



Introduction

This is a replication of the Kingdom of Saudi Arabia (KSA) Value Added Tax (VAT) Law Draft but should not to be relied upon either in Arabic or English version and is provided for information purposes only. You cannot rely on this document to cover specific situations; application of the principles set out will depend upon the particular circumstances involved and we recommend that you obtain professional advice before acting or refraining from acting on any of the contents of this publication.

Kingdom of Saudi Arabia Value Added Tax Draft Law

Chapter 1: General definitions

Article 1: General definitions

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.

Authority: General Authority of Zakat and Tax.

Officer: an officer of the Authority.

Minister: the Minister of Finance.

Agreement: the Unified VAT Agreement for The Cooperation Council for the Arab States of the Gulf.

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.

Regulations: the Implementing Regulations for this Law.

VAT Group: two or more Taxable Persons who are registered as a single Taxable Person in accordance with article 5 of this Law.

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.

Output Tax: the Tax due and chargeable in respect of a Supply of Taxable Goods or Services made by a Taxable Person.

Tax Invoice: invoice issued in respect of a Taxable Supply or Supplies meeting the invoice requirements of article 30 of this Law and Regulations.

Average Monthly Taxable Supplies: the value of Taxable Supplies for the last twelve month period, calculated in accordance with article 4 of this Law and Regulations, divided by twelve.

Chapter 2: Imposition of Tax

Article 2: Imposition of Tax

A tax, known as value added tax, shall be imposed on the Supplies of Goods and Services, and Imports, according to the provisions stated in the Agreement.

Chapter 3: Taxable Persons

Article 3: Taxable Persons

For the purposes of this Law, a Taxable Person is a Person who:

1. performs an Economic Activity independently, as a main occupation or complementary, whatever the purpose or the results of that Activity, irrespective of the place where the Economic Activity is carried out.
2. is registered for VAT in the Kingdom or who is required to register for VAT in the Kingdom.

Article 4: Registration

1. A Person who is required to register under this Law is a Person who is required so to do according to his Activities relating to the Kingdom, consistently with the provisions stated in the Agreement.
2. A Person carrying on an Economic Activity who is not required to register under the provisions of the Agreement may voluntarily register provided that he meets the conditions laid down in the Regulations.
3. The Authority may register a Person whom the Authority has justifiable grounds to consider is required to apply for registration but has not done so.
4. The Authority shall issue to each Person registered a certificate of registration which states the name and other relevant details of the Taxable Person, the date on which the registration takes effect, and the Tax Identification Number of the Taxable Person.
5. The Authority is required to establish and maintain a register containing the relevant details of all Taxable Persons.
6. Regulations shall prescribe:

- a) the date from which registration will take effect.
- b) the time periods within which and manner in which a Person must apply to register, which may include alternative registration procedures for certain classes of Persons.
- c) the terms and limitations under which a Person required to effect an ordinary registration under the first paragraph of this article, may request to be excluded from registration in the event that he only makes zero-rated Supplies.
- d) the form in which the Authority shall serve notice on the applicant of its decision relating to his registration.
- e) the grounds on which the Authority may issue a decision to refuse an application for registration, and the means relating thereto.
- f) the conditions under which a Taxable Person shall notify the Authority of a change of circumstances, and the means relating thereto.
- g) the conditions to be followed by certain classes of Persons to use alternative registration procedures or to appoint a fiscal representative for Tax purposes.

Article 5: VAT Group registration

1. Regulations shall prescribe cases in which two or more Legal Persons may elect to register as a VAT Group, where all of those Persons carry on an Economic Activity, are Resident in the Kingdom, and have close financial or economic links with each other.
2. Regulations shall specify the conditions rendering Persons eligible to form a VAT Group and the procedures to be followed by Persons wishing to form a VAT Group for the purposes of Value Added Tax or wishing to disband or amend a VAT Group.
3. Persons registered as a VAT Group for the purposes of Value Added Tax shall be treated as a single Taxable Person for the purposes of this Law.
4. All Persons forming part of a VAT Group shall be jointly and severally liable for any Tax debts and obligations of that Group arising during the time that they were part of the VAT Group.
5. The Authority has the discretion to regard two or more Legal Persons as part of a VAT Group, or to disregard the existence of such Group, where necessary to prevent Tax avoidance or an artificial or unreal result. Regulations may prescribe conditions to be observed by the Authority in its exercise of this right.

