Kingdom of Saudi Arabia
VAT MANUAL

7th November 2017

Version 1
VAT POLICY IN THE
KINGDOM OF SAUDI ARABIA

Below is a brief overview of the value added tax (VAT), along with useful instructions for businesses eligible to participate in the VAT in the Kingdom of Saudi Arabia.

This document does not serve as a substitute for VAT implementation regulations. The material below is meant to provide a simple explanation of core concepts your business will need to adapt to the VAT – it is not exhaustive.

For additional details on how the VAT will be implemented in the Kingdom, please refer to VAT.GOV.SA for further policy details.
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1. KEY TERMS USED IN THIS GUIDE

• Taxable person - a person who conducts an economic activity independently for generating income, and is registered for VAT in the Kingdom or who is required to register for VAT in the Kingdom

• Customer - the recipient of the goods or services

• Output Tax - VAT collected by a registered taxable person (supplier) on taxable supply of goods and services, i.e. VAT collected on a taxpayer’s sales

• Input Tax - VAT paid on a taxable supply of goods and services, i.e. VAT paid on a taxpayer’s purchases

• Standard Rate - the VAT rate of 5% applicable to the taxable supply of most goods and services. The taxable person retains the right to deduct the input tax associated with standard rated supplies

• Zero Rate - the VAT rate of 0% is applicable to designated supplies of goods and services. The taxable person retains the right to deduct the input tax associated with zero rated supplies

• Exempt Supply - a supply is exempt when no VAT is imposed. The taxable person does not retain the right to deduct the input tax associated with exempt supplies

• Consideration - everything collected or to be collected by a taxable person from a customer or a third party in exchange for the taxable person's supply of goods or services

• Taxable Supply - a standard or zero rated supply of goods or services, made in the KSA for a consideration as part of a taxable person’s economic activity

• Goods - all types of material possessions (physical assets), including water, and all types of energy (as electricity, gas, lighting, heating, cooling and air conditioning)

• Services - a supply other than a supply of goods

• Reverse Charge - a simplification measure where a taxable recipient of goods and services accounts for any VAT due as opposed to the taxable supplier, i.e. the customer acts as if he is both the supplier and the recipient for VAT purposes and self-assesses any VAT due

• Tax Period - the period of time for which the net VAT must be accounted, i.e. the VAT return filing period – monthly or quarterly

• Net VAT or net tax - VAT resulting from deducting the deductible VAT from the VAT due within the same tax period. Net VAT may either be payable or refundable, i.e. Output VAT minus Input VAT

• Mandatory Registration Threshold - the lower limit of the value of actual supplies at which the Taxable Person becomes obligated to register for VAT purposes, e.g. SAR 375,000

• Voluntary Registration Threshold - the lower limit of the value of actual supplies at which the Taxable Person may apply to register for VAT purposes, e.g. SAR 187,500

• VAT Group - two or more Taxable Persons who are registered as a single Taxable Person

• Place of Business - the place where a business is legally established; or where its actual management center is located where key business decisions are made if different from the place of establishment

• Fixed Establishment - any fixed location for a business other than the Place of Business, in which the business is carried out and is distinguished by the permanent presence of human and technical resources in such a way as to enable the Person to supply or receive Goods and Services

• Place of Residence of a Person - It is where the Place of Business or any other type of Fixed Establishment is located. In the case of a natural person, if he does not have a Place of Business or Fixed Establishment, it will be his usual place of residence. If a Person has a Place of Residence in more than one State, the place of residence will be considered to be in the place most closely connected with the supply

• Resident Person – a person is resident in the Kingdom if he has a place of residence therein

• Non-Resident Person - a person is not resident in the Kingdom if he has no place of residence therein
2. INTRODUCTION TO THE VALUE ADDED TAX (VAT)

2.1. Value Added Tax

Along with its partners across the GCC, the Kingdom of Saudi Arabia has chosen to implement a standard VAT tax rate of 5%. This is one of the lowest rates in the world. See the examples below of standard VAT rates in other countries.

2.2. Legal framework

In line with GCC Supreme Council Resolution made in its session No. 36 on authorizing the Financial and Economic Committee to complete the necessary requirements of “GCC VAT Unified Agreement”, KSA approved the Agreement with a Royal Decree No. M/51 dated on 1438/5/3 H. Also, KSA issued its National VAT Law with a Royal Decree No. M113 dated on 1438/11/2 H and published its Implementing Regulations issued by GAZT Board of Directors Resolution No.3839 dated on 1438/12/14 H based on the provisions in the Agreement.

2.3. General Authority of Zakat & Tax (GAZT)

The General Authority of Zakat & Tax (GAZT) is the authority in charge of the implementation and the administration of VAT in KSA. GAZT is responsible for the registration and deregistration of taxable persons for VAT, to administer VAT return filing and VAT refunds as well as to undertake audits / VAT visits. GAZT also has the power to levy penalties for non-compliance with VAT regulations. GAZT’s detailed powers including its enforcement powers are set out in the VAT implementing regulations – below link: https://vat.gov.sa/images/Regulations/Value-Added-Tax-Approved-Implementing-Regulations-Bilingual.pdf

2.4. Taxpayer charter

As a taxpayer, you can expect a minimum standard to be met while dealing with GAZT and can expect certain standards in GAZT’s administration of VAT. Equally, GAZT expects taxpayers to meet certain minimum standards. These standards are set out in the taxpayer charter, accessible via the following link: https://www.vat.gov.sa/en/introduction-to-vat/taxpayer-charter.html

2.5. What is VAT

VAT is an indirect tax which is imposed on selected goods and services that are bought and sold by businesses. VAT is implemented in more than 160 countries around the world. VAT is a tax on consumption that is paid and collected at every stage of the supply chain, from when a manufacturer purchases raw materials to when a retailer sells the end-product to a consumer. Unlike with other taxes, eligible businesses will both:

• Collect VAT from their customers equal to a specified percentage of each eligible sale, and
• Pay VAT to their suppliers equal to a specified percentage of each eligible purchase

2.6. How VAT works

When a VAT-registered business sells a good or service, it charges – assuming a standard case – an extra 5% of VAT on top of the sales price. The business will account for that 5% from all eligible sales separately from its revenue in order to later remit a portion of it to the government. The VAT that a business collects on its sales is called Output VAT. That same business will also pay 5% VAT on top of the goods or services purchased from other taxable businesses. The VAT that a business pays to its suppliers is called Input VAT. In order to calculate how much they owe to GAZT, each business will note how much VAT it has collected from customers and subtract from it the total VAT it paid in the same period.
See the table below to see how this calculation might look in the electronics store example:

