



Kingdom of Saudi Arabia

Approved amendments to the VAT Implementing Regulations

May 2025

In brief

Following the public consultation process, the Board of the Zakat, Tax and Customs Authority (ZATCA) has approved amendments to the VAT Implementing Regulations, with the official decision published in the Official Gazette on 18 April 2025. The updated regulations and detailed amendments can be accessed through the following links (in Arabic):

- [Official Decision and detailed VAT Implementing Regulations Amendments](#) (Comparative table)
- [Updated VAT Implementing Regulations](#)

These amendments come into effect on 18 April 2025, with the following exceptions:

- VAT grouping provisions (Article 10, Paragraph 1) will take effect on 15 October 2025 (180 days from the publication date).
- Deemed supplier provision (Article 47, Paragraph 3), which relates to electronic marketplaces, will take effect on 1 January 2026.

In detail

ZATCA has introduced significant updates to specific provisions of the VAT Implementing Regulations, requiring careful review to ensure continued compliance with the legal framework.

In support of this, ZATCA has also issued additional clarifications to help taxpayers better understand the regulatory intent and practical application of these changes.

The amendments to the VAT Implementing Regulations are substantial, offering further clarification, procedural guidance, and detailed instructions for the implementation and application of specific provisions. Key highlights are outlined below:

Description	Key highlights
VAT Groups	<p>Two or more legal persons may now apply for VAT group registration in Saudi Arabia, provided the following key conditions are met:</p> <ul style="list-style-type: none">• Residency & VAT Eligibility: All members must be residents in the Kingdom and eligible for VAT registration.• Control Requirement: At least 50% ownership, voting rights, or market value must be directly or indirectly held by the same legal person(s), or one member must have effective control over the others.• Special Zones Restriction: Group members must not be licensed to operate in special economic zones with unique regulatory treatment or be part of another VAT group under customs suspension arrangements.• Refund Eligibility: Applicants or group members must not be classified as VAT refund eligible persons under Article 70 of the VAT Implementing Regulations, except:<ul style="list-style-type: none">▪ Licensed real estate developers whose activities are limited solely to property sales and transfers of ownership to his employees;▪ Eligible person for refund as a donor to public benefit projects. <p>All conditions must be continuously met throughout the duration of the VAT group's registration.</p> <p>Additionally, a new requirement has been introduced mandating the submission of a copy of the agreement between the parties as part of the VAT group registration application. This agreement must outline the relevant commitments and obligations of each member.</p>
Supply of Services	<p>The new regulations provided a non-exhaustive list of what constitutes a supply of service, this includes: a) granting, waiving, assigning, suspending, or relinquishing a right, b) providing a facilitation or benefit, c) committing to refrain from performing a specific act or allowing it to be performed, d) agreeing to waive the right to participate in any activity, preventing such participation, or agreeing to engage in an activity, e) waiving or transferring an indivisible share in a good, f) permitting the use of, transferring, or waiving intangible rights, including, for example: copyrights, patents, artistic rights, trademarks, and other rights falling within this category under applicable laws in the Kingdom.</p>

(Cont'd)

Amendments	Key highlights
Deemed supply	<p>The scope of deemed supplies (nominal supplies) has been expanded to include cases such as the retention of goods following the cessation of economic activity, or where a taxable person is deemed ineligible for VAT registration.</p> <p>In addition, the value of a deemed supply must be adjusted to include the proportionate input VAT previously deducted or refunded in connection with that supply. This includes VAT incurred on purchases, imports, production, and similar activities. If the taxable person disallows or blocks the deduction or refund of the input VAT, the deemed supply provision will not apply.</p>
Transfer of economic activity	<p>Additional clarification has been provided regarding what constitutes a 'transfer of economic activity.' This includes scenarios such as the transfer of all tangible and intangible assets, and the continued use of goods or services to carry out the same economic activity as that of the transferor.</p> <p>In the case of a business transfer, both the transferor and the recipient are now required to notify ZATCA by the end of the month following the month in which the transfer occurs. ZATCA has also specified the information that must be included with the notification.</p>
Transfer of economic activity	<p>The new regulations provide further clarification regarding input VAT recovery in the context of a transfer of economic activity. For instance, a) input VAT deduction or refund in relation to the transferred economic activity can be claimed by the recipients in specific cases under article 40; b) the Tax Identification Number (TIN) remains with the transferor and cannot be transferred to the recipient. Taxable persons are required to cancel their VAT registration in the event of a full business transfer; c) the transfer of economic activity is not intended to alter or distort the respective tax obligations of the transferor and the recipient before or after the transfer, unless otherwise explicitly agreed upon in a binding contract between the parties. In all cases, however, the recipient will not be held liable for any VAT liabilities or infringements committed by the transferor prior to the transfer.</p>
Customs suspension and supply of goods	<p>In light of the existing customs suspension arrangements and the activation of special zones in Saudi Arabia, the new VAT regulations provide the following guidance:</p> <ul style="list-style-type: none"> 0% VAT may be applied to goods supplied into a customs suspension situation, as well as to goods that are re-exported after being temporarily imported. VAT on imports under customs suspension is to be suspended until the goods are released from that status. Goods leaving customs suspension for export outside the GCC (or outside Saudi Arabia until the Electronic Services System (ESS) is implemented) will be treated as exports for VAT purposes, subject to meeting standard export conditions. Imports and supplies to, within, and between special zones will be subject to VAT based on the new rules, which include strict compliance conditions. Supplies of water and all forms of energy (including electricity, gas, heating, and cooling) into special zones will be subject to VAT at the standard rate.
Exports of services	<p>The new regulations offer greater clarity on the application of Article 33, particularly regarding the application of VAT at the standard rate in cases where the customer—or a connected person—benefits from the services while present in a Member State (currently Saudi Arabia until the ESS is implemented), and that connected person is not eligible for a full VAT refund on those services.</p>
VAT refund services	<p>VAT should be applied at 0% rate on services related to tourist refunds.</p>
Subsidy	<p>Payments made by a government entity to a supplier will not be considered subsidies if, in whole or in part, they represent consideration for the supply of goods or services to that government entity.</p>