Article 6: Deregistration

1. A Taxable Person must apply for deregistration, if:
 - a) the provisions of the Agreement require that Taxable Person to apply for deregistration.
 - b) the Taxable Person is a Resident Person and he has not exceeded the Voluntary Registration Threshold in the most recent one year period or such other period as stipulated in the Regulations;
 - c) the Taxable Person is a Non-Resident Person and has not made any Taxable Supplies in the most recent year or such other period as stipulated in the Regulations.
2. A Taxable Person who is a Resident Person may voluntarily apply for deregistration, provided the annual value of his Taxable Supplies did not exceed the Mandatory Registration Threshold, and subject to limitations provided in Regulations.
3. Regulations may prescribe the time limits and the procedures to be followed for deregistration of the Taxable Person to take place. These Regulations may also prescribe additional situations in which a Taxable Person must or must not deregister, and situations where the Authority may require the Taxable Person to deregister.
4. A Person who deregisters in accordance with this Law is treated as having made a Taxable Supply in the Kingdom equal to the Fair Market Value of all Goods on hand, including Capital Assets, at the effective date of deregistration, but only to the extent that the Person has deducted Input Tax with respect to those Goods.
5. The obligations and liabilities under this Law of any Person in respect of anything done or omitted to be done by that Person while the Person is a registered Taxable Person are not affected by that Person's deregistration.

Chapter 4: Supplies of Goods and Services

Article 7: Nominal Supplies of Goods and Services

1. Tax shall be imposed on Nominal Supplies according to the provisions stated in the Agreement, subject to limitations set out in Regulations.
2. Regulations shall define the terms and circumstances under which a Nominal Supply of Goods and Services is treated as taking place, or specify that any other event may be treated as a Supply.

Article 8: Transferring Goods to another Member State

1. Tax shall be imposed on Goods transferred to another Member State according to the provisions stated in the Agreement.

2. Regulations may add additional provisions or conditions to the Tax treatment applicable to the transfer of Goods from the Kingdom to another Member State, or from another Member State to the Kingdom.

Article 9: Transactions not falling within the scope of Tax

1. Supplies of Goods or Services in the following circumstances are not considered Supplies of Goods or Services within the scope of Tax:
 - a) Goods and Services provided by a Legal Person to itself, with the exception of Nominal Supplies.
 - b) Supplies of Goods from one member of a VAT Group to another member of the same VAT Group.
2. Regulations may prescribe limitations relating to the application of this article and prescribe any other transactions that are treated as neither a Supply of Goods nor a Supply of Services.

Article 10: Supply by agent or commissionaire

Where a Taxable Person acting in his own name but on behalf of another Person Supplies Goods or Services, he shall be deemed to have received or Supplied those Goods or Services himself.

Article 11: Time of Supply

Regulations may prescribe alternative methods to determine the date Tax becomes due on specific Supplies of Goods and Services not provided for in the provisions of the Agreement.

Chapter 5: Place of Supply

Article 12: Place of Supply of Goods and Services

1. The country in which a Supply of Goods or Services is treated as taking place for the purposes of this Law will be determined according to the provisions stated in the Agreement.
2. Regulations may provide any additional definitions, terms and limitations in connection with the place of Supply of Goods or Services.
3. In the event that performance of part of a Service takes place within the Kingdom and another part thereof outside the Kingdom, the value thereof shall be split accordingly between the part taking place within the Kingdom and the part taking place outside the Kingdom.
4. Upon the commencement of transportation of Goods from outside Council Territory to the Kingdom, the place of Supply of the Goods will be in the Kingdom if the Goods have been Imported into the Kingdom in accordance with the Unified Customs Law before the Supply takes place. Any Supply of such Goods before the Import of the Goods in accordance with the Unified Customs Law shall be considered as being made outside the Kingdom.

Article 13: Deemed Supply of Goods in the Kingdom

Without prejudice to the provisions of this Law, a Taxable Person is deemed to have Supplied Taxable Goods in the Kingdom where Goods were transported to a place outside the Kingdom by the Person himself or by the Customer or by another Person on their behalf, but the Person has failed to provide proof of the transport taking place within the time limits specified in Regulations.

Article 14: Residency of the Supplier and recipient

Regulations may provide further terms and limitations for determining where the Supplier or recipient of a Supply is Resident.

