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The Kingdom of Saudi Arabia releases its draft VAT implementation regulations

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Today, has seen Saudi Arabia publish their draft VAT implementation regulations.

A public consultation is in place, which enables businesses to share their views on the Draft Regulations by 19th August 2017.

This development marks a pivotal stage in VAT implementation across the GCC.

To view the draft regulation visit: <http://bit.ly/2uA51H3> or click the publication opposite

This brief summary showcases the highlights in respect of the regulation.

| VAT Law | نظام ضريبة القيمة المضافة |
|---|---|
| Chapter I: General definitions | الفصل الأول: تعريفات عامة |
| Article 1: General definitions | المادة الأولى: تعريفات عامة |
| The following words and expressions shall, wherever they appear in this Law, have the meanings set out against each of them, unless the context otherwise requires. | يُستعمل بالألفاظ والعبارات الآتية - فيما وردت في هذا القانون - المعاني المبينة أمام كل منها، ما لم يقتض السياق خلاف ذلك. |
| Authority: General Authority of Zakat and Tax. | الهيئة: الهيئة العامة للزكاة والدخل. |
| Officer: an officer of the Authority. | الموظف: موظف الهيئة. |
| Minister: the Minister of Finance. | الوزير: وزير المالية. |
| Agreement: the Unified VAT Agreement for The Cooperation Council for the Arab States of the Gulf. | الاتفاقية: الاتفاقية الموحدة للحدودية الضريبة المضافة لدول مجلس التعاون دول الخليج العربية. |
| The Kingdom: the territory of the Kingdom and its territorial waters, under the rights it holds pursuant to the United Nations Convention on the Law of the Sea, the air space under its control, and its rights in the zone divided with the State of Kuwait. | المملكة: أراضي المملكة ومياهها الإقليمية وفقاً لتقريرها بموجب ميثاق الأمم المتحدة الخاص بالقانون البحري، والمياه الإقليمية التي تحت سيطرتها، ومناطقها في المنطقة المتنازعة مع دولة الكويت. |
| Regulations: the Implementing Regulations for this Law. | اللائحة: اللائحة التنفيذية لهذه النظم. |
| VAT Group: two or more Taxable Persons who are registered as a single Taxable Person in accordance with article 5 of this Law. | المجموعة الضريبية: شخصين أو أكثر خاضعين للضريبة كمتسويين للشخص واحد بموجب الضريبة وفقاً لأحكام المادة 5 من هذا القانون. |
| Import of Goods: the entry of Goods into the Kingdom from outside the Territory of the Arabian Gulf Cooperation Council States according to the provisions of the Unified Customs Law. | استيراد السلع: دخول السلع إلى المملكة من خارج أراضي دول مجلس التعاون دول الخليج العربية، وفقاً لأحكام نظام الجمارك الموحد. |
| Output Tax: the Tax due and chargeable in respect of a Supply of Taxable Goods or Services made by a Taxable Person. | ضريبة المخرجات: الضريبة المستحقة والمفروضة عن توريد سلع أو خدمات خاضعة للضريبة يقوم به شخص خاضع للضريبة. |

Whilst the draft law covers additional provisions which correlate to administration, filing and compliance of VAT, we highlight below the key elements for consideration.

The regulation covers over 80 provisions which range from law, practice to procedures, alongside highlighting specific rules for key industries and businesses which include Financial services, Medical services and the Real Estate industry. Additionally, the following elements are covered in the draft law.

- VAT shall be implemented and take effect from 1 January, 2018
- Businesses who make only 'zero-rate' supplies are not liable to register
- Group Registration is permitted
- Reverse Charge applies to Imported services
- Sample and Gift rules and gifts to staff without consideration are capped at SAR 200 per person annually with an annual cap of SAR 50k to the person carrying on an Economic Activity capped at SAR50k annually assessed at Fair Market Value
- Specific rules for the Transfer of a Going concern is not a taxable activity
- Specific rules for periodic supplies are drafted to specify the 'time of supply' including the supply of utilities
- Wide definition of what comprises 'Electronic services' including electronic streaming and downloads from the internet
- Rules relating to supply of Goods with transportation
- Detailed rules of what comprises Financial Services which are an Exempt Supply except for 'Explicit Fees, Commissions or Commercial Discount'
- Sharia compliant products which 'achieve effectively the same result' as non-Sharia compliant products shall receive the same Exempt treatment
- Life Insurance and Reinsurance, alongside residential real estate leases are treated as an Exempt Supply
- A wide range of international services are defined including services for international transportation including ancillary services in relation thereto
- Subject to certain rules, qualifying medicines and medical goods dispensed to patients for personal use shall be zero-rated
- Detailed rules for zero-rating services where they are enjoyed by non-GCC residents except where they relate to tangible goods or property in a Member State
- International transportation of goods and passengers is zero-rated with specific conditions for the latter
- Special rules relating to second hand goods applies
- Capital Asset adjustment rules for change of use of the assets with specific timing guidelines
- Other specific rules relate to Tax invoices, Simplified Tax invoices, Debit and Credit notes
- Transitional rules for contracts signed pre-31 May 2017 for 5 years



Should you wish to discuss the draft regulations in further detail or the implication to your business, please do not hesitate to contact our Head of VAT, GCC on gurdeep.randhay@ae.gt.com