

Saudi Arabia: Proposed amendments to the provisions of Article 34 of the VAT Implementing Regulations

November 2022





In brief

The Zakat, Tax and Customs Authority ('ZATCA') has proposed several amendments to sub-articles (2) and (8) of Article 34 of the KSA VAT Implementing Regulations.

The [proposed amendment](#) has been published on the Public Consultation Platform of the National Competitiveness Center on 8 November 2022 - for public consultation.

Interested stakeholders and taxpayers are encouraged to express their opinion on this [platform](#) and share feedback on the proposed amendment no later than 22 November 2022.

In detail

Please see below a snapshot of the proposed amendments:

| Article Ref: | The Current Article | The Proposed Amendment |
|--------------|---|--|
| 34 (2) | <p>The international transport of passengers is zero-rated in accordance with these regulations in the following cases:</p> <ul style="list-style-type: none"> a) The transportation is by way of any qualifying means of transport, b) The transportation is by way of a scheduled passenger flight or voyage which runs according to a published timetable. | <p>The international transport of passengers is zero-rated in accordance with these regulations in any of the following cases or conditions:</p> <ul style="list-style-type: none"> a) The transportation is by way of any qualifying means of transport, b) The transportation is by way of a scheduled passenger flight or voyage which runs according to a published timetable. |



The proposed amendments in the Article have been issued for public consultation and are not yet enforced.

If approved, they will become binding for all relevant stakeholders.



Through this change, ZATCA aims to clarify that either case (a) or (b) can support zero rate treatment for international transport.



| Article Ref: | The Current Article | The Proposed Amendments |
|--------------|--|---|
| 34 (8) | <p>A qualifying means of transport means any vehicle, vessel or aircraft designed or adapted to carry a minimum of ten (10) people, or designed to carry Goods on a commercial basis, which is used predominantly for international transportation and not domestic passenger transportation. Any means of transport adapted for or intended for recreation or private use is not a qualifying means of transport.</p> | <p>A qualifying means of transport means any aircraft designed or adapted to carry passengers or goods, or any vehicle or vessel designed or adapted to carry a minimum of ten (10) people, or designed to carry Goods. Qualified means of transport is required to be used on a commercial basis and is used predominantly for international transportation. Any means of transportation that has been diverted or used for recreational or personal purposes shall not be considered as qualifying means of transportation.</p> |

The main changes in the proposed amendment are:

- ZATCA removed the requirement that the aircraft should be designed or adapted to carry a minimum of ten (10) people in order to be considered as a qualifying means of transport. However, ZATCA retained this requirement for vehicles and vessels.
- Further clarification has been added with respect to qualified mean of transport to be used predominantly for international transportation.

We expect that further guidance will be issued by ZATCA on this in due course.

The takeaway

The public consultation forum presents a unique opportunity for interested stakeholders to share views and highlight any improvement areas regarding the proposed amendment. Any feedback should be shared with ZATCA no later than 22 November 2022 through the prescribed channel.

Taxpayers who are engaged in providing international transportation services and wish to find out more about the proposed amendments, feel free to reach out to us for support.

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Let's talk

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

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Thank you

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