Chapter 6: Exempt and zero-rated Supplies

Article 15: Exempt Supplies

Regulations shall specify the Supplies of Goods or Services which are Exempt Supplies and which are treated as not being subject to Tax, in addition to the terms and limitations in respect of Supplies that are Exempt under this Law.

Article 16: Zero-rated Supplies

Regulations shall specify the Supplies of zero-rated Goods or Services, on which Tax is levied at a rate of zero per cent, in addition to the terms and limitations in respect of zero-rated Supplies under this Law.

Chapter 7: Taxable Value

Article 17: Supply for reduced Consideration

1. The value of Taxable Supplies for reduced Consideration is the Fair Market Value of those Supplies at the time of the Supply, inclusive of any other taxes, levies and charges on that transaction but exclusive of the VAT.
A Supply is made for reduced Consideration if all of the following apply to that Supply:
 - a) the Consideration for the Supply is less than the Fair Market Value of the Supply.
 - b) the Supplier and the Customer are Related Persons, as defined in the Regulations.
 - c) the Customer is not entitled to a full Input Tax deduction in relation to the Supply.
2. For the purposes of this article, Consideration in kind is valued at Fair Market Value at the time of Supply.
3. Regulations may prescribe a detailed method to calculate the Fair Market Value in respect of certain specific Supplies.
4. Regulations may prescribe alternative methods of valuing certain Supplies of Goods or Services unless these are not specified in the Agreement, and may determine which amounts do not constitute part of the value of the Supply.

Article 18: Adjustment

1. This article applies where, in relation to a Taxable Supply by a Taxable Person:
 - a) the Supply is cancelled or terminated after the Supply has taken place or been treated as taking place, in whole or in part.
 - b) There is a material change or alteration to the nature of the Supply resulting in a change in the Tax charged.
 - c) the previously agreed Consideration for the Supply is altered for any reason, including due to an offer of an additional discount after the sale was made.
 - d) the Goods or Services or part thereof are returned to the Supplier.
2. For the purpose of the procedure provided for in the first paragraph of this article and in the Agreement, the Taxable Person making the Supply must have done the following:
 - a) Issued a Tax Invoice in relation to the Supply and the amount shown therein on the basis of which the Tax due has been calculated does not reflect the occurrence of one or more of the cases provided for in the first paragraph of this article or the cases provided for in the Agreement.
 - b) accounted for an amount of Tax that does not reflect the occurrence of one or more of the cases provided for in the first paragraph of this article.
3. Where paragraph (a) of this article applies, the Taxable Person shall adjust his Output Tax and the Customer his Input Tax in accordance with provisions set out in Regulations.
4. If the Consideration for a Taxable Supply to a Taxable Person is totally or partially unpaid, Regulations shall prescribe the conditions and means by which the Taxable Person is entitled to adjust the Tax accounted for on the Supply.
5. Regulations may prescribe limitations and obligations applicable to the Supplier and Customer under this article.

Chapter 8: Imports

Article 19: Imports into the Kingdom

1. Tax shall be imposed on Imports into the Kingdom according to the provisions stated in the Agreement.
2. Regulations may specify any conditions which must be met for Goods to be placed in and be held under a customs duty fee suspension regime.
3. Regulations may provide that an Import is deemed to be made in the event that Goods are moved to the Kingdom from another Member State by a Non-Registered Person who cannot prove that VAT has been paid in that Member State.

Article 20: Time of Import

An Import of Goods takes place on:

1. the date the Goods are brought into the Kingdom, according to the provisions of the Unified Customs Law, and that is the date of the Customs declaration, and if there is no Customs declaration, then the date when Goods are physically Imported into the Kingdom.
2. Without prejudice to the first paragraph of this article, where Goods are held in a customs duty suspension regime, the Import shall be considered to have taken place when they are released from that regime into the Kingdom.

Article 21: Value of Import

1. The value of Imported Goods for the purpose of calculating VAT is determined according to the provisions stated in the Agreement.
2. Regulations may prescribe alternative rules to value imported Goods in addition to those provided for in the Agreement.

Article 22: Exempt Import

1. An Import of Goods is an exempt Import if the Imported Goods would be either exempt under article 15 of this Law, or zero-rated under article 16, if Supplied in the Kingdom.
2. An Import of Goods exempt from customs duty according to the Unified Customs Law is an exempt Import. Regulations shall specify the Goods to which this paragraph applies and any other Imported Goods that are exempt, in addition to the conditions for exemption.

