Value-added Tax (VAT) Law and draft VAT Regulations in the Kingdom of Saudi Arabia

July 2017

The Shura Council in Saudi Arabia has now approved the Value-added Tax (VAT) law, ahead of its expected issue date in the official gazette. The go-live date for VAT in the Kingdom is confirmed for 1 January 2018.

Whilst VAT law did not provide detailed insights into the local options and principles to be rolled out within the framework of the GCC Agreement, detailed draft VAT regulations have now been published. These now include details on Place of Supply rules, VAT grouping, definitions of Exempt Financial and other services, VAT refund processes and an overview of invoicing and record keeping requirements.

Article 83.5 of the draft regulations also requires businesses to estimate the turnover for the whole of 2018 and to apply for registration. A deadline for this is set at 30 September 2017 and GAZT can require businesses to be registered already ahead of the year-end.

There are important transitional provisions for continuous contracts entered into before 30 May 2017 (article 83.4) and a possibility to delay the VAT registration until 1 January 2019 if the value of the annual supplies does not exceed 1,000,000 SAR.

We understand that the General Authority of Zakat and Tax (GAZT) is preparing an extensive taxpayers’ assistance program. It includes a VAT help center, VAT relationship managers, Q&A guidance, charter of rights, VAT rates and other guidance per industry sector. GAZT is also gearing up to host a number of VAT conferences in Riyadh, Jeddah and Dammam starting from August this year - KPMG will keep you updated in due time.

However, several reviews have shown that nearly half of the taxpayers are not yet “on track” for the go-live date in January 2018. In line with the draft regulations and the deadlines set, the Kingdom of Saudi Arabia is expected to launch its VAT registration portal in September 2017. Businesses will submit and upload VAT returns and any additional required documents online via the portal. KPMG now strongly suggest all clients with KSA (and UAE) operations to review their readiness.

If any questions, please do not hesitate to get in touch with your usual KPMG contact or with:

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