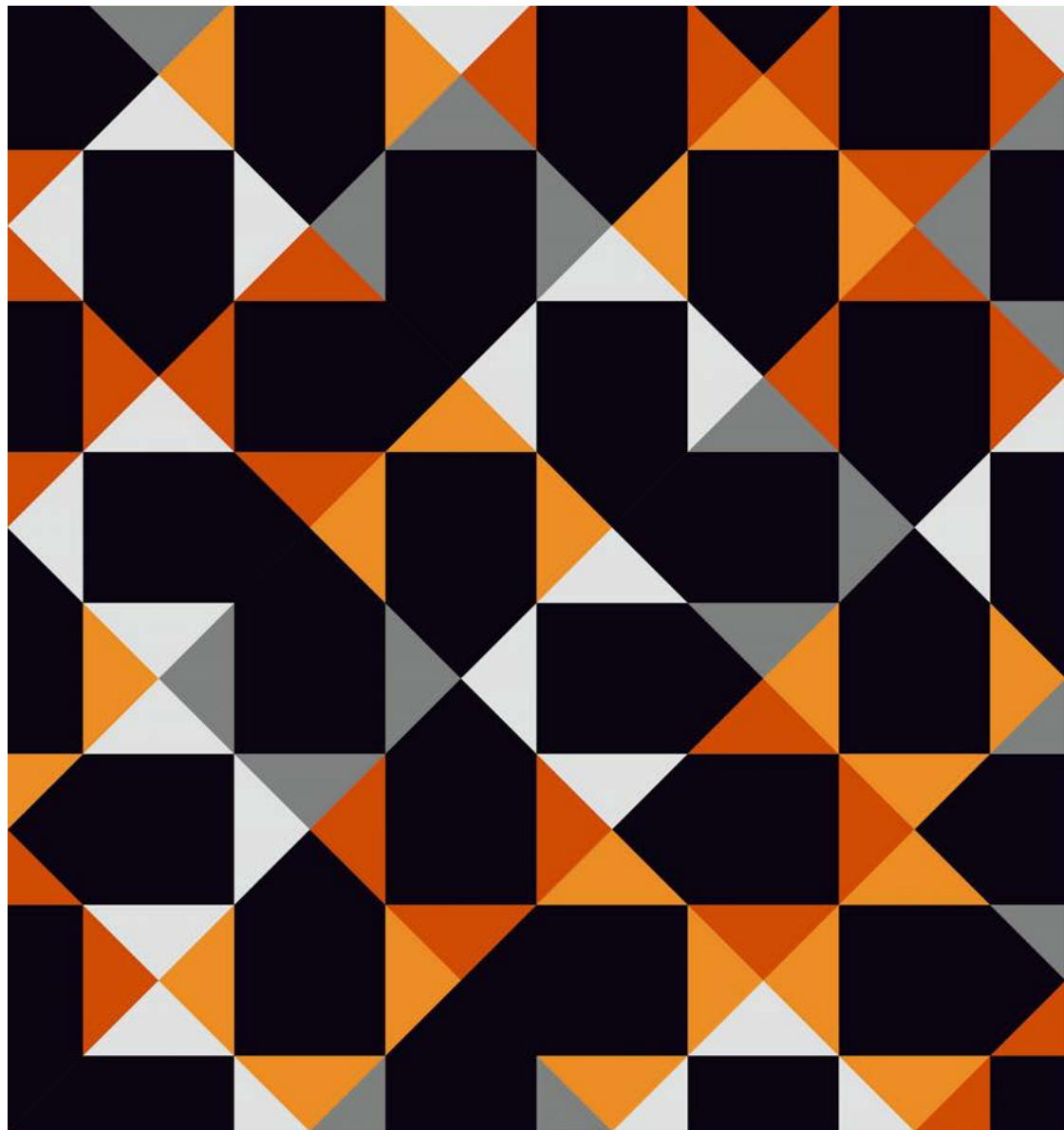


Saudi Arabia: E-Commerce VAT Guide

September 2021





In brief

In August of 2021, the Zakat, Tax and Customs Authority (“ZATCA”) published a guide on E-Commerce which explains the VAT implications for businesses operating within the e-commerce sector. The guide contains information about the VAT treatment with respect to supplies of goods and services through electronic means, supplies made through agents as well as indicators to determine the customers place of residence.