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Amendments	Key highlights
Adjustment of unpaid input VAT	<p>Taxable persons who have claimed input VAT in their VAT returns but have not paid the corresponding amount within 12 months are required to adjust the input VAT in the return for the period in which the 12-month period expires. This does not apply to financing contracts (i.e. operating leases, Murabaha, lease-to-own arrangement) provided certain conditions are met.</p>
Electronic marketplaces: Deemed supplier rule	<p>The new regulations provided a definition of the electronic marketplace and indicated that when an electronic marketplace acts as an intermediary for a non-resident supplier (Scenario A) or a non-registered resident supplier (Scenario B) within the Kingdom, it will, in both cases, be treated as having acquired and supplied the services—or goods and services—on its own account. Therefore, it will be considered a deemed supplier. As such, the marketplace will be responsible for reporting and remitting the VAT on those supplies.</p> <p><u>Exceptions of the deemed supplier rule:</u></p> <ul style="list-style-type: none"> • The above deemed supplier obligation does not apply Under scenario A if : a) the agreement explicitly states that the non-resident supplier is the principal supplier, supported by appropriate invoice, and receipt and b) the electronic marketplace does not engage in any of the following: setting the terms and conditions relating to the supply of services to customers, determined the consideration to be received, collected payment from customers, handled customer complaints, or offered promotions or compensation to customers. • The above obligation under scenario B does not apply if: a) It is clearly disclosed that the supply is made by a non-registered resident supplier on the platform, and this is properly reflected in the contract, invoice, and receipt, b) There is a contractual relationship directly between the non-registered resident supplier and the customer, in which the supplier sets the terms and conditions and c) The electronic marketplace does not engage in any of the following: setting the terms and conditions relating to the supply of services to customers, determined the consideration to be received, collected payment from customers, handled customer complaints, or offered promotions or compensation to customers.
Input VAT deduction not related to economic activity	<p>The new regulations include clarification on circumstances where input VAT is non-deductible mainly because it does not relate to the economic activity of the taxable person. Some specific exceptions include allowing recovery of input VAT on goods or services provided to employees under a statutory obligation.</p>
Credit note issuance deadline	<p>The new regulations specify that credit notes must be issued within 15 days from the end of the month in which the event triggering the credit note occurred.</p>
Refund of VAT to Eligible persons	<p>Significant amendments have been introduced to the VAT refund rules and procedures, particularly concerning eligibility criteria, minimum thresholds for refund claims, deadlines for remittance and submission of supporting documentation, retention requirements for refund-related records, required information in refund applications, and the correction of refund applications submitted in error, among other procedural updates.</p>
Tourists refund	<p>Tourists are now allowed to refund VAT on eligible purchases provided they export the goods upon departure. The refund process will be handled by approved service providers, these services are subject to 0% VAT.</p> <p>Additional rules regarding the implementation of the tourist refund scheme will be announced by ZATCA's Governor in due course. These will cover key aspects such as the rollout of the scheme, eligibility requirements, conditions for classifying an individual as a tourist, identification of eligible goods, supplier accreditation, and the procedures and requirements for tourist refund applications.</p>

The takeaways

The approved amendments to the VAT Implementing Regulations introduce significant changes impacting a wide range of taxable persons, including those operating as part of a VAT group, managing e-commerce platforms or electronic marketplaces, conducting transfers of economic activities, providing deemed supplies, making supplies to or within special zones, acting as designated persons for VAT refunds or administering VAT refunds for tourists.

These changes impact compliance obligations and offer clearer interpretative guidance, allowing businesses to align more confidently with regulatory expectations. Given that certain provisions take effect immediately, others within 180 days, and some starting from June 1, 2026, it is strongly recommended that businesses conduct a timely impact assessment and update their VAT systems, contracts, and internal processes accordingly.

Taxpayers should also closely monitor further announcements or guidance from ZATCA to ensure continued compliance as implementation progresses.

Let's talk

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



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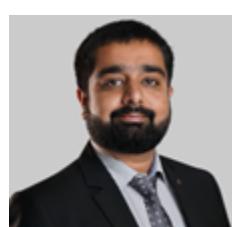
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