Article 23: Liability for Tax and collection thereof upon Importation

1. Tax payable on Goods Imported into the Kingdom shall be collected by the Customs Department under procedures in force with that Department.
2. Without prejudice to the first paragraph of this article, the Authority has the discretion to allow Tax on Imported Goods to be reported through the Importer's Tax Return instead of being collected by the Customs Department. Regulations shall specify the conditions and mechanism for the reporting of that Tax due on imported Goods.

Chapter 9: Calculation of Tax

Article 24: Calculation of Tax payable on a Taxable Supply or Import

1. Subject to the second paragraph of this article, Regulations shall prescribe the rate of the Tax applying on Taxable Supplies and on Imports. Regulations may also prescribe other rates of Tax applicable to specified Supplies of Goods and Services.
2. The rate of Tax imposed on zero-rated Supplies specified in article 16 is zero percent (0%).
3. The applicable rate on Supplies will be the rate in force on the date of Supply, or on the date of each Supply, if more than one date, or on the date of Importation, subject to any contrary rule in the Law or Regulations.

Article 25: Calculation of Tax payable for a Tax Period of a Taxable Person - invoice based accounting

Subject to article 26 of this Law, the Net Tax payable by a Taxable Person for a Tax Period is calculated by deducting the Total Deductible Tax allowed to the Taxable Person during the Tax Period, in accordance with article 29 of this Law, from the total of the Output Tax payable in respect of all Taxable Supplies made by the Taxable Person in the Kingdom during the Tax Period.

Article 26: Cash based accounting

1. Regulations may provide for a mechanism to permit certain Taxable Persons to calculate Net Tax due on a cash accounting basis instead of the basis described in article 25 of this Law. The Regulations shall specify the requirements specifying the eligibility of Taxable Persons to benefit from this special regime for the purpose of calculating the Net Tax under this article.
2. Regulations shall prescribe the terms under which a Taxable Person switches from the special regime provided for in the first paragraph of this article to the invoice accounting regime provided for under article 25 of this Law, or vice versa.

Article 27: Persons Liable to Pay Tax

1. The Person required to pay Tax imposed under this Law shall be determined according to provisions set out in the Agreement, and as provided for in the second paragraph of this article.
2. Regulations may prescribe for:
 - a) Supplies of other Goods and Services in the Kingdom where the recipient is required to account for VAT due thereon under the Reverse Charge Mechanism, other than in the cases provided for in the Agreement.
 - b) alternative cases in which the Customer or a third party are jointly liable as between themselves with the Taxable Person making the Supply for reporting and payment of Tax due and payment thereof to the Authority.

Article 28: Supply of Used Goods

1. Regulations may provide for a special mechanism whereby Taxable Persons may account for Tax payable in respect of specified Supplies of used Goods based on the profit margin arising out of those Supplies, instead of accounting for Tax on the basis of the Consideration received for the Supply.
2. The Regulations shall provide for the terms and limitations of this special regime.

