KSA VAT Readiness Materials For Healthcare Sector

November 2017
Table of contents

<table>
<thead>
<tr>
<th></th>
<th>Core VAT concepts and legal framework</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Key concepts, terms and definitions related to VAT and summary of key policy positions and key transitional provisions</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>VAT treatment for the Healthcare sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>Definition of healthcare terms, taxable services, VAT treatment, VAT charging mechanism.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>VAT processes</th>
</tr>
</thead>
<tbody>
<tr>
<td>3</td>
<td>Self-registration, group registration, de-registration, calculation of VAT, return filing, refund management,</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>VAT Readiness</th>
</tr>
</thead>
<tbody>
<tr>
<td>4</td>
<td>Overview of Tax payer Readiness Framework</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Penalties</th>
</tr>
</thead>
<tbody>
<tr>
<td>5</td>
<td>Offences and respective fines</td>
</tr>
</tbody>
</table>
Core VAT concepts and legal framework
VAT Launch in KSA
The Kingdom of Saudi Arabia has committed to implement VAT on January 1st 2018

Key facts of the VAT implementation

- **January 1st 2018**
  Confirmed launch date of VAT in the KSA
- **5%**
  Standard VAT rate for products and services
- **SAR 375,000¹**
  As a mandatory threshold for VAT registration

A critical contributor to the Vision 2030

“Achieving budgetary balance ... ... strengthening financial governance, increasing non-oil revenues and improving spending on programs and projects.”

Significant benefits

- Reduction of the cash-based and shadow economy and thus greater transparency for market participants
- VAT expected to be one of the largest revenue source after oil & gas
- New jobs through creation of a new profession within the accounting industry

Relative to other taxes, VAT is designed to be a stable and efficient tax

1. Persons whose value of annual supplies exceeds the Mandatory Registration Threshold but does not exceed one million (1,000,000) riyals are exempted from the requirement to register in the Kingdom until 20 December 2018.
### KSA VAT Legal Framework

#### Legal Framework

<table>
<thead>
<tr>
<th>Status</th>
<th>Key Points</th>
<th>Notes</th>
</tr>
</thead>
</table>
| **Finalized & Published**     | • Sets broad principles of VAT with some mandatory elements  
                                • Agreement enforcement is responsibility of each state |       |
| **Final law published**       | • Primary legislation in KSA:  
                                – Gives effect to GCC agreement, governing how VAT is administered  
                                – Sets out VAT implementation and VAT compliance enforcement  
                                • Issued by Royal Decree on 26/07/17, published on 28/07/17 in Um Al-Qura |       |
| **Final implementing regulations published** | • VAT Regulations are the secondary domestic legislation  
                                           • Provide additional rules and interpretation of the Agreement and the Law  
                                           • Approved by GAZT Board on 26/08/2017, published on 29/08/2017 on VAT website |       |
Scope of VAT implementation: Economic activities conducted by taxable persons

A. Economic Activity
   - Activity that is conducted in an ongoing and regular manner
   - Includes commercial, industrial, agricultural or professional activities or Services or any use of material or immaterial property and any other similar activity.

B. Taxable Person
   - A Person that conducts an Economic Activity
   - Independently for the purpose of generating income
   - Registered or obligated to register for VAT
Scope of VAT and taxable persons
KSA follows a broad taxation policy with limited number of zero-rated and exempt items

KSA taxation policy summary

<table>
<thead>
<tr>
<th>VAT Rate</th>
<th>Output tax</th>
<th>Input tax deductible</th>
<th>Areas of application</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standard rated</td>
<td>5%</td>
<td>✓</td>
<td>• Majority of goods and services</td>
</tr>
<tr>
<td>Zero rated</td>
<td>0%</td>
<td>✓</td>
<td>• Supply of any qualifying medicine or qualifying medical equipment</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Intra-GCC and international transport</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Supplies of investment gold, silver, and platinum that are at least 99% pure and</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>tradable in international bar market</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Exports outside the GCC</td>
</tr>
<tr>
<td>Exempt</td>
<td>nil</td>
<td>✗</td>
<td>• Rental of residential real estate</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Financial services with no explicit fee, commission or commercial discount</td>
</tr>
<tr>
<td>Out of scope</td>
<td>N.A.</td>
<td>N.A.</td>
<td>• Government services (e.g. public healthcare, public education etc.)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Supply of real estate that was used or intended for use as a permanent dwelling by</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>the Person, or by a related person</td>
</tr>
</tbody>
</table>
VAT collection mechanism

