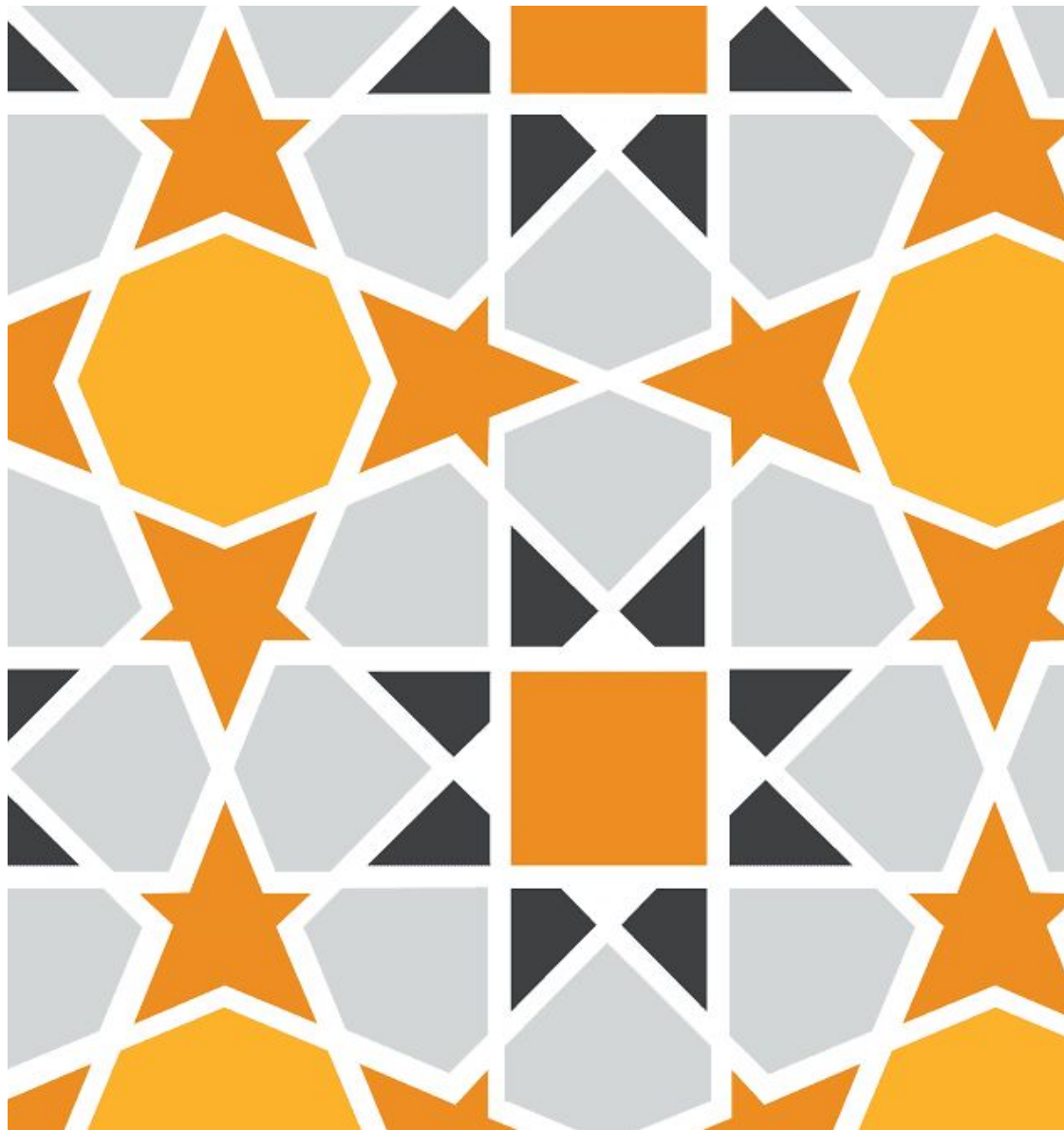


Saudi Arabia: Approved amendments to the VAT implementing regulations

July 2023





In brief

The Board of Directors of Zakat, Tax and Customs Authority ('ZATCA') through decision number (01-04-23) dated 26/11/1444 (corresponding to 15 June 2023) have approved amendments/additions to the various provisions of the VAT Implementing Regulations.

The approved amendments/additions have been published in the official Gazette on 23 June 2023 and can be accessed [here](#). The announcement is accessible through this [link](#).

The effective date of the aforesaid amendments/additions is from the date of publication in the official gazette (i.e. 23 June 2023) as the announcement states.

In detail

Highlights of the amendments have been reproduced hereunder for ease of reference. ZATCA has only issued an Arabic version of the approved amendments as of now.