**Electronics store example – VAT calculation**

<table>
<thead>
<tr>
<th>VAT transactions</th>
<th>Price per unit (before tax)</th>
<th>Tax per unit</th>
<th>Units bought/sold</th>
<th>Total tax</th>
<th>Tax name</th>
</tr>
</thead>
<tbody>
<tr>
<td>TVs bought from manufacturer</td>
<td>SAR 1,000</td>
<td>SAR 1,000 x 5% = SAR 50</td>
<td>100</td>
<td>SAR 50 x 100 TVs = SAR 5,000</td>
<td>Input VAT</td>
</tr>
<tr>
<td>TVs sold to customer</td>
<td>SAR 1,200</td>
<td>SAR 1,200 x 5% = SAR 60</td>
<td>100</td>
<td>SAR 60 x 100 TVs = SAR 6,000</td>
<td>Output VAT</td>
</tr>
<tr>
<td>VAT owed to government</td>
<td>SAR 6,000 – SAR 5,000 = SAR 1,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Output VAT – Input VAT = VAT due</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

It is also possible for a taxpayer to pay more in input VAT than they collect in output VAT. In that case, the business could claim a refund from GAZT or a credit on its next tax return for the same amount. For details, see section 7 of this manual or Article 69 of the Implementing Regulations.

2.7. VAT’s impact on prices

Overall, businesses will not pay higher pre-tax prices for input goods and services. Costs should not change because businesses are able to deduct their input VAT from their output VAT. The end-consumer, however, will not collect or be able to deduct any VAT. Therefore, end-consumers will initially experience a 5% price increase; compared to the price before tax implementation.

3. GOODS AND SERVICES IN SCOPE OF VAT

3.1. Taxable businesses

All businesses whose taxable sales in the past twelve months or expected taxable sales in the next twelve months exceed SAR 375,000 are required to register for, collect, and remit VAT. In 2018, only businesses whose taxable sales in the past twelve months or expected taxable sales in the next twelve months exceed SAR 1,000,000 are required to register for, collect, and remit VAT. Additionally, there are two groups for whom the VAT is optional:

1. Firms with taxable sales of SAR 187,500-375,000:
   Companies with taxable sales in the past twelve months or expected taxable sales in the next twelve months between SAR 187,500 and SAR 375,000 can choose to register for VAT or not.

2. Firms with taxable sales above SAR 375,000 who sell exclusively “zero-rated” products:
   Goods and services such as certain medical products, international transportation, and exports to non-GCC countries are all “zero-rated,” meaning zero VAT will be charged (Zero-rated supplies are described in detail in section 5). If a firm has VAT-eligible sales above SAR 375,000, but its revenue is exclusively from zero-rated goods or services, it has the option to register for VAT or not.
3.2. Non-taxable businesses

The following businesses are not able to register for the VAT:

- Businesses whose annual VAT-eligible sales are below SAR 187,500
- Businesses whose products or services are all exempt from VAT (note: exempt is different from zero-rated – see section 5 for more detail)

4. VAT REGISTRATION

4.1. VAT registration deadlines

The deadline for VAT registration depends on the business’s annual taxable sales:

- Businesses with annual taxable sales over SAR 1,000,000 must register by December 20, 2017
- Businesses with annual taxable sales under SAR 1,000,000 must register by December 20, 2018

4.2. Registration of non-KSA residents

Non-KSA residents who make VAT-eligible sales and purchases in the Kingdom are required to register for and pay VAT.

In order to register for VAT, non-resident businesses have to appoint a tax representative based in KSA. That representative, once approved by GAZT, is able to submit VAT returns and payment to GAZT and correspond with the Authority on the taxpayer’s behalf.

The representative will be held jointly and severally liable for the VAT the business owes to GAZT. That means that if the business fails to pay tax for an extended period of time, the tax representative can be held personally responsible for the remaining balance.

4.3. VAT registration process

Businesses can register for VAT using the application portal which is accessible on GAZT’s website. Note that to register for VAT, taxpayers need to have a valid tax identification number (TIN).

If you do not have a TIN, you will be able to register for one on GAZT’s website prior to VAT registration. Upon accessing the portal, taxpayers will be taken through a five-stage application:

1. Instructions:
   The first page will instruct taxpayers regarding how to proceed through the registration.

2. Taxpayer details:
   The second page of the application will prompt users to provide the following information:
   - Whether or not the business imports or exports goods or services
   - An IBAN number to be associated with the business’s VAT account
   - The date the business became eligible for VAT (e.g. if the business only recently surpassed one of the revenue thresholds)

   In the image below, you will note that the business’s TIN, CR, and address are also listed. GAZT will automatically fill these fields based on pre-existing records for each business.
3. **Financial details:**
   On the third page, the business will be asked for financial information, which will be used to assess their eligibility for VAT. This information will include:
   - Projected taxable sales for the next year
   - Actual taxable sales for the last year
   - Projected taxable expenses for the next year
   - Actual taxable expenses for the last year
   - Document(s) validating revenue and expense claims (e.g. income statements, customs reports, etc.) Note: attaching these documents is encouraged but not mandatory

4. **Financial representative (only for non-KSA registrants):**
   VAT-eligible non-KSA businesses will need to provide information about their designated tax representative in Saudi Arabia. Each non-KSA business will need provide its tax representatives:
   - TIN (if they have one)
   - ID number (such as a Saudi, Iqama, or GCC ID)
   - Mobile number
   - Email

5. **Declaration:**
   Lastly, the taxpayer has to certify that all the submitted information is accurate. Along with that certification the taxpayer will have to provide his name, ID number, and its title within the business.
4.4. VAT group registration

A set of two or more legal persons are allowed to register as a group if they are under common control, meaning the same entity or individual owns 50% or more of all group members. Groups must apply using GAZT’s electronic application form.

In order for a group to be eligible:

- All group members must perform an economic activity
- All group members must be legal residents of the Kingdom of Saudi Arabia
- At least one group member must independently meet the taxable sales threshold for VAT registration

If the group application is approved, all members will be treated as a group for VAT purposes. This means that the group’s VAT will be calculated for all of its members combined, i.e. their combined output VAT minus their combined input VAT.

4.5. Deregistration requirements

There are two sets of circumstances that can prompt a business’s deregistration from the VAT.