1. Supplier
   - Product sold to distributor for SAR 100 + SAR 5 VAT (5% VAT)
   - SAR 5 remitted

2. Distributor
   - Product sold to retailer for SAR 200 + SAR 10 VAT (5% VAT)
   - SAR 5 remitted (SAR 10 VAT – SAR 5 credit)

3. Retailer
   - Product sold to customer for SAR 300 + SAR 15 VAT (5% VAT)
   - SAR 5 remitted (SAR 15 VAT – SAR 10 credit)

4. End Customer
   - Income of SAR 15

GAZT income of SAR 15
Registration Thresholds & VAT Grouping

Registration Thresholds & VAT Grouping are detailed in Implementing Regulations

### Registration Thresholds

**Annual turnover in SAR**

<table>
<thead>
<tr>
<th>Annual turnover</th>
<th>No registration</th>
<th>Voluntary registration</th>
<th>Mandatory registration</th>
</tr>
</thead>
<tbody>
<tr>
<td>SAR 375,000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SAR 187,500</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- **Mandatory Registration Threshold – 375’000 SAR**
  The lower limit of the value of actual supplies at which the Taxable Person becomes obligated to register for Tax purposes.

- **Voluntary Registration Threshold – 187’500 SAR**
  The lower limit of the value of actual supplies at which the Taxable Person may apply to register for Tax purposes.

### VAT Grouping

- **2 or more KSA residents** can register as a VAT Group in case 50% or more of the capital of each legal Person, or ownership or control of 50% or more of the voting rights or value, in both or all of the legal Persons, is held by same Person or group of Persons, whether directly or indirectly.

- VAT Group is treated as a single Taxable Person with consolidated Supplies and joint responsibility.

---

1. Persons whose value of annual supplies exceeds the Mandatory Registration Threshold but does not exceed one million (1,000,000) riyals are exempted from the requirement to register in the Kingdom until 20 December 2018.

2. Both conducting an Economic Activity in its own right and at least one of the legal Person is a Taxable Person.
Place, time and value of taxation

Place, time and value are three key elements to be considered in tax administration

**Place of Supply**

- The place of supply (where tax is ultimately levied) is the jurisdiction where the final consumption occurs which does not necessarily have to be the country where the value is created.

**Tax point (time)**

- VAT becomes due at the earliest of the following:
  1. The date where goods are delivered or made available or performance of service is completed;
  2. The date when any tax invoice is issued in respect of the supply.
  3. Partial or full receipt of consideration, to the extent of the amount received

**Value of supply**

- The value of the supply includes all other taxes or charges in respect of that supply (including excise tax and customs duties).
- Prices for goods and services supplied to consumers or in retail transactions must be stated as the VAT inclusive amounts.

**Destination principle**

- Delivery
- Invoice
- Payment

**Earliest of...**

1. Delivery
2. Invoice
3. Payment

**Price tag**

- Price includes all other taxes
- States VAT inclusive amount
VAT Treatment For the Healthcare Sector
### Treatment of Health Care

#### VAT Taxation Scope for Medicine & Medical Equipment under suggested unified Controls

<table>
<thead>
<tr>
<th>Type of product / service offered</th>
<th>Public sector</th>
<th>Private sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Healthcare services</td>
<td>Out of VAT scope</td>
<td>Standard rate VAT</td>
</tr>
<tr>
<td>2. Supply of medicine &amp; medical equipment</td>
<td>Zero-rate VAT under unified controls</td>
<td>Standard rate VAT for others</td>
</tr>
</tbody>
</table>

When providing **zero-rated** items, such items will be subject to zero rate VAT only if billed separately.

---

1. Ministry of Health or SFDA
SFDA issued the lists of Qualifying medicines and medical equipment to be zero-rated

**SFDA human drug list**

Highly detailed list of **6909** human drugs

**Content includes:**
1. Registration no
2. Generic name
3. Trade name
4. Dosage form (tablet, syrup, injection etc.)
5. Legal status (OTC vs. prescription)
6. Price in SAR
7. Shelf life in months
8. Manufacturing origin and company

**SFDA vitamin list**

Detailed list of **285** vitamins

**Content includes:**

Similar content to human drugs

**Medical equipment and supplies**

Detailed list of **248** equipment and supply

**Content includes:**
1. Description
2. Reference no

Please refer to the SFDA website to acquire the full list of zero-rated items
VAT processes
A closed pipe system: once a taxpayer is registered against a tax type, he is expected to file and pay. If not, the system will file for him and if he doesn’t pay forced collection will kick in.
All companies with annual supplies above SAR 375,000 are required to register for VAT with GAZT