Article reference	Nature	What has been changed
Article 8 (8)	Amendment	Resident taxable persons are now required to display their registration certificate on their website/electronic stores (where applicable) in addition to their main workplace, branches etc.
Article 9 (5)	Amendment	The conditions have been approved for the activities performed by government entities in their capacity as a public authority which shall not be considered as economic activities provided that all of the following conditions are satisfied: <ul style="list-style-type: none"> • Existence of a legal instrument that authorizes the government entity to practice the activity. • The government entity should not practice the activity in accordance with economic and commercial criteria. • The government agency is practicing the activity in an exclusive manner (exclusivity means the absence of competition with the private sector)
Article 9 (6)	Amendment	Activities performed by workers and other persons to the extent that they are contractually linked with the employer or associated with the work relationship shall not be considered as 'economic activity'.
Article 9 (7)	New addition	Following conditions have been approved for workers under service secondment contracts which will be considered as salaried employees. <ul style="list-style-type: none"> • The work relationship between the seconded worker and the client be established.



The approved amendments and additions are effective from 23 June 2023 (the date of publication in the official gazette as the announcement states).

These amendments are aiming to implement ZATCA's objectives in line with Vision 2030.





Article reference	Nature	What has been changed
Article 9 (7) (continued)	New addition	<ul style="list-style-type: none"> The client must be a legal person or a natural person in accordance with controls issued by a decision of the Governor. The supplier must be a government agency, a licensed human resources company or one of the persons who obtained a permit to second labor services from the competent authority. The contract, agreement or other contractual documents between the supplier and the customer include an explanation of the value of the worker's wages or benefits and the value of the taxable commission in detail.
Article 29 (7)	Amendment	Fees and commissions paid in relation to life insurance contract have been approved to be exempt from VAT.
Article 34 (4)	Amendment	In order to apply a 0% VAT on qualifying means of transport, the customer will be required to submit a certificate to ZATCA or to the supplier stating that the supplied means of transport is qualified in accordance with the provisions of this Article.
Article 34 (9) & (10)	New addition	<p>Before issuing the certificate referred to in paragraph 4 of the 34 Article, the customer must assess whether the supply is qualifying means of transport based on the criteria mentioned in Article 34.</p> <p>For the purposes of this article, the main purpose of using the means of transport is international transport when it is used at a rate of not less than (75%) for the purposes of international transport and that percentage is calculated from the average of the sum of the following percentages:</p> <ul style="list-style-type: none"> The ratio of the number of international trips by means of transport compared to all trips by that means. The percentage of the distance traveled on international flights by means of transport compared to the total distance traveled for all trips by that means. The percentage of revenue generated from international trips by means of transport compared to all trips by that means. The percentage of the operating cost of international trips by means of transport compared to the total operating costs of all trips by that means.



Article reference	Nature	What has been changed
Article 34 (9) & (10) (continued)	New addition	The operator of the means of transport must prove that this percentage has been achieved based on the actual data extracted for the previous twelve months for each existing and used means of transport or based on the planned and expected data for the next six months for the new means of transport that has not been used or is to be purchased.
Article 36	New addition	Supplies provided by qualified suppliers to diplomatic missions will be subject to 0% VAT. Process, rules and conditions would be issued by a decision of the Governor.
Article 40 (7)(d)	Amendment	In case of making an adjustment on account of bad debts, ZATCA will allow the submission of other supporting documents from entities which are not required by law to appoint an auditor.
Article 46	Amendment	The title of this Article has been amended to be "preparation of VAT return according to cash basis"
Article 46 (12)	New addition	Government entities will be allowed to subject their taxable supplies on a cash basis provided that the Government entities secured prior approval from ZATCA.
Article 63 (3)	Amendment	The limit of correcting errors in subsequent VAT returns has been increased to SAR 15,000.
Article 70(1)	Amendment	Minister of Finance may allow designated persons not carrying on an economic activity or those engaged in designated economic activity to submit to ZATCA a request to be considered as eligible person for the purposes of refund of tax.
Article 70 (2)	Amendment	The Minister of Finance may allow foreign governments, international organizations, diplomatic bodies and missions to apply to ZATCA to consider them as qualified persons to recover the tax. ZATCA BOD or their delegates may issue or authorised to issue a list of persons considered an eligible person.
Article 75 (5)	Removed	Paragraph 5 has been deleted.

PwC previously issued a news alert highlighting the changes ZATCA intended to incorporate in these Articles of the VAT Implementing Regulations, which can be accessed through [this link](#).

ZATCA has also issued an updated version of the VAT Implementing Regulations in Arabic which can be accessed [here](#).

The approved amendments are slightly different from what has been proposed and shall be considered as binding from the effective date. Taxpayers are advised to always refer to the original text issued by ZATCA.

The takeaway


Taxable persons are recommended to review the approved amendments and ensure compliance from the effective date of 23 June 2023. Businesses should immediately start assessing the impact of these changes on their systems and processes and plan the journey towards successful compliance starting from the effective date.

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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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