4.5.1. Mandatory deregistration

A taxable person must apply to deregister within 30 days when any of the following cases occur:

<table>
<thead>
<tr>
<th>Nature of taxable person</th>
<th>Deregistration event</th>
</tr>
</thead>
<tbody>
<tr>
<td>All taxable persons</td>
<td>Ceases to carry on an economic activity</td>
</tr>
<tr>
<td>All taxable persons</td>
<td>Ceases to exist as a legal person</td>
</tr>
<tr>
<td>Non-resident</td>
<td>If at the end of any month, has not made any taxable supplies in the KSA in the most recent 12 month period</td>
</tr>
<tr>
<td>Resident registered for at least 12 months (if all the three conditions occur)</td>
<td>1) Total value of annual supplies or annual expenses in the last 12 months does not exceed the voluntary registration threshold</td>
</tr>
<tr>
<td></td>
<td>2) Total value of annual supplies made in the KSA or annual expenses in the last 24 months does not exceed the mandatory registration threshold</td>
</tr>
<tr>
<td></td>
<td>3) Total value of annual supplies or annual expenses in that month and the subsequent 11 months is not anticipated to surpass the voluntary registration threshold</td>
</tr>
</tbody>
</table>

4.5.2. Voluntary deregistration

Deregistration is optional if:

- The business’s taxable sales in the past 12 months are between SAR 187,500 and SAR 375,000
- The business’s expected taxable sales in the next 12 months (current month included) are between SAR 187,500 and SAR 375,000

4.6. VAT Registration database

The GAZT portal will make available a database where taxpayers can verify suppliers and customers VAT registration numbers.

5. TAXABLE AND NON-TAXABLE SUPPLIES

5.1. Taxable supplies

All goods and services bought or sold in, or imported into the Kingdom are eligible for VAT unless otherwise specified as exempt.

5.2. Exempt supplies

Exempt goods and services are not subject to VAT. A seller of exempt supplies does not collect VAT on sales and is not allowed to deduct the input VAT it pays to suppliers. As a result, businesses that only sell exempt supplies are not allowed to register for VAT even if their taxable sales are above SAR 375,000. Exempt goods and services include:

- Particular financial services: The supply of financial services will be exempt, except for instances where the consideration payable is by way of a discrete amount.
- Residential real estate: The supply by way of lease, license or rental of any property zoned as residential real estate, or designed or used for residential purposes will qualify to be treated as exempt from VAT. The supply of hotel accommodation, non-hotel but serviced accommodation, or residential property held out for rent in a similar manner to hotel or serviced accommodation will not qualify for exemption. Any commercial property or property designated or used for commercial purposes will not qualify for exemption

5.3. Zero-rated supplies

Zero-rated goods and services are legally taxable but are taxed at VAT rate of 0%. This regulation exists so that businesses selling zero-rated supplies can still deduct their input VAT and receive refunds. This is the key difference compared to businesses that sell exempt supplies, which cannot receive refunds.
Zero-rated goods and services include:

5.3.1. Non-GCC exports

When taxable businesses export goods or services to a destination outside the GCC or provide services to non-GCC residents, those transactions are zero-rated.

KSA will treat intra-GCC products in the same way as extra-GCC imports until the full-integration of the Electronic Services System. For more information, refer to Article 79 (7) of the Implementing Regulations. Going back to the electronics store example, let’s imagine that in addition to the previously mentioned sales, the store is selling and shipping 20 of its 100 TVs to a customer in Egypt.

### VAT ON NON-GCC EXPORTS

#### Electronics store example – Zero-rated transactions

<table>
<thead>
<tr>
<th>VAT transactions</th>
<th>Price per unit (before tax)</th>
<th>Tax per unit</th>
<th>Units bought/sold</th>
<th>Total tax</th>
<th>Tax name</th>
</tr>
</thead>
<tbody>
<tr>
<td>TVs bought from manufacturer</td>
<td>SAR 1,000</td>
<td>SAR 1,000 x 5% = SAR 50</td>
<td>100</td>
<td>SAR 50 x 100 TVs = SAR 5,000</td>
<td>Input VAT</td>
</tr>
<tr>
<td>TVs sold to customer in KSA</td>
<td>SAR 1,200</td>
<td>SAR 1,200 x 5% = SAR 60</td>
<td>80</td>
<td>SAR 60 x 80 TVs = SAR 4,800</td>
<td>Output VAT</td>
</tr>
<tr>
<td>TVs sold to customer in Egypt</td>
<td>SAR 1,200</td>
<td>SAR 1,200 x 0% = SAR 0</td>
<td>20</td>
<td>SAR 0 x 20 TVs = SAR 0</td>
<td>Output VAT</td>
</tr>
<tr>
<td>VAT owed to government</td>
<td>(SAR 4,800 + SAR 0) – 5,000 = (SAR 200)</td>
<td></td>
<td></td>
<td>Output VAT = Input VAT= VAT due</td>
<td></td>
</tr>
</tbody>
</table>

VAT receivable  VAT payable  VAT neutral

In the above example, the electronics store ends up receiving a VAT refund because:

- 20 of the original 100 TVs were exported to a non-GCC customer, so the electronics store collected no VAT on the sale of those 20 TVs.
- Although non-GCC exports are zero-rated, the electronics store was still able to deduct the input VAT it paid when it purchased those 20 TVs from the manufacturer.

### 5.3.2. International transport

Within international transport, zero-rated goods and services include:

- International transport of passengers and goods
- Vehicles and equipment to be used for international transportation
- Services provided in connection with international transportation

In the example below, we look at Saudi Airlines which has input and output VAT related to both international and domestic flights. While the international flights are eligible for zero-rate VAT, the domestic flights (and any related goods or services) remain taxed at the standard VAT rate of 5%.
5.3.3. Medicines and medical goods

Medicines and medical goods shall be considered Qualifying Medicines and Qualifying Medical Goods respectively as per the classification issued by the Ministry of Health (MoH) or any other competent authority from time to time. Qualifying Medicines and medical goods will be part of MoH's formulary drug list.

Qualifying Medicines and medical goods are zero-rated.

Let's look at an example where a pharmacy buys and resells two shipments of drugs: one of them included in the formulary list (and zero-rate eligible) and the other is not in the list (and therefore taxed at 5%).