<table>
<thead>
<tr>
<th>Key questions</th>
<th>Answers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Who is required to register?</td>
<td>• A “person” (individual or a legal entity) who is:</td>
</tr>
<tr>
<td></td>
<td>– Doing business in KSA in VAT- eligible goods and services</td>
</tr>
<tr>
<td></td>
<td>– Exceeds sales threshold for mandatory registration: SAR 375k</td>
</tr>
<tr>
<td></td>
<td>– Calculated on 12 month basis</td>
</tr>
<tr>
<td></td>
<td>– Retrospective (historical sales) or prospective (expected sales)</td>
</tr>
<tr>
<td></td>
<td>• Voluntary registration open to persons with sales of ≥187.5k but ≤375k or expenses ≥187.5k</td>
</tr>
<tr>
<td></td>
<td>– Retrospective (historical sales) or prospective (expected sales)</td>
</tr>
<tr>
<td>When do they need to register?</td>
<td>• Persons expecting to exceed the threshold from 1-January 2018:</td>
</tr>
<tr>
<td></td>
<td>– Must register no later than 20th December 2017</td>
</tr>
<tr>
<td></td>
<td>• Persons who exceed the threshold after 1-January 2018:</td>
</tr>
<tr>
<td></td>
<td>– Must register within 20 days of exceeding the threshold</td>
</tr>
<tr>
<td></td>
<td>• Exception for small taxpayers with annual supplies &lt;1MM SAR</td>
</tr>
<tr>
<td></td>
<td>– Must register no later than 20th December 2018</td>
</tr>
<tr>
<td>How do they register?</td>
<td>• Using the GAZT online portal</td>
</tr>
<tr>
<td></td>
<td>• In practice there will two categories of registrants:</td>
</tr>
<tr>
<td></td>
<td>– “Pre-Registration” (registered passively by GAZT)</td>
</tr>
<tr>
<td></td>
<td>– Self-registration (required to actively register) with an existing TIN</td>
</tr>
<tr>
<td></td>
<td>– Self-registration (required to actively register) without an existing TIN</td>
</tr>
</tbody>
</table>
For the registration of taxpayers there are three main cases that require specific set of actions

<table>
<thead>
<tr>
<th>Existing Tax Identification Number (TIN) from GAZT</th>
<th>Pre-registration notification received from GAZT</th>
<th>Required action</th>
</tr>
</thead>
<tbody>
<tr>
<td><img src="#" alt="Checkmark" /></td>
<td><img src="#" alt="Checkmark" /></td>
<td>• Access and validate your VAT registration details on the GAZT portal</td>
</tr>
</tbody>
</table>
| ![Checkmark](#) | ![X](#) | • Self-register for VAT on the GAZT portal  
• Self-registration will be open from August 28th |
| ![X](#) | ![X](#) | • Register with GAZT for ZAKAT & Income Tax in order to obtain a TIN  
• Subsequently, register for VAT |

See next pages for details on the registration process under each scenario
Taxpayer may need to log on to the GAZT portal in order to register

Access is through the registration portal

- Open GAZT web site [https://gazt.gov.sa/](https://gazt.gov.sa/) and click on “User Login”
- Enter existing User ID and Password and click “sign in”
- Enter one time log-in code that is sent to the GAZT-registered mobile number by SMS (same as for other taxes)
- The GAZT Taxpayer’s Dashboard will open
- Here there will be a tile where taxpayers can register for VAT (if not already pre-registered) or change their registration details
If taxpayer does not have a TIN, it have to undergo a two step process in order to register for VAT

**Taxpayer registration**

• ~25 fields e.g.
  – Taxpayer ID information
  – Business’ CR and license numbers
  – Declaration form
• mandatory attachments e.g.
  – Copy of CR
  – Copy of license
• Separate forms for companies and individuals

**VAT registration**

• 5 Steps e.g.
  – VAT eligible sales and expenses
  – Financial representative’s details (optional for KSA resident taxpayers)
  – Declaration
• All fields are mandatory
  – Taxpayers are encouraged to submit supporting documents
• Same form for companies and individuals

1. Except financial representative details if the taxpayer is a KSA resident
Taxpayer Registration

2 steps taxpayer registration:

