

# Saudi Arabia: Eligible used goods and the Profit Margin Method - Effective date and legal requirements

May 2023



## In brief

On 19 May 2023, the Zakat, Tax and Customs Authority ('ZATCA') announced the effective date for using the Profit Margin Method in relation to the supply of eligible used goods (used cars) to be from 1 July 2023 onwards. In this regard, ZATCA released the following:

- Announcement on the additional requirements for invoices to be issued under Profit Margin Method. The document can be accessed [here](#).
- Guidelines on applying profit margin method in relation to the supply of eligible used cars. Currently, the document is only available in Arabic and can be accessed [here](#).

## In detail

Earlier this year, in January 2023, ZATCA published a [proposed criteria](#) for 'used cars' to be classified as 'eligible goods' for the purposes of applying Profit Margin Method in accordance with the provisions of Article 48 of the KSA VAT Implementing Regulations.

Through the recent announcement, ZATCA introduced additional requirements related to invoices that the taxpayers will be required to include while making a supply of eligible goods. As the announcement mentioned, such requirements are in addition to the information already required per Article 53 of the KSA VAT Regulations and E-invoicing resolution.

Based on the announcement, major changes are the following:

- The title of the invoice should refer to Profit Margin (whether the invoice is standard or simplified)
- The chassis number of the car should be included
- Indicate that the consideration is inclusive of VAT and imposed on the Profit Margin

### Guidelines on profit margin method for eligible used goods

ZATCA has also published a [guideline](#) for the taxpayers that provides an overview on the application as well as key focus areas for using the profit margin method for eligible used goods (used cars) as follows:

- Conditions for applying the Profit Margin Method
- List of goods excluded from the application of the Profit Margin Method
- Tax invoicing requirements

Should you have further questions or need assistance, please reach out to us through the contact persons mentioned in this alert.



The effective date of using the Profit Margin method in case of supply of used car will be 1 July 2023.

Taxpayers will be required to include certain additional information on the invoice.



# The takeaway

Taxpayers who are engaged in the business of purchasing/ selling eligible used cars are recommended to assess the impact of the change on their business, required changes in their system with respect to tax coding as well as additional information requirements while issuing the invoice.

If you wish to find out more about the impact of such development on your business, feel free to reach out to us for support.

[www.pwc.com/me](http://www.pwc.com/me)

## Let's talk

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



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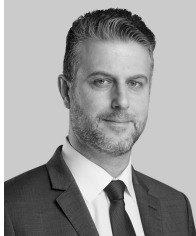


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# Thank you

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