



VAT Alert



The General Authority of Zakat and Tax (“the Authority”) of the Kingdom of Saudi Arabia has published the Value Added Tax draft law (“the Law”) for public consultation on the 29th May 2017.

The draft law outlines all key areas to be implemented within the Saudi Arabian VAT system. The operational mechanism will be provided in the Implementing Regulations (“the Regulations”) which is expected to be issued shortly.

The Law will work synchronously with both the Unified VAT Agreement of the Gulf Cooperation Council (“the Agreement”) and the Regulations.

Below are some of key areas which will require consultation:

- Registration and reporting
- VAT reporting and filing
- Invoice/Cash accounting
- Group registration
- Tax Refunds
- Tax Returns and Payment of Tax
- Retention of Records
- Reviews and Appeals

Penalties and Fines:

The Law did provide significant details in relation to penalties. The Law outlines penalties for almost every kind of error that could be made under the system.

In general, the penalties will range from 2% up to 200% of the net VAT payable. Entities who fail to register for VAT will be fined SR 10,000.

Next Steps:

The Government is determined to implement VAT in Saudi Arabia on the 1st January 2018 and the release of the Law is another to achieve this objective.

Businesses operating in the Kingdom need to take immediate steps to become compliant with the respective VAT laws. Saudi businesses should initiate a VAT impact assessment immediately in order to determine the impact that VAT will have across their operations.

This assessment should consider the VAT impact on the following key areas:

- Finance and accounting
- IT and systems
- Tax and compliance
- Supply chain – goods and services
- Contracts
- Sales and marketing
- Legal structure
- Human resources

KPMG can assist and help your business evaluate the potential impact this change will bring, and develop a clear plan as to the steps that must be taken to be ready for VAT by the go-live date of the 1st January 2018.



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