1. Registration of natural (person) or legal entity (business) identification data:
   - Will issue a Tax Identification Number (TIN)
   - TIN is unique and should never change for an entity, from birth to death
   - TIN can’t be transferred or sold
   - TIN is never deleted or cancelled: it can only be inactivated (for death or closure of business, after any tax liability is closed)

2. Registration of Taxpayer liability for a tax type (VAT, Excise, CIT, Zakat): each tax type liability creates a tax account, where all tax transactions will be registered
Registration of Taxpayer Liability

- Registration of tax liability through a tax account starts automatically a series of business processes.
- The set of tax accounts for 1 taxpayer provides an integrated view of its tax liability.
VAT return Filing and Assessment

- Taxpayer Registration
- Filing & Assessment
- Payment & accounts
- Collection
- Audit
- Appeal

Taxpayer Services

Compliance
Filing and Assessment

• **A self-assessment** system: the taxpayer is filing his return and GAZT needs to capture it and check/confirm the assessment

• Mainly 2 sub-processes:
  
  1. Taxpayer is submitting his VAT return online (on GAZT web portal)
     • Basic online validation will be done during initial VAT form submission and mostly warning is provided to facilitate tax payment
  
  2. GAZT must then validates as much as possible what is captured against any possible data (i.e. Customs) and confirms to the taxpayer that his declaration is accepted as such (but might be revised anytime for compliance)
     • Off-line/batch validation will be executed at night to run further validations on the daily VAT forms received
Self-Assessment: Trust but Verify

**Outside GAZT**

- **TAXPAYER**
  - Pay tax due
  - SADAD Payment Gateway
    - Capture VAT return
      - Warning + Tax to pay

**GAZT**

- VAT return
  - Basic On-line validation
    - Update taxpayer account
      - Check VAT return flagged With warning
        - Return Batch Validation
  - GAZT DB
    - Pay tax due
Payments and Account Management

- **Taxpayer Registration**
- **Filing & Assessment**
- **Payment & accounts**
- **Collection**
- **Audit**
- **Appeal**

**Taxpayer Services**

**Compliance**
Payment of VAT and Taxpayer Account Management

• VAT taxpayer account is recording any liability created by the assessment processing (initial submission and adjustments coming from reassessment or corrections originating from audit or appeal)
• Taxpayer is paying using the SADAD payment gateway
• When taxpayer payment is done and confirmed, SADAD send taxpayer payment to GAZT and taxpayer account is also updated with payments
• Tax transactions are maintained by type (tax base, fixed and monthly penalty, write off, corrections) and following accounting principles (debit and credit)
• Tax transactions can not be deleted; can only be reversed and replaced
• All tax transactions are tagged with date and time and with the program id which creates it or tax officer id who approves it
• Some transaction types (correction, write off) have restricted access
Tax Account Management (Account Receivable)

- Taxpayer can file but not pay, eventually creating a collection case

<table>
<thead>
<tr>
<th>VAT Taxpayer Account</th>
<th>DEBIT</th>
<th>CREDIT</th>
</tr>
</thead>
<tbody>
<tr>
<td>CUSTOMS</td>
<td>10,000</td>
<td>10,000</td>
</tr>
<tr>
<td>VAT Paid on Imports</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Assessed VAT return</td>
<td>5,000</td>
<td>5,000</td>
</tr>
<tr>
<td>/GAZT</td>
<td></td>
<td></td>
</tr>
<tr>
<td>VAT Amount Due</td>
<td></td>
<td></td>
</tr>
<tr>
<td>VAT Payment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SADAD Payment Gateway</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Account Balance: 0

Customs: Both debit and credit done at the same time
Collecting tax due but not paid

Taxpayer Services

Taxpayer Registration → Filing & Assessment → Payment & accounts → Collection → Audit → Appeal

Compliance
Collecting VAT due but not paid (collection activities)

<table>
<thead>
<tr>
<th>TAX ACCOUNT</th>
<th>LIST OF ACCOUNTS NEEDING COLLECTION</th>
<th>SET PRIORITY</th>
</tr>
</thead>
<tbody>
<tr>
<td>DEBIT</td>
<td></td>
<td>1.------</td>
</tr>
<tr>
<td>CREDIT</td>
<td></td>
<td>2. ------</td>
</tr>
<tr>
<td>BAL = 10,000</td>
<td></td>
<td>N. ------</td>
</tr>
</tbody>
</table>