### VAT on Medicine Sales

<table>
<thead>
<tr>
<th>Price per unit (before tax)</th>
<th>Tax per unit</th>
<th>Units bought/sold</th>
<th>Total tax</th>
<th>Tax name</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Airline purchases 5 Boeing 777-300 aircraft for long-haul intl. flights</strong></td>
<td>SAR 1.2B</td>
<td>SAR 1.2B x 0% = SAR 0</td>
<td>5</td>
<td>SAR 0 x 5 = SAR 0</td>
</tr>
<tr>
<td><strong>Airline sells tickets for Riyadh-New York (flying 777-300)</strong></td>
<td>SAR 4,000</td>
<td>SAR 4,000 x 0% = SAR 0</td>
<td>300</td>
<td>SAR 0 x 300 = SAR 0</td>
</tr>
<tr>
<td><strong>150 passengers pay for advance seat selection for New York flight</strong></td>
<td>SAR 200</td>
<td>SAR 200 x 0% = SAR 0</td>
<td>150</td>
<td>SAR 0 x 150 = SAR 0</td>
</tr>
<tr>
<td><strong>Airline purchases 5 Airbus A319 for short-haul domestic flights</strong></td>
<td>SAR 350M</td>
<td>SAR 350M x 5% = SAR 17.5M</td>
<td>5</td>
<td>SAR 17.5M x 5 = SAR 87.5M</td>
</tr>
<tr>
<td><strong>Airline sells tickets for Riyadh-Jeddah (flying A319)</strong></td>
<td>SAR 500</td>
<td>SAR 500 x 5% = SAR 25</td>
<td>100</td>
<td>SAR 25 x 100 = SAR 2,500</td>
</tr>
<tr>
<td><strong>50 passengers pay for advance seat selection</strong></td>
<td>SAR 100</td>
<td>SAR 100 x 5% = SAR 5</td>
<td>50</td>
<td>SAR 5 x 50 = SAR 250</td>
</tr>
</tbody>
</table>

VAT owed to government

\[
\text{VAT owed to government} = (\text{SAR 0} + \text{SAR 0} + \text{SAR 2,500} + \text{SAR 250}) - (\text{SAR 0} + \text{SAR 87.5M}) = (\text{SAR 87,497,250})
\]

VAT on Medicine Sales

- **Drugs on MoH formulary list**: 0%
- **Drugs not on MoH formulary list**: 5%

The above example shows us that:

- Drugs on MoH formulary list are zero-rated
- Drugs not on MoH formulary list are taxed at the standard 5% rate in both transactions
5.3.4. Investment metals

Two types of transactions involving qualifying investment metals – gold, silver, and platinum of 99% purity or higher – are zero-rated:

• A producer or refiner’s original sale of investment metal

• Any further sale of gold, silver, and platinum where the purity level remains

Let’s look at an example where a producer sells an initial amount of gold to a refiner. The refiner then sells half of the gold at 99% purity in a zero-rated transaction and half the gold at a lower purity level in a standard-rated transaction. The manufacturer then sells gold necklaces to a retailer who then sells those necklaces to an end-customer.

<table>
<thead>
<tr>
<th>VAT transactions</th>
<th>Price per unit (before tax)</th>
<th>Tax per unit</th>
<th>Units bought/ sold</th>
<th>Total tax</th>
<th>Tax name</th>
</tr>
</thead>
<tbody>
<tr>
<td>Producer sells gold to refiner</td>
<td>SAR 4,600/oz.</td>
<td>SAR 4,600 x 0% = SAR 0</td>
<td>100</td>
<td>SAR 0 x 100 oz = SAR 0</td>
<td>Producer – Output VAT</td>
</tr>
<tr>
<td>Refiner sells gold to manufacturer</td>
<td>SAR 5,000/oz.</td>
<td>SAR 5,000 x 0% = SAR 0</td>
<td>50</td>
<td>SAR 0 x 50 oz = SAR 0</td>
<td>Refiner – Input VAT</td>
</tr>
<tr>
<td>Refiner sells gold to manufacturer</td>
<td>SAR 4,750/oz.</td>
<td>SAR 4,750 x 5% = SAR 237.5</td>
<td>52</td>
<td>SAR 237.5 x 52 oz = SAR 12,350</td>
<td>Manufacturer – Output VAT</td>
</tr>
<tr>
<td>Manufacturer sells necklaces to retailer</td>
<td>SAR 3,000/necklace</td>
<td>SAR 3,000 x 5% = SAR 150</td>
<td>200</td>
<td>SAR 150 x 200 = SAR 30,000</td>
<td>Manufacturer – Output VAT</td>
</tr>
<tr>
<td>Retailer sells necklaces to end-customers</td>
<td>SAR 4,000/necklace</td>
<td>SAR 4,000 x 5% = SAR 200</td>
<td>200</td>
<td>SAR 200 x 200 = SAR 40,000</td>
<td>Retailer – Output VAT (final sale)</td>
</tr>
</tbody>
</table>

We can see in the above example how the zero-rate concept applies to different transactions involving an investment metal like gold.

• First, the producer’s original sale of gold is zero-rated

• Second, the refiner’s sale of half the gold at 99% purity is zero-rated. However, the refiner’s sale of the other half of the gold at a reduced 95% purity is eligible for the standard 5% VAT rate

• Third, when the manufacturer sells gold necklaces to a retailer, it collects 5% VAT

• Finally, the retailer collects 5% VAT on its sale of those necklaces to end-customers

5.4. Paying VAT on imports

Imports are always taxable unless the product is otherwise specified as exempt. Both VAT-registered and unregistered businesses are required to pay VAT on imports, as described below:

1. Registered businesses:
   If a business is registered for VAT and is importing goods from a non-GCC country (or from the GCC but cannot prove previous VAT payment), then it must pay VAT to the Customs Department upon the arrival of the imported goods to KSA.

   • Net importers can apply to pay import VAT to GAZT in the same tax return as their other VAT. GAZT will primarily approve larger-volume importers for this option

2. Unregistered businesses:
   If an unregistered business or a private person imports goods worth more than SAR 10,000 from another GCC country and cannot prove that it paid VAT in the originating nation, it is required to pay VAT in the Kingdom (to the Customs Department).