The guide is available in Arabic at the moment and can be accessed [here](#).

In detail

The guide discusses various general aspects of VAT, applicable to most businesses including e-commerce business, such as VAT registration requirements, place of supply rules for goods and services, reverse charge mechanism (RCM), input tax recovery and record keeping requirements. In addition to the general VAT provisions, specific e-commerce related VAT considerations have been discussed in details, such as supplies made through agents (intermediary) acting as disclosed or undisclosed agents, returned goods, ground transportation services and smart transportation applications, data center, etc.

Definitions

The term E-Commerce has not been defined in the KSA VAT legislation. The guide provides a definition of key terms as follows:

- **E-Commerce** is a process of buying and selling goods or services through a website, electronic platform, social media store, or application, and transferring money and data to complete the sale.
- **Portals and electronic interfaces** include a site, an electronic market or a similar application that facilitates the sale of goods or services from a supplier to a customer, acting as an agent or intermediary to complete the transaction.

The guide illustrates various types of supplies known in the e-commerce content, which are summarized as follows. The VAT implications will vary for each type of supply depending on contractual arrangements, etc:

Types of supplies	Brief description
Business to Customer (B2C)	Supplies from a VAT registered person to an individual or non-registered business
Business to Business (B2B)	Supplies from a VAT registered person to another registered person
Business to Business to Customer (B2B2C)	Combined supplies from business to business and supplies from business to customer.
Direct-to-consumer (D2C)	Direct supplies by one of the International brands to the end customer without the help of retailers, distributor or wholesaler
Customer to Customer (C2C)	A supply of goods or services to another customer through electronic platforms
Customer to Business (C2B)	An individual sells their services or products to businesses



For e-commerce, the place of supply for goods provided through electronic platforms will vary depending on the location of the supplier/goods, etc.

In the case of services, the VAT rules of the country in which services are actually used and/or enjoyed will apply.





Place of supply

The guide clarifies that the application of 'place of supply rule' will vary on a case by case basis (depending on the location of the supplier/goods, etc.) such as orders from within KSA or from outside KSA/other GCC countries etc. In the case of services, VAT rules of the country in which those services are actually used and/or enjoyed will apply.

Supply of goods and the relevant VAT treatment

The guide clarifies the place of supply and the related VAT treatment of various cases related to goods provided electronically from inside and outside KSA. The table below summarises these cases as follows:

Transaction Type	From Supplier to Customer	Place of Supply	VAT Treatment
Goods supplied electronically to KSA (inside KSA)	B2B	KSA	Supplier to apply VAT in KSA
	B2C	KSA	Supplier to apply VAT in KSA
	KSA supplier to a non-resident customer	Outside KSA	Zero-rated supply (subject to meeting conditions related to export of goods)
	KSA supplier not registered for VAT in KSA to a resident customer (registered or not registered for VAT)	KSA	VAT to be applied in case the KSA supplier is required to register for VAT
Good supplied electronically to KSA from outside the KSA	Non-resident supplier to a KSA VAT registered customer	KSA	Goods imported to KSA: VAT to be applied at the time of importing goods into KSA Goods available in KSA: Recipient to apply VAT through the reverse charge mechanism
	Non-resident supplier to a KSA customer (not registered for VAT in KSA)	KSA	Goods imported to KSA: VAT to be applied at the time of importing goods into KSA Goods available in KSA: Non-resident supplier to apply VAT and discharge VAT obligations in KSA



Summary of the VAT treatment of various scenarios related to supplies of electronic services