Article 29: Input Tax deduction

1. An Input Tax deduction is allowed to a Taxable Person in respect of a Tax Period on account of the Tax due and Payable relating to:
 - a) the Taxable Supplies made to the Taxable Person during the Tax Period, including Supplies subject to the Reverse Charge Mechanism.
 - b) Imports made by the Taxable Person during the Tax Period, including Imports of Goods for the same Taxable Person in another Member State, provided that the Tax collected by the other Member State into which the Importation has taken place has been transferred to the Authority.
2. The Taxable Person is permitted to deduct the Input Tax to the extent that the Supply or Import:
 - a) is intended for use in the Economic Activity of the Taxable Person.
 - b) is intended for the purpose of making Taxable Supplies, including zero rated Supplies, Internal Supplies, or Supplies that would have been Taxable had they been made in the Kingdom.
3. Regulations shall prescribe for alternative methods for deducting deductible Input Tax by Taxable Persons who use the cash accounting method under article 26 of this Law.
4. Regulations shall prescribe terms and limitations whereby Taxable Persons shall be entitled to claim an Input Tax deduction in respect of Goods or Services bought or Imported by the Person, prior to the Person becoming registered for VAT purposes.
5. Regulations may prescribe the conditions whereby a Taxable Person is permitted to make a proportional deduction of Input Tax in connection with Goods and Services used for making Taxable and Non-Taxable Supplies.
6. Regulations may prescribe when a Taxable Person is required or allowed to adjust previously deducted Input Tax in relation to a Capital Asset where the Person's Deductible Tax decreases or increases as a result of a change in the way the Taxable Person uses the Asset.
7. The Authority may require a Taxable Person to adjust already deducted Input Tax relating to Goods Imported into the Kingdom where Goods are subsequently moved to another Member State, and Tax is transferred to that Member State in accordance with article 75 of this Law. Regulations shall prescribe the date and conditions of the adjustment.
8. The Authority shall require a Taxable Person to adjust Input Tax deducted under this article if the Supplier of Goods or Services has made an adjustment in respect of any event listed in the first paragraph of article 18 of this Law, or in the case of partial or total non-payment by the Taxable Person. Regulations shall prescribe the conditions and means by which a Taxable Person is required to adjust Input Tax deducted.
9. Input Tax deductible under this article may only be deducted by the Taxable Person when he submits evidence of the amount of Input Tax paid or payable, as provided for in the Agreement. Regulations may specify any other document as constituting acceptable alternative evidence of the Input Tax paid or payable, subject to the discretion of the Authority.
10. If a Taxable Person has not deducted deductible Input Tax in the Tax Return submitted for the relevant Tax Period, he may deduct it in any later Tax Return in accordance with provisions stated in the Regulations.
11. Regulations may provide that expenditures relating to certain Goods or Services incurred by the Taxable Person are not considered to be incurred by the Taxable Person in the course of carrying on his Economic Activity, whereby the Taxable Person will not be permitted to deduct the Tax relating to such expenditure.
12. Without prejudice to the articles in this law, Regulations may prescribe any additional terms, limitations and provisions in relation to the deduction of Input Tax.

Article 30: Tax Invoices

1. The Regulations may prescribe the time limits within which a Taxable Person is required to issue a Tax Invoice in the cases provided for according to the provisions set out in the Agreement.
2. Regulations may prescribe the format and contents of a Tax Invoice and means for issuing Tax Invoices, in addition to rules for the issuing of electronic invoices, and the conditions for issuing self-invoices and the issuing of invoices from third parties.
3. Regulations may prescribe that Taxable Persons may be permitted to opt for a simplified system for Tax Invoices, or to be exempted from the requirement to issue a Tax Invoice, in respect of certain Supplies of Goods or Services, or certain Supplies to specified Persons.

Article 31: Credit and debit notes

1. In the event that one of the circumstances specified in sub-paragraphs a) to d) in the first paragraph of article 18 of this Law occurs after a Tax Invoice has been issued in respect of a Supply, and the amount shown as Tax charged in that Tax Invoice exceeds the true value of the Supply, the Taxable Person who has made the Supply shall provide the Customer with a credit note as provided for in the second paragraph of this article.
2. The Regulations shall specify the format of the credit note provided for in the first paragraph of this article, and the information that must be provided therein.
3. In the event that one of the circumstances specified in sub-paragraphs a) to d) in the first paragraph of article 18 of this Law occurs after a Tax Invoice has been issued in respect of a Supply and the amount of Tax in that Invoice is less than the true value of the Supply, the Taxable Person who has made the Supply shall provide the Customer with a debit note as provided for in the fourth paragraph of this article.

4. The Regulations shall specify the format of the debit note provided for in paragraph (3) of this article, and the information that must be provided therein.

Chapter 10: Procedure and administration

Article 32: Powers of the Minister

1. After coordination with relevant government bodies or Competent Authorities, the Minister shall issue implementing Regulations for the implementation and interpretation of the provisions of this Law. The Minister shall have full power to take all measures necessary to put this Law into effect and to collect the prescribed Tax.
2. The Minister may delegate the powers vested in him under the first paragraph of this article or part of them to the Director General of the Authority.

Article 33: Administration of Value Added Tax

1. The Authority is responsible for the administration, examination, assessment and collection of VAT other than responsibilities relating to the collection of VAT on the Import of Goods and transfers made under the Customs Duties Automated Direct Transfer Mechanism, for which the Customs Department is primarily responsible, unless Regulations referred to in the second paragraph of this article prescribe otherwise.
2. Regulations may prescribe that the Authority shall be responsible for the collection of VAT on the Import of Goods in circumstances specified in article 23 of this Law, or the transfer of VAT revenues specified in article 75 of this Law.