   The value of imported goods into the KSA for VAT purposes is the value of the goods plus any applicable:

   • Customs duties
   • Excise duties
   • Insurance duties
   • Freight duties
   • Any other fiscal charges (except for VAT itself)
   • Any services incidental to the import of the goods (where not included in the dutiable value)

5.5. Exempt imports

The following imports of goods, which are not subject to customs duties, are exempt from import VAT:

• Goods for diplomatic and military use which are exempt from customs duties

• Imports of personal effects and household appliances being moved into the KSA which are exempt from customs duties in accordance with the Unified Customs Law

• Imports of returned goods which are fully exempt from customs duties
5.6. Out of scope supplies

In some cases, supplies may be outside the scope of VAT, e.g. when supplies are:

- Made by a non-taxable person
- Made outside the KSA (but note special place of supply rules for certain international services, e.g. electronically supplied services)
- Not made in the course of an economic activity

6. PLACE OF SUPPLY

6.1. Determining the place of supply

The place of supply (where tax is ultimately levied) is the jurisdiction where the final consumption occurs. Note this does not necessarily have to be the country where the value is created. For example, if the electronics store from our previous example is located in Jeddah, is owned by a man who lives in Jeddah, and sells all of its TVs in Jeddah, then its place of supply is the Kingdom of Saudi Arabia, and the store pays its VAT to GAZT.

6.2. Special situations

There are special situations for which the place of supply is determined on a different basis, due to the nature of the business. If any of the below applies to your business, please refer to the Implementing Regulations for more detail on place of supply.

- Real estate services: any real estate related services conducted by a KSA registered business on real estate located outside the Kingdom, the place of supply is considered to be outside the Kingdom.
- Wired and wireless telecommunications and electronic services: the place of supply is wherever the customer resides, unless the customer is paying to use the service at a specific location (e.g. an internet cafe or a hotel).
- Cultural, artistic, sport, education, and entertainment services: the place of the supply is wherever the service is performed.
- Services related to passenger and goods transportation: the place of supply is where the service is performed. If the service is performed in multiple countries, the VAT is calculated by proportionally dividing the value of the service with regards to how much of the service is performed inside KSA and outside KSA.
- Goods supplied after import: If a KSA-based supplier is selling a product to a KSA-based customer but needs to first import that product from outside the Kingdom, that transaction is split into two: 1) the import transaction and 2) the domestic supply transaction. The place of supply for the domestic transaction between two KSA firms is KSA.

6.3. Businesses registered in multiple countries

In some cases, a customer might be registered for the VAT in more than one GCC country. In this case, VAT paid or collected on each transaction should be accounted for as pertaining to the country most closely associated to the transaction. For example, let’s say a KSA-headquartered manufacturer has factories in both KSA and the UAE. If the manufacturer fulfills a purchase order for a customer in Europe from its factory in the UAE, the sale should be noted on its UAE VAT return, rather than its return in KSA.

7. VAT DEDUCTIONS AND REFUNDS

7.1. Input tax deductions

A taxable business can deduct input VAT, meaning VAT paid on goods or services purchased from registered suppliers. Three categories of goods and services purchases are eligible for input VAT deduction:

1. Taxable supplies: All goods and services that are not specifically mentioned as exempt from VAT are eligible for input VAT deduction when purchased.
   
   - Note that taxable supplies include zero-rated goods and services. For zero-rated purchases, businesses will account for a deduction of the 0% VAT they paid on those purchases on their VAT return
2. Internal supplies: Input VAT paid on imports from other GCC countries, or internal supplies, is eligible for deduction.
   
   - Note that if the supplier resides in a GCC country that has not implemented the VAT, the import will be treated as if it came from outside the GCC
3. Taxable imports from outside the GCC: VAT paid on taxable imports from outside the GCC is deductible if it is used to supply zero rated or standard rated goods or services.

7.1.1. Timing of input VAT deductions

Input VAT can be deducted in the tax period when the supply is invoiced, in line with invoice accounting practices. If the business is approved for cash accounting, then the input VAT can only be deducted in the tax period when the invoice is actually paid.

7.1.2. Input tax deductions on capital assets

If the assets are bought after the registration, then the full amount of input tax can be deducted immediately in case the full amount is paid upfront and the intended use of the capital asset is zero rated or standard rated supplies. However, if the price is paid in instalments, VAT is accounted for with the periodic payments in line with the general principle of tax point.
In cases where capital assets have already been bought before registration and tax has been paid on it, the input tax paid can still be deducted after registration with its value capped by the net book value. Net book value is determined in accordance with the accounting standard of the taxable person such as straight line depreciation.

### 7.2. Transactions ineligible for deduction

There are four categories of purchases for which businesses are not permitted to deduct input tax:

1. **No input tax paid on sports, entertainment, or cultural services can be deducted**
2. **Input tax paid on catering services in hotels, restaurants and similar venues cannot be deducted**
3. **Input tax paid on “restricted motor vehicles” or related services cannot be deducted**. Restricted motor vehicles are vehicles that are not exclusively for company purposes or intended for resale
4. **Input tax paid on any other goods or services used for private or other non-business reasons cannot be deducted.**

### 7.3. Eligibility for VAT refunds

Taxpayers are eligible for VAT refunds in three scenarios:

1. **Net tax due is negative (credit) amount**: If the total VAT a business owes is negative, because their input VAT exceeds their output VAT in a given tax period, the business is due a refund.
2. **Previous payment exceeds VAT owed**: If a business has paid GAZT more than it owed, it can claim a refund.
3. **Credit balance**: If a business otherwise ends up with a positive balance on their VAT account, they can claim that amount as a refund.

In all of these cases, the standard practice is to carry forward the amount in the VAT account unless the taxable person requests refund.

### 7.4. Direct refunds vs. tax credits

When they submit their VAT returns, taxpayers can request to receive any refund associated with that return as a tax credit. In that case, GAZT will automatically apply the refundable amount to the taxpayer’s balance on their next VAT return or any other time.

### 7.5. Adjusting VAT following a change in supply value

When the value of a supply changes, the taxpayer will have to make adjustments to any previously invoiced VAT. Below are two examples of why this might occur:

- An order for a good that has been paid but canceled and must be refunded
- A customer opts to cancel a service that has already been partially completed and therefore the revenue and tax collected must be proportionally adjusted

Taxpayers will use credit and debit notes to make corrections to overstated or understated VAT declared in previous invoices:

- **Credit notes**: If a supplier realizes it collected too much VAT from its customer, the supplier must issue a credit note to the customer for the difference
- **Debit notes**: If a supplier realizes it collected too little VAT from its customer, the supplier must issue a debit note to the customer for the difference

Credit and debit notes must specify the tax invoice number for the original transaction to which they are connected.

Let’s look at an example where our electronics store has invoiced and collected payment for a product, but the customer cancels the order and requests a refund. In this case, the electronics store would have to issue the customer a credit note for the output VAT the store collected on the original order.