Supplier Place of Residence	Place of Use and Enjoyment	Customer VAT Registration Status	VAT Treatment
KSA	KSA	Not registered	Supplier to apply VAT at standard rate of 15%
KSA	Outside KSA	Not registered	Outside the scope of VAT
Outside KSA	KSA	Registered for VAT in KSA	Recipient to apply VAT through the reverse charge mechanism
Outside KSA	KSA	Not registered	Supplier to apply VAT at standard rate of 15%
Outside KSA	Outside KSA	Not registered	Outside the scope of VAT

Special cases

The guide explains the VAT treatment associated with special cases of which a few have been documented hereunder:

Description	VAT Treatment
Imported goods (sales return)	If imported goods are subsequently returned to the supplier, VAT paid at the time of import will be not be refunded by ZATCA.
Shipping service providers	Import VAT paid by a shipping provider is an additional cost (without the right to deduction), unless the import is made on behalf of a person registered for VAT purposes and a VAT identification number is provided for that person at the time of import.
Ground transportation services and smart transportation applications	ZATCA is of the view that transportation companies usually act as a 'principal' in performing the transportation service, while individual drivers provide their services to the companies.
Data Center Services (connection fee and supplies)	For items included in the connection fee that can be used or consumed individually in KSA (for purposes separate from the process of regulating devices and network access), the VAT treatment of these items will vary depending on the underlying circumstances.

Supplies through an Electronic Interface or Portal

ZATCA clarifies that depending on the relationship between seller/buyer and terms/conditions of the sale, the interface or portal may act as an 'agent' or 'principal'. The guide illustrates that the parties of a transaction are responsible for assessing their respective situation and discharging the VAT obligations in the prescribed manner.

The takeaway

Taxable persons in the e-commerce business or those who are acting as an intermediary providing an online platform for the supply of goods and services need to assess the VAT treatment of their supplies in the context of the VAT legislation and the recent guidelines.

Let's talk

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



Mohammed Yaghmour

Middle East Tax & Legal Services leader

+966 56 704 9675

mohammed.yaghmour@pwc.com



Mohammed Al-Obaidi

Zakat and Tax Leader

+966 50 525 6796

mohammed.alobaidi@pwc.com



Dr. Yaseen AbuAlkheer

Partner, Zakat and Tax

+966 54 425 0540

yaseen.abualkheer@pwc.com



Mohammad Amawi

Partner, Zakat and Tax

+966 55 800 9697

mohammad.h.amawi@pwc.com



Chadi Abou Chakra

Partner, Indirect Tax

+966 56 068 0291

Chadi.Abou-Chakra@pwc.com



Maher ElAawar

Partner - Indirect tax and fiscal policy

+971 56 2161109

maher.elaawar@pwc.com



Fehmi Mounla

Partner, Zakat and Tax

+966 56 271 3073

fehmi.mounla@pwc.com



Mohammad Harby

Partner, Zakat and Tax

+966 56 907 2618

mohamed.harby@pwc.com



Fayez Al Debs

Partner, Zakat and Tax

+966 54 400 1037

fayez.aldebs@pwc.com



Ebrahim Karolia

Partner, Tax

+966 56 890 3663

karolia.ebrahim@pwc.com



Suleman Mulla

Partner, International Tax

+966 54 122 8051

suleman.mulla@pwc.com



Wael Osman

Partner, Zakat and Tax

+966 56 699 4653

wael.osman@pwc.com



Mugahid Hussein

Partner, Zakat and Tax

+966 54 425 6573

email

Thank you

©2021 PwC. All rights reserved. PwC refers to the PwC network and/or one or more of its member firms, each of which is a separate legal entity. Please see www.pwc.com/structure for further details. This publication has been prepared for general guidance on matters of interest only, and does not constitute professional advice. You should not act upon the information contained in this publication without obtaining specific professional advice. No representation or warranty (express or implied) is given as to the accuracy or completeness of the information contained in this publication, and, to the extent permitted by law, PricewaterhouseCoopers, its members, employees and agents do not accept or assume any liability, responsibility or duty of care for any consequences of you or anyone else acting, or refraining to act, in reliance on the information contained in this publication or for any decision based on it.