EMAIL

Dear taxpayer,

TAXPAYER VISIT

PAYMENT AGREEMENT

REFUSED PAYMENT

VAT FIRST INSTANCE COMMITTEE

VAT APPEAL COMMITTEE

SETTELMENT
Auditing VAT taxpayers
Auditing VAT return (audit activities)

1. WORKFLOW
   AUDIT REQUEST

2. ANNUAL
   AUDIT PLAN

3. SET PRIORITY
   1. ------
   2. ------
   N. ------

4. OPEN
   AUDIT CASES

5. ASSIGN
   AUDIT CASES

6. CASE PLAN
   1. ------
   2. ------
   N. ------

7. DESK REVIEW

8. SELECT CASES

9. IF NEEDED
   FIELD AUDIT

10. AUDIT REPORT

11. REASSESSMENT
Main Tax Administration Business Function

Taxpayer Services

Taxpayer Registration → Filing & Assessment → Payment & accounts → Collection → Audit → Appeal

Compliance
Internal Review and Appeal (for any reassessment)

1. REQUEST OF REVIEW
2. ASSESS REVIEW REQUEST
3. SET PRIORITY
   1. ------
   2. ------
   N. ------
4. OPEN REVIEW CASES
5. ASSIGN REVIEW CASES
6. DESK REVIEW
7. RECOM REPORT
8. DECISION
9. VAT FIRST INSTANCE COMMITTEE
10. VAT APPEAL COMMITTEE
11. ACCEPTED
12. REFUSED – NEXT STEP
Compliance (Check, Treat and Report)

Taxpayer Services

- Taxpayer Registration
- Filing & Assessment
- Payment & accounts
- Collection
- Audit
- Appeal

- Incomplete TP records
- Hidden taxpayers
- Non filers
- Late filers
- Late payers
- Non-payers
- Amount of Arrears
- Age of arrears
- Level of reassessment
- Cases won/lost

@SaudiVAT | VAT.GOV.SA
VAT Readiness
Tax payer readiness must be steered via GAZT led initiatives and need to be sustained by professional accounting firms.
Large taxpayers are getting ready for VAT in 5 steps

**VAT preparation steps**

- **Understanding VAT mechanics**
- **Put in place VAT implementation team**
- **Basic VAT information and awareness sessions**

**GAZT role**

- **Approval of GCC framework**
- **Publication of law**
- **Publication of final impl. regs**

**VAT launch**

**Planning/preparation**

- **Conduct VAT impact assessment**
- **Define implement. roadmap**
- **Hold internal awareness sessions**
- **Engage with accountants, ERP providers**

**Implementation**

- **Transaction classification**
- **Configuration of IT and accounting systems and business processes**
- **Adjustments to contracts**
- **Update of invoices**

**Testing**

- **Testing of systems and new processes / procedures**

**Post-implementation**

- **Fine-tuning of systems and processes**

**Until Jul**

**Aug – Mid-Nov**

**Mid-Nov - Dec**

Awareness

Planning/preparation

Implementation

Testing

Post-implementation

Awareness

Planning/preparation

Implementation

Testing

Post-implementation

VAT launch

Publication of final impl. regs

Testing of systems and new processes / procedures

Inbound request handling

Publication of final impl. regs

VAT launch

Inbound request handling

Fine-tuning of systems and processes

UATs / simulations

Inspections

Inbound request handling

Detailed information on VAT treatment by type of industry / transaction

Publication of guidance materials

Inbound request handling

Transaction classification

Configuration of IT and accounting systems and business processes

Adjustments to contracts

Update of invoices

Conduct VAT impact assessment

Define implement. roadmap

Hold internal awareness sessions

Engage with accountants, ERP providers

Confirmation of timelines

Technical education on VAT mechanics

Detailed information on VAT treatment by type of industry / transaction

Publication of guidance materials

Inbound request handling
Prior to the launch, there are several channels that are being used to engage with taxpayers

- Guidance materials
- Newsletters
- Taxpayer events
- Accounting Firm engagement
- Inbound request handling
- RM Engagement
- Focus Groups
- CEO / Chairmen outreach
- Simulations / UAT
- Outbound contact center

Target group:
- Very large taxpayers
- Large taxpayers
- Both segments
Readiness inspections: Prior to the VAT launch, there will be offsite & onsite inspections to ensure taxpayer readiness

**Inspection objectives**

**Track & detail**
- taxpayer readiness

**Define**
- mitigation actions

**Communicate**
- results to taxpayers

**Offsite inspection**
- High level examination of taxpayer readiness
- Opportunity to troubleshoot areas
- Establish taxpayer view of their readiness