**Electronics store example – VAT adjustment using a credit note**

<table>
<thead>
<tr>
<th>VAT transactions</th>
<th>Price per unit (before tax)</th>
<th>Tax per unit</th>
<th>Units bought/sold</th>
<th>Total tax</th>
<th>Tax name</th>
</tr>
</thead>
<tbody>
<tr>
<td>TV purchased from supplier</td>
<td>SAR 1,000</td>
<td>SAR 1,000 x 5% = SAR 50</td>
<td>1</td>
<td>SAR 50 x 1 TV = SAR 50</td>
<td>Input VAT</td>
</tr>
<tr>
<td>TV sold to customer</td>
<td>SAR 1,200</td>
<td>SAR 1,200 x 5% = SAR 60</td>
<td>1</td>
<td>SAR 60 x 1 TV = SAR 60</td>
<td>Output VAT</td>
</tr>
<tr>
<td>Customer cancels order</td>
<td>SAR 1,200</td>
<td>-SAR 1,200 x 5% = (SAR 60)</td>
<td>1</td>
<td>(SAR 60) x 1 TV = (SAR 60)</td>
<td>Credit note</td>
</tr>
</tbody>
</table>

### 8. HOW TO REMIT VAT

#### 8.1. When to file and pay your VAT return

Taxpayers must file their VAT returns and pay their tax bill by the last day of the month following the end of that tax period. Note that tax periods will always end on the last day of the month, so returns for each period will be due on the last day of the following month.

The tables below show when VAT returns are due for the two groups of taxpayers: businesses with annual taxable sales above SAR 40 million who have to file monthly returns and businesses with annual taxable sales under SAR 40 million who have to file quarterly returns.
8.2. The VAT return form

The VAT return form will require taxpayers to provide information about VAT collected on sales and paid on purchases. Below is the VAT return form:

**Box 1 - Standard rated sales:**
- **Amount:** the amount of all goods and services sold in the KSA during the current filing period which are subject to the standard rate of 5% VAT
- **Adjustment:** adjustments to the sales amount of goods and services sold in the KSA subject to 5% as reported in previous VAT return forms e.g. returned goods by customers, bad debt write-offs

**Box 2 – Sales to customers in VAT implementing GCC countries**
- **Amount:** the amount of goods and services sold to customers registered for VAT in other GCC countries during the current filing period. Those sales are subject to 0% VAT rates
- **Adjustment:** adjustments to the sales amount of goods and services sold to customers in other GCC countries, and reported in previous return forms

**Box 3 - Zero rated domestic sales**
- **Amount:** the amount of all goods and services sold in the KSA during the current filing period that are subject to 0% VAT
- **Adjustment:** adjustments to the sales amount of goods and services sold in the KSA, subject to 0% VAT rate, and reported in previous return forms

**Box 4 - Exports:**
- **Amount:** the amount of goods and services exported to customers outside the GCC countries during the current filing period. Those goods and services are subject to 0% VAT
- **Adjustment:** adjustments to export amounts of goods and services sold to non-GCC countries, and reported in previous return forms

**Box 5 - Exempt sales:**
- **Amount:** the amount of goods and services exempt from VAT and supplied to customers either inside the KSA or outside during the current filing period

In addition, there are three columns that appear on the VAT return form:

1. **Amount**
2. **Adjustment**
3. **VAT amount**

The greyed out boxes are fields in which the data values will be system generated and automatically calculated based on your input in the other fields.

In the following section we look at each box and provide you with an overview of what you should put in the boxes:

The VAT return form is split into two distinct sections, the first of which deals with VAT on sales (output VAT) and the second of which deals with VAT on purchases (input VAT).
• Adjustment: adjustments to amounts of exempt goods and services sold inside and outside the KSA, and reported in previous return forms

Box 7 - Standard rated domestic purchases:
• Amount: the amount of goods and services purchased from suppliers in the KSA during the current filing period and subject to the standard rate of 5% VAT
• Adjustment: adjustments to purchase amounts of goods and services from suppliers in the KSA, subject to VAT at the standard rate of 5% VAT, and reported in previous VAT return forms

Box 8 - Imports subject to VAT paid at customs:
• Amount: the amount of goods and services purchased from suppliers outside the KSA during the current filing period and subject to 5% import VAT which has been paid at customs.
• Adjustment: adjustments to purchase amount of goods and services purchased from suppliers outside the KSA during the current filing period and subject to 5% VAT.

Box 9 - Imports subject to VAT accounted for through reverse charge mechanism:
• Amount: the total amount of imports that are subject to the reverse charge, i.e. where the taxable recipient of goods and services accounts for any VAT due as opposed to the non-resident taxable supplier
• Adjustment: the amount adjusted as a result of imports being required to be accounted for under the reverse charge, i.e., the customer acts as if he is both the supplier and the recipient for VAT purposes and self-assesses any VAT due

Box 10 - Zero rated purchases:
• Amount: the amount of goods and services purchased from suppliers in the KSA during the current filing period and subject to 0% VAT
• Adjustment: adjustments to purchase amounts of goods and services from suppliers in the KSA, subject to 0% VAT rate, and reported in previous return forms

Box 11 - Exempt purchases:
• Amount: the amount of exempt goods and services purchased from suppliers in the KSA during the current filing period
• Adjustment: adjustments to purchase amounts of exempt goods and services from suppliers in the KSA, and reported in previous return forms.

Box 14 - Corrections from previous period (between SAR ±5,000):
• Amount: the amount pertaining to a correction of an error reported in previous return forms (up to 5 years back) more than SAR -5,000 and less than SAR 5,000.
• Adjustment: N/A

Box 15 - VAT credit carried forward from previous period(s):
• Amount: the credit in VAT amounts from previous filing periods that were not claimed or refunded. This amount will be deducted from the total VAT due for the current filing period
• Adjustment: N/A

Box 16 - Net VAT due (or reclaimed):
• Amount: the total amount of VAT due or claimed for the current period. Any negative amount is VAT claimed that could either be refunded or carried forward for subsequent periods
• Adjustment: N/A

8.3. How to pay GAZT
Businesses must pay GAZT the tax they owe via a bank transfer to GAZT’s designated account using the SADAD payment system.

8.4. Extensions for VAT payment
If a taxpayer is unable to pay VAT when it is due, he can request an extension from GAZT in writing, noting:
• The amount of tax owed
• The tax periods associated with that sum
• Why paying on time is not possible
GAZT will reply either approving or rejecting the request within 20 days.

8.5. Tax return corrections
If a taxpayer recognizes an error in an already submitted tax return, he has 20 days to notify GAZT of the error by submitting a correction form.