Article 34: Application of procedural rules in other legislation

Save as is not inconsistent with the second paragraph of article 23 of this Law, Tax due in respect of Imported Goods shall be collected according to the Unified Customs Law and customs laws applying in the Kingdom, under the same procedures as for collection of customs duty.

Article 35: Confidentiality of information

1. Officers and all employees of the Authority must maintain the confidentiality of the Tax information concerning Taxable Persons which they have received in their official capacity, and may disclose the Tax information only in the situations prescribed in the Regulations, without prejudice to the laws governing the confidentiality of information in force in the Kingdom.
2. A Person receiving information under the first paragraph of this article is authorized to use the information received only for the purpose under which right of access thereto has been granted. The Person is required to maintain confidentiality in accordance with the first paragraph of this article.
3. Except in the situations prescribed in the Regulations, a Person who receives and has sight of Tax information the disclosure of which is regulated by this article may not further disclose the information to any other Person, and must return all documents relating to such information to the Authority. A breach of the requirements of this article is an offence under this Law.
4. Regulations may prescribe the terms and limitations in respect of disclosing Tax information of Taxable Persons.

Article 36: Right of Authority to obtain information

1. In coordination with relevant government bodies or Competent Authorities, all Persons and government bodies are required to provide the Authority with any information requested by the Authority for purposes of the imposition of Tax. The Regulations shall prescribe the terms under which information shall be shared with the Authority.
2. The Authority has the right to audit any Taxable Person for purposes of ascertaining the Person's liability for Tax subject to the terms and conditions prescribed in the Regulations.
3. In cases where the Authority has justifiable grounds to believe that a Person has committed or that it is likely that he will commit a deliberate offence as described in articles 67 or 68 of this Law with the intention to evade Tax, the Authority may directly access all information held by any third party having a direct connection with that Person. Regulations shall specify the restrictions on the Authority's rights in respect of the application of this article and the means for accessing the information.
4. The Authority may cooperate with equivalent authorities in other Member States in connection with examination, Tax collection and other similar activities, and share information with those authorities, as agreed by the Council and specified in the Unified VAT Agreement for The Cooperation Council for the Arab States of the Gulf and as allowed under other international agreements.
5. The Authority may share specified information surrounding Internal Supplies of Goods moving either to or from the Kingdom, through an electronic service system administered by the Council. The Authority may use information afforded by this system in carrying out examinations or issuing assessments on Taxable Persons in the Kingdom.
6. Regulations may prescribe the terms and limitations in respect of the first and second paragraphs of this article.

Article 37: Tax Period

1. A Taxable Person shall pay VAT to the Authority in respect of a designated Tax Period. Regulations may provide for the length of the Tax Period or Periods.
2. The Authority may permit a Taxable Person to change its designated Tax Period upon request in that behalf to the Authority, and the Authority may at its discretion direct the Taxable Person to change its Tax Periods.
3. Any requests for changes to a Tax Period must be notified to the Authority by a Taxable Person in accordance with the terms and conditions prescribed in the Regulations.
4. The Authority shall notify a Taxable Person of any changes to a Tax Period in accordance with the times and modes specified in the Regulations.

Article 38: Tax Returns

1. A Taxable Person shall file a Tax Return for each Tax Period with the Authority, within the period provided for in the Regulations.
2. A Tax Return shall be in the form prepared by the Authority and state the amount of Tax payable for the Tax Period, the amount of Deductible Input Tax, and such other matters as may be prescribed in the Regulations.
3. A Taxable Person who becomes aware of an error in a Tax Return filed with the Authority must notify the Authority of this error in line with the procedures and time limits provided for in article 43 of this Law and in Regulations.

Article 39: Payment of Tax

1. Other than Tax payable to the Customs Department on the Import of Goods, Tax payable to the Authority under this Law is due at the following times:
 - a) in the case of a Taxable Supply by a Taxable Person in a Tax Period, by the date the Tax Return for that Tax Period must be filed;
 - b) in the case of an assessment of additional Tax to the Authority as a result of a Tax assessment, on the date specified in the notice of assessment.
 - c) in any other case, on the date the Taxable Transaction occurs as provided for under this Law or Regulations.
2. Regulations shall specify the means by which Tax payable under the first paragraph of this article shall be made.
3. Regulations may set out any alternative requirements for payment of Tax due applying to certain classes of Taxable Persons, which may require other Persons to make payment of Tax on their behalf.