**Onsite inspection**
- Deep examination of taxpayer readiness
- Provide education & insights to taxpayers
- Relationship development for future engagement
Inspector activities are divided into three periods pre- and post-launch of the VAT

<table>
<thead>
<tr>
<th>Period</th>
<th>Off-site inspection</th>
<th>On-site inspection</th>
<th>Post launch activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sept 2017</td>
<td>Data collection</td>
<td>On-site preparation with focus areas</td>
<td>Refund review</td>
</tr>
<tr>
<td>Oct 2017</td>
<td>Analysis &amp; review of information gathered</td>
<td>Site visit logistics (including stakeholder engagement strategy)</td>
<td>On-site assurance visit</td>
</tr>
<tr>
<td></td>
<td>Initial readiness assessment</td>
<td>On-site system/stakeholder examination &amp; report</td>
<td>On-site field audit</td>
</tr>
<tr>
<td></td>
<td>Action plan (including mitigation)</td>
<td>Education &amp; mitigation strategy</td>
<td>Complex issue audit</td>
</tr>
<tr>
<td></td>
<td>Strategy communication to taxpayers</td>
<td>Follow-up and ongoing engagement</td>
<td>Fraud investigation</td>
</tr>
<tr>
<td>Nov 2017</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dec 2017</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jan 2018</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
There are two forms of readiness trackers for offsite review:

**Online Readiness Tool**

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Functional requirement</th>
<th>Readiness level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounting</td>
<td>Inspectors need to track/trace services classified according to VAT treatment</td>
<td>Not yet addressed</td>
</tr>
<tr>
<td>Clear instructions</td>
<td></td>
<td>VAT treatment understood</td>
</tr>
<tr>
<td>Employees</td>
<td></td>
<td>VAT impact and risk along the supply chain assessed (list which transactions will be affected, how different goods and services will be impacted by the different rates of VAT)</td>
</tr>
<tr>
<td>Data Record Management</td>
<td></td>
<td>VAT treatment mapped to specific goods, services and transaction types</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Valuation method to reflect VAT treatment (e.g. update of ERP systems)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Other (please specify)</td>
</tr>
</tbody>
</table>

"To-do list" for taxpayers

Inspectors will manage & track developments on both of these forms to track readiness & help inform Relationship Managers where problem areas may exist.
Penalties
## Penalties to discourage non-compliance

<table>
<thead>
<tr>
<th>Example conditions under which a penalty is imposed¹</th>
<th>Level of penalty</th>
</tr>
</thead>
<tbody>
<tr>
<td>Failure to register for VAT</td>
<td>SAR 10,000</td>
</tr>
<tr>
<td>Failure to submit VAT returns when due</td>
<td>5%-25% of the value of the unpaid tax</td>
</tr>
<tr>
<td>Failure to pay the Tax when due</td>
<td>5% of the value of unpaid tax for each month or part thereof</td>
</tr>
<tr>
<td>Issue of a VAT invoice as an unregistered person</td>
<td>SAR 100,000 or less</td>
</tr>
<tr>
<td>Failure to maintain the prescribed tax invoices, books, records and accounting documents</td>
<td>SAR 50,000 or less</td>
</tr>
<tr>
<td>Submission of false, forged or artificial documents, declarations, records and information</td>
<td>Not less than 100% of tax due</td>
</tr>
<tr>
<td>Entering or attempting to enter and removing or attempting to remove goods outside of KSA without paying tax</td>
<td>&lt; 3X value of goods and services subject of evasion</td>
</tr>
<tr>
<td>Obstruction of GAZT officer from performing duty</td>
<td>SAR 50,000 or less</td>
</tr>
</tbody>
</table>

1. If the same violation is repeated within three years from the date of issuing the Authority's decision of the violation, it is permissible to double the fine imposed on the offender under that decision.
For any questions, reach out to GAZT via one of the following communication channels

Overview of available communication and engagement channels

- **Contact center**
  - Contact GAZT via the dedicated contact center on 19993
  - The contact center is available between 7am and 11pm, Saturday to Thursday

- **E-mail**
  - Address your questions via e-mail to GAZT via VAT@gazt.gov.sa

- **Website**
  - Visit GAZT’s comprehensive VAT website at VAT.GOV.SA and access a broad set of information and tools

- **VAT events**
  - Attend a VAT event by GAZT or one of the partners in your region
    - Chambers of Commerce
    - SOCPA
  - Dates are published on the VAT website