If the error results in a discrepancy of tax owed under SAR 5,000, the correction can be made by adjusting the net tax in the business’s next tax return.

9. PROPORTIONAL DEDUCTIONS
The concept of a proportional deduction is important for businesses that sell a mix of taxable and exempt supplies. Instead of deducting all of the input tax it pays, the business must only deduct an amount that is proportional to its taxable sales.
In other words, if a bank sells 30% taxable supplies and 70% exempt supplies, it should only deduct 30% of its input tax. However, businesses should calculate their ratio of taxable to exempt supplies based on the previous calendar year. If in the current year the business sells more exempt supplies than in the previous year, the taxpayer will have to use an adjustment at the end of the year to compensate GAZT for the amount it over-deducted. The opposite adjustment is possible if the business discovers that it under-deducted, based on a higher-than-expected ratio of taxable to exempt supplies.

10. THE REVERSE CHARGE MECHANISM (RCM)

10.1. Reverse charge mechanism overview

The reverse charge mechanism is an accounting practice that enables taxpayers to account for input VAT that has not been paid before that period’s tax filing. The taxpayer effectively notes the reverse charge as a payable amount on its tax return to account for an input tax amount that should have been but was not collected on a previous purchase.

10.2. When to use the reverse charge mechanism

The reverse charge mechanism must be applied when a VAT-registered business imports a taxable service.

Unlike imported goods, imported services do not go through customs, so VAT cannot be collected at an airport or a border. However, the buyer is still required to account for input VAT on the transaction using the reverse charge mechanism. The best way to explain this is through an example:

Let’s say our electronics store purchases a software subscription from a UK firm for SAR 2,000. Because the software is delivered electronically, it never goes through customs department and VAT is not collected upon “import”. As a result, the store must use the reverse charge mechanism to account for input VAT, as explained and shown below:

• The store will note the SAR 2,000 input cost as an import subject to VAT through the reverse charge mechanism
• The amount of SAR 20,000 is recorded in the standard rate box, and its output tax of SAR 1,000 is recorded
• If the store’s sales were 100% taxable in the previous year, then the store will effectively owe no input VAT on the software. Instead, it will just remit the full 5% output VAT (equal to SAR 1,000) collected during that tax period

Below is what the store’s VAT return would look like for this scenario (ignoring any other transactions):

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount (SAR)</th>
<th>Adjustment (SAR)</th>
<th>VAT Amount (SAR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standard rated sales</td>
<td>20,000.00</td>
<td>0.00</td>
<td>1,000.00</td>
</tr>
<tr>
<td>Sales to customers in VAT implementing GCC countries</td>
<td>0.00</td>
<td>0.00</td>
<td></td>
</tr>
<tr>
<td>Zero rated domestic sales</td>
<td>0.00</td>
<td>0.00</td>
<td></td>
</tr>
<tr>
<td>Exports</td>
<td>0.00</td>
<td>0.00</td>
<td></td>
</tr>
<tr>
<td>Exempt sales</td>
<td>0.00</td>
<td>0.00</td>
<td></td>
</tr>
<tr>
<td>Total Sales</td>
<td>20,000.00</td>
<td>0.00</td>
<td>1,000.00</td>
</tr>
</tbody>
</table>

Let’s look at another example; a bank purchases the same software. Banks provide financial services so much of their output is VAT exempt. Consequently, a bank will have to apply the proportional deduction method (as described in section 8).

Let’s say that only 30% of the bank’s sales were taxable in the previous year and the other 70% was revenue from exempt financial services. In the current year the store will end up owing input VAT to GAZT connected to the 30% of output that is treated as taxable.

Below we explain how to calculate total VAT owed on your return for this scenario:

• Note that the bank has collected SAR 300 in output VAT
• Unlike in the first example, the bank will actually owe input VAT to GAZT. The bank determines this input VAT amount by calculating 5% input VAT on input cost multiplied by the proportion of exempt sales from the previous year. In other words:
  ▶ The Bank should calculate the input tax on 70% of its purchases costs
  ▶ In this example, the bank will owe an input tax of 70% of SAR 2,000 or SAR 1,400. Thus, the input tax in this case will be 5% of SAR 1,400 or SAR 70.

To show this input VAT adjustment on the return, the taxpayer will note a value of SAR 1,400 as an adjustment in the reverse charge for imports row (row 9). The deductible input VAT already paid is the input cost (SAR 2,000) multiplied by 0%. From that you subtract the adjustment amount (SAR 1,400) multiplied by the standard rate of 5%, so SAR 70. That leaves us with a total deductible input VAT as -SAR 70, meaning that the taxpayer owes SAR 70.
The formula for this row of the return is:

- Deductible input VAT = (Input cost x VAT rate) – (Adjustment x VAT rate)
- In this example: (SAR 2,000 x 0%) – (SAR 1,400 x 5%) = (SAR 70)

To calculate net VAT due, the taxpayer will use the standard Output VAT – Input VAT formula:

- In this case, that is equal to SAR 300 – (SAR 70), thus SAR 370

The VAT return form below shows what this scenario would look like in practice:

Because the bank used the proportional deduction method, it may have to make an adjustment at the end of the year.

- If, for example, it turns out that the bank’s current year sales were 40% taxable, the bank would be owed a refund because it paid input tax, via the reverse charge mechanism, on 70% of its sales when in fact only 60% were actually exempt.
- In the end, the bank would be owed a refund of the difference of 10%, or SAR 10. See the table below showing this calculation

### Bank example – Adjusting a proportional reverse charge

<table>
<thead>
<tr>
<th>VAT transactions</th>
<th>VAT Calculation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Input tax reverse charged</td>
<td>(SAR 2,000 x 70%) x 5% = SAR 70</td>
</tr>
<tr>
<td>Actual tax chargeable</td>
<td>(Price x % Exempt in Previous Year) x VAT Rate = Input Tax Reverse Charged</td>
</tr>
<tr>
<td>Adjustment</td>
<td>(Price x % Exempt in Current Year) x VAT Rate = Actual Tax Reverse Chargeable</td>
</tr>
<tr>
<td>SAR 60 – SAR 70 = (SAR 10)</td>
<td>Actual Amount Chargeable – Amount Charged = Adjustment to Reverse Charge</td>
</tr>
</tbody>
</table>

### 11. VAT INVOICING

#### 11.1. VAT invoices overview

VAT-registered suppliers must produce invoices documenting revenue and tax information on all taxable sales.