Article 40: Extension of time to pay Tax

1. The Authority may, if a Person presents evidence to the Authority showing that he is unable to pay the VAT when due, or showing that he would suffer hardship from payment thereof in a single payment, allow payment in installments of Tax and fines payable, based on conditions specified in the Regulations, and if it deems necessary.
2. The Authority may revoke an installment arrangement if it believes it is necessary for protection of the public revenues of the Kingdom.
3. The allowance of an extension of time to pay under this article does not suspend liability of a Taxable Person to pay any penalty for delay levied pursuant to chapter 11 of this Law for the period of the extension.

Article 41: Records

1. A Person liable for Tax under this Law shall maintain all Tax Invoices, books, records and accounting documents relating to their Taxable Activities. These documents include the following documents, by way of example and not exhaustively:
 - a) Tax Invoices, credit notes, and debit notes received by the Person.
 - b) Tax Invoices, credit notes, and debit notes issued by the Person.
 - c) customs documentation relating to Imports and Exports by the Person.
2. Regulations will specify the length of time that records specified under the first paragraph of this article shall be retained, and other rules for retaining records.
3. Regulations may prescribe any additional records or documentation that are required to be retained by a Taxable Person.

Article 42: Examination and assessment procedures

1. A Taxable Person shall make an assessment of the Tax due in respect of a Tax Period by filing a Tax Return for that period as prescribed in article 37 of this Law.
2. Where the Taxable Person fails to file the Tax Return within the period provided for in Regulations, the Authority may make an assessment of Tax.

3. The Authority has the right to make a new assessment which adjusts a prior assessment in order to ensure compliance with the provisions of this Law and the Regulations.
4. The Authority must notify the Taxable Person of a Tax assessment issued under the second or third paragraph of this article by the means of notification prescribed in the Regulations.

Article 43: Period of time limitations

1. Regulations shall prescribe the time period within which the Authority or a Person is able to make or amend an assessment under article 42 of this Law, and any conditions pertaining to such an assessment.
2. Regulations shall also prescribe the time limits to be observed by Taxable Persons in connection with giving notice to the Authority of any correction to Tax Returns already filed with the Authority, and the limitations to be observed by a Taxable Person in requesting to amend incorrect assessments of Tax issued by the Authority, and shall set out the mechanism for such notifications or requests.

Article 44: Financial Security

The Authority may require a Taxable Person, as a condition of his making a Taxable Supply, or being registered for Tax purposes, to provide financial security in such amount and in such manner as the Authority may determine to secure the payment of Tax that is or may become payable by the Person, if it appears to the Authority that that is necessary for the protection of the public revenues.

Regulations may provide for the manner, conditions, rules and limitations applying in respect of collection of financial security from Taxable Persons.

Article 45: Execution and conservatory measures

Where the Authority has justifiable grounds to believe that the Taxable Person will not pay the Tax due from him on the Supply or Import of Goods before it becomes due by him, the Authority may temporarily confiscate the Goods concerned or other Goods held or used by that Taxable Person, and any other Goods or moneys owed to that Taxable Person by a third party. The Authority may also sell the confiscated property subject to taking all the necessary administrative, executive, and judicial requirements to do so, taking into consideration laws and principles regulating ownership. The Authority may further also impose a charge on the property of the Taxable Person.

Regulations shall provide for the manner, terms and limitations under which the Authority can do the foregoing.

Article 46: Joint liability for Tax

1. Any other Person who willfully participates in violating any of the obligations of a Taxable Person provided for in this Law shall be jointly liable with the relevant Taxable Person for payment of the Tax due and any penalties resulting from the violation, in accordance with the provisions set out in the Agreement.
Where any other Person is jointly liable for the Tax due with a Taxable Person, The Authority may raise an assessment upon the other Person for the amount of Tax payable together with any penalty that has become payable under chapter 11 of this Law, in accordance with such terms and means as prescribed in the Regulations.
2. Regulations may provide circumstances where other Persons have joint liability for the Tax debts or obligations of a Taxable Person, and it shall be permissible for the Authority to raise on them an assessment for Tax or penalties payable.

Article 47: Tax refund

1. A Taxable Person may claim a refund of the amount of excess Tax paid, following terms and conditions prescribed by Regulations, