



New Amendments to the Gulf Co-operation Council Unified VAT Agreement

**KSA Council of Ministers Decision
887 dated 2/12/1447H**

June 2026

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In brief

The Saudi Council of Ministers, through Decision No. 887 dated 2/12/1447H, has approved amendments to the GCC Unified VAT Agreement, originally implemented in Saudi Arabia under Royal Decree No. M/51 dated 3/5/1438H. The amendments will become effective in KSA upon issuance of the relevant implementing instruments. Other GCC Member States are expected to enact corresponding legal measures for the amendments to take effect within their respective jurisdictions.

The revisions cover Articles 12(4), 13, 25(1), 64, and 71(4), focusing on the VAT treatment, settlement, and refund mechanisms for intra-GCC supplies, including transactions involving unregistered persons. A key objective is to ensure VAT is allocated to the country of consumption in line with place of supply rules.

The amendments also introduce a minimum standard VAT rate of 5% and strengthen mechanisms for information exchange between GCC tax authorities. Overall, these changes reflect a broader regional shift toward modernising VAT frameworks in response to evolving intra-GCC trade dynamics. They are intended to streamline tax collection and settlement/refund processes, reduce the risk of double taxation, and enhance coordination between taxation authorities across Member States, supporting deeper GCC economic integration.

In detail

The following provides a detailed overview of the introduced amendments:

- **Intra-GCC supplies of goods (Article 12(4))** - This amendment clarifies the treatment of goods supplied without transportation in a GCC Member State but subsequently moved to another Member State. It allows the destination state to refund or settle VAT from the state of origin through the Makasa system, as the recognized Customs-based transfer mechanism. As an exception to the above, the Ministerial Committee is empowered to introduce alternative arrangements, including taxing goods at the point of entry in the destination state and ensuring any previously paid tax is refunded or settled directly to the customer residing in another Member State, whether a taxable person or not.
- **Intra-GCC supplies to non-registered persons (Article 13)** - The update revises the rules for intra-GCC supplies made to non-registered persons and individuals. It allows any Member State to claim VAT paid in another Member State where the value of the supply exceeds SAR10,000 (or its equivalent), with the refund or settlement carried out through the Makasa system as the Customs-based transfer mechanism. The Member State of destination may also impose VAT at its point of entry if there is no proof that tax was paid in the original state. Again, as an exception, the Ministerial Committee is empowered to introduce alternative mechanisms, including taxing in the destination state, while refunding or settling the VAT collected in the state of supply directly to individuals and non-registered persons residing in another Member State.
- **VAT rates (Article 25(1))** - This change requires each GCC Member State to apply its standard VAT rate in line with its domestic law, with a minimum rate of 5% on supplies and imports. It also confirms that exceptions remain in place where the agreement provides for exemptions or zero-rating on specific transactions.

- **Import VAT (Article 64)** - This revised article requires that Import VAT is paid at the first point of entry and later transferred to the destination state via the Makasa system (as the Customs-based transfer mechanism). As an exception to the above, the Ministerial Committee is empowered to introduce alternative arrangements that may allow VAT to be charged at the destination state's point of entry, with refunds or adjustments made directly to the importer residing in another Member State, whether a taxable person or not. In addition, Member States are given the option to allow taxable persons to defer payment of import VAT on goods used for business purposes, provided this is declared in the tax return and treated as deductible in line with the provisions of the Agreement.
- **Access to information (Article 71(4))** - Here the amendment gives tax authorities in Member States access to information on intra-GCC supplies.

Key takeaways

The approved amendments introduce targeted updates to specific provisions of the GCC Unified VAT Agreement, with a focus on refining the treatment of intra-GCC transactions and strengthening administrative alignment and integration between Member States.

In addition to setting up a minimum standard VAT rate, the changes aim to provide greater clarity on the application of VAT in cross-border scenarios within the GCC and enhance the underlying mechanisms governing taxation, settlement, and refunds.

It also strengthens the data sharing framework between GCC tax authorities and seeks to enhance oversight and verification of cross-border transactions.

The approved amendments aim to introduce more practical solutions for VAT treatment in specific scenarios, particularly given the uneven implementation of VAT across Member States. This includes situations where some countries have yet to introduce VAT, while others have adopted differing standard rates of 10% or 15%. These challenges are further compounded by the fact that the GCC common Customs regime and the centralised system for handling intra-GCC transactions are not yet fully in place.

The changes signal a clear move by GCC countries toward a more aligned and integrated VAT framework, with a stronger focus on destination-based taxation, enhanced coordination between tax authorities, and increased reliance on digital and automated processes. While these changes are expected to reduce inefficiencies such as double taxation and improve cross-border tax administration over time, in the near term they will add complexity for businesses operating across multiple jurisdictions, requiring greater attention to transaction structuring, documentation, and system capabilities.

From a business perspective, this is the time to proactively reassess your cross-border supply chains, VAT positions, and operational readiness, particularly in areas such as documentation, pricing, and system alignment with Customs, VAT and e-Invoicing requirements. Given the pace of change and the varying implementation across GCC Member States, navigating these developments will require a structured and forward-looking approach.

PwC, as your trusted advisor, can support you in assessing the impact on your business, identifying risks and opportunities, and implementing practical solutions to ensure compliance while optimising your operating model.

How can we help

We can support you in assessing how these developments may impact your business, including evaluating structuring options, identifying systems and process requirements, assessing risks and opportunities, and advising on cross-border VAT implications.

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

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