#### 11.2. When to issue an invoice

Tax invoices must be issued at the latest by the 15th day of the month following the month when the transaction occurred.

#### 11.3. Information required for VAT invoices

The tax invoice must include the below details related to the transaction, provided in Arabic:

- The invoice issue date and the date of supply (if they differ)
- A sequential invoice number to identify the document
- The supplier’s legal name, address, and tax identification number
- The customer’s legal name, address, and, when the customer is self-billing, tax identification number (and a statement that the customer and supplier have agreed to self-billing of VAT)
- The quantity and type of goods, or the extent and nature of services provided
- The total amount of revenue eligible for VAT & exemption, and the VAT rates (5% or 0%) to be used
- The unit price not including tax
- Explanation of any discounts or rebates not included in the unit price
- The total tax payable in SAR
- Explanation of any supply where a zero-rate, exemption, or margin scheme is used to calculate VAT
- Profit margin method
11.4. Simplified VAT invoices

Businesses can use simplified tax invoices for goods or services valued at under SAR 1,000 that are not classified as export or internal supplies. The shorter-form invoice must include:

- The date the invoice is being issued
- The full name, address, and tax identification number of the supplier
- The description of the Goods or Services supplied
- The total payable for the good or service referred to in the invoice
- The tax payable or an indication that the total payable mentioned includes VAT

11.5. Currency for invoices

Invoices should always base monetary sums in Saudi Riyals (SAR). If the transactions occurred in another currency, the taxpayer should use the daily conversion rate on the date the tax becomes due provided by the Saudi Arabian Monetary Authority (SAMA) in order to convert the sum to Saudi Riyals (SAR).

11.6. Self-billing

Self-billing refers to when a customer produces an invoice to document input tax it paid to a supplier, instead of the supplier providing that invoice. Self-billing is allowed in cases where the customer and supplier have agreed on it as the preferred method of tax invoicing (and the supplier has specifically agreed he will not invoice for VAT).

12. VAT RECORDS AND BOOKS OF ACCOUNTS

12.1. Timeframe requirements for VAT-related records

VAT taxpayers must maintain relevant records for a minimum of six years after each tax period, in case of audit.

For capital assets, businesses must maintain records for the adjustment period – six years for tangible and intangible assets and ten years for immovable assets like real estate – plus an additional five years from the date of purchase. In total that is 11–15 years.

12.2. Where to keep VAT records

Taxpayers are required to maintain their VAT records inside the Kingdom. The records must either be physical documents inside KSA or stored electronically, where the physical server is also inside the Kingdom. This also applies to non-resident taxpayers, in whose case their designated tax representative is responsible for records maintenance according to these principles. Multinational companies that centralize their record keeping outside KSA must have a terminal inside the Kingdom where their KSA-related VAT records are accessible.

12.3. Records needed in event of audit

Taxpayers should keep all records related to their calculation of VAT. The records will include VAT returns and invoices but potentially other transaction records as well.

12.4. VAT accounts

A business’s VAT account is its ongoing balance with GAZT. Each business’s VAT account will show all tax debts and credits paid, used, or accumulated across periods.

13. SPECIAL VAT ISSUES

13.1. Self-supply of goods and services

Goods or services that a taxable business supplies to it are not taxable (with the exception of nominal supplies). This includes instances where one member of a VAT group provides services to another member of that group.

13.1.1. Self-supply within the GCC

If a taxable business is registered in more than one GCC state and supplies its Saudi business from an entity elsewhere in the GCC, that transaction is taxable. GAZT does not view such transactions as self-supply; instead the Authority will treat them as imports from the non-Saudi branch’s original supplier to the Saudi entity, making the transaction taxable.

For example, if a Saudi business supplies itself with a computer from its Kuwaiti branch, that transaction is taxable. Let’s say the Kuwaiti branch originally bought that computer from a store in Kuwait. GAZT will view that transaction as the Saudi business importing the computer directly from the original store in Kuwait, making it taxable as an import.
14. PENALTIES

<table>
<thead>
<tr>
<th>Description of offence</th>
<th>Associated fine</th>
</tr>
</thead>
</table>
| Submit false documents to evade the payment of the VAT due or to reduce its value | - More than the amount of the VAT due  
- Less than three times the value of the goods or service |
| Move goods in or out of the Kingdom without paying the VAT due   | - More than the amount of the VAT due  
- Less than three times the value of the Goods or service |
| Do not register for the VAT in the allotted timeframe            | - SAR 10,000                                         |
| Do not file VAT return in time                                   | - 5-25% of the VAT due                               |
| Do not pay the VAT in time                                      | - 5% of the VAT due for each month                   |
| Collect the VAT without being registered                        | - Up to SAR 100,000                                  |
| Do not maintain books and records as stipulated in the regulations | - Up to SAR 50,000                                  |
| Prevent the employees of the Authority from performing their duties | - Up to SAR 50,000                                  |
| Violation of any provision of the VAT regulations or the VAT law | - Up to SAR 50,000                                  |

15. REVIEWS AND APPEALS

Two independent committees will be set up to manage taxpayers’ appeals. These committees are a subset of the Committee for the Settlement of Tax Violations and Disputes.

- VAT First Instance Committee. This committee is responsible for:
  - Adjudication of violations, disputes and claims of public and private rights resulting from the enforcement of the provisions of tax laws and regulations
- VAT Appeals Committee. This committee is responsible for:
  - Adjudication on objections made against the decisions of the VAT First Instance Committee

By law, taxpayers have the right to appeal against decisions of penalties issued by GAZT within 30 days of the date of notification. Taxpayers shall present the appeals to the VAT First Instance Committee. As described above, this committee will have all the necessary powers to rule on all the submitted cases.

If taxpayers disagree with the decision issued by the VAT First Instance Committee, an extra 30 days will be given to present a second appeal to the VAT Appeals Committee. After review, this committee will issue a decision that shall be final and non-appealable before any other judicial authority.

16. TRANSITIONAL PROVISIONS

16.1. Grandfathering

Contracts not anticipating VAT are treated as zero rated until the earlier of expiry/renewal date of the contract or 31st December 2018, if the following conditions are met:

- Provided contract was signed before May 2017
- The taxable supplier is entitled to deduct the full input tax in respect of the supply of goods or services or refund of the tax
- The customer should provide a written confirmation to the supplier that the full input tax can be deducted from the supply

17. FINAL NOTE

New editions of the KSA VAT Manual will be published to cover any new regulations, amendments or updates to any of the topics covered in this edition.