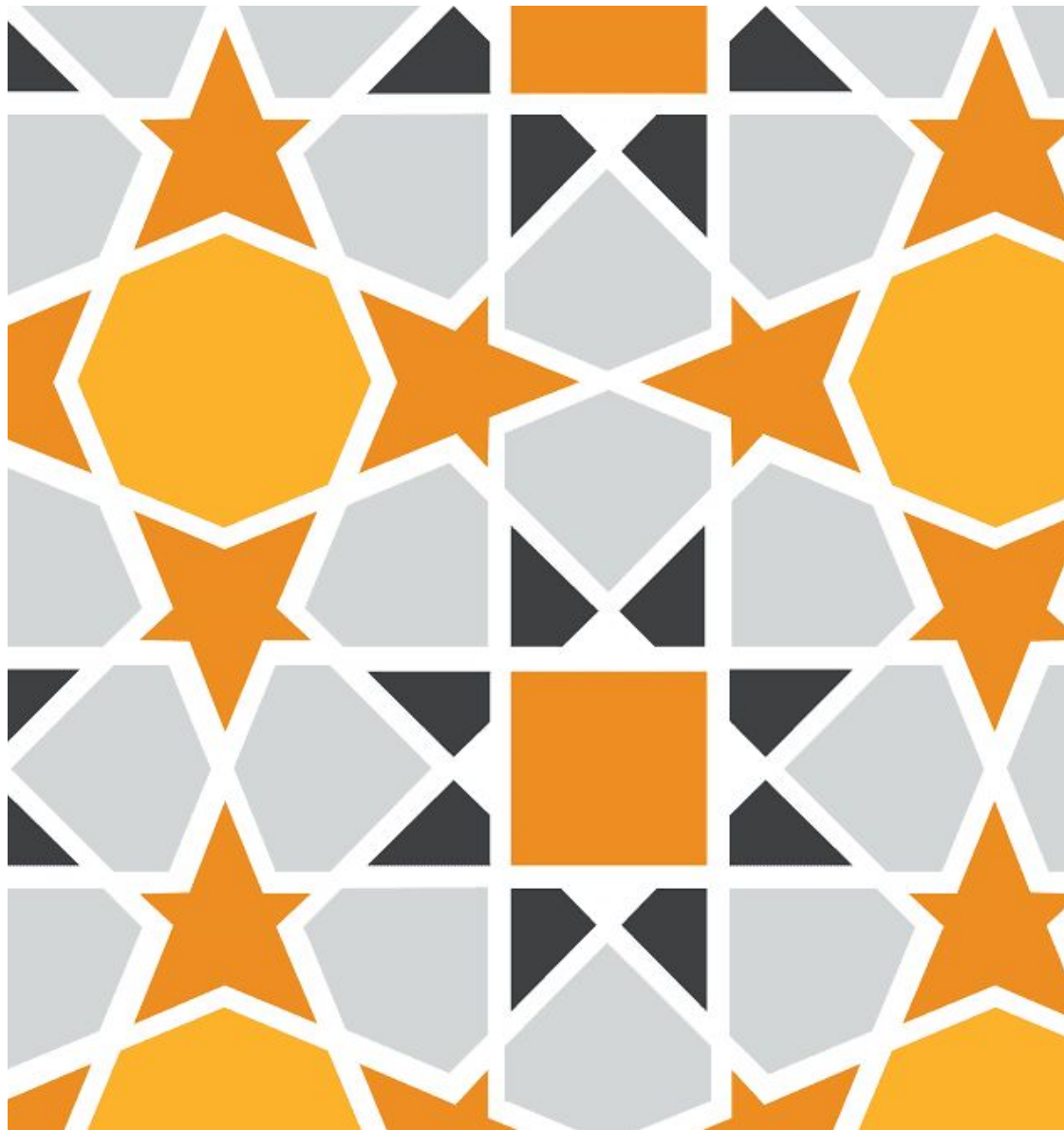


Saudi Arabia: Proposed criteria for used cars - Eligible goods under profit margin method for VAT purposes

January 2023





In brief

The Zakat, Tax and Customs Authority ('ZATCA') has published a proposed criteria for 'used cars' to be classified as 'eligible goods' for applying profit margin method under Article 48 of the KSA VAT Implementing Regulations.

The [proposed classification criteria](#) has been published on the Public Consultation Platform of the National Competitiveness Center on 4 January 2023 - for public consultation.

In detail

Article 48 of the KSA VAT Implementing Regulation provides governing principle to account for tax payable on supply of 'eligible used goods' under the profit margin method by a taxable person.

This classification criteria has been issued by ZATCA under Article 48(2) a) of the Implementing Regulations that empowers ZATCA to specify goods that can be considered as eligible for applying profit margin method.

The following criteria for supply of used cars has been proposed to be met in order to apply the profit margin method:

1. The used car must be registered in the Kingdom
2. The used car must have been driven on the road for personal or work purposes
3. The used car must be suitable for reuse as it is in its condition, or after making some repairs or improvement to it, provided that it has not undergone modifications or repairs that altered its basic nature.
4. The supply of the used car must be by a taxable person registered with ZATCA and licensed to practice the activity of car trading according to the commercial registration or any similar license.



The proposed classification criteria has been issued for public consultation and is not yet enforced. If approved, this will become binding for all relevant stakeholders.





In detail (cont'd.)

Used cars qualified for using the profit margin method do not include any of the following:

1. New cars (registration of the car and the mileage for delivery to the customer does not mean that the car is “used” and eligible to use profit margin method).
2. Cars imported into the Kingdom, even if they were used outside the Kingdom - including the car received on behalf of the person.
3. Any used car purchased by a taxable person who applies the profit margin method and for which a tax invoice was issued showing that VAT is calculated separately according to the normal rules for non-used goods.

Interested stakeholders and taxpayers are encouraged to express their opinion on this [platform](#) and share feedback on the proposed classification criteria no later than 30 January 2023.

The takeaway

The public consultation forum presents a unique opportunity for interested stakeholders to share views and highlight any improvement areas regarding the proposed classification criteria. Any feedback should be shared with ZATCA no later than 30 January 2023 through the prescribed channel.

Taxpayers who are engaged in purchasing/selling used cars and wish to find out more about the proposed classification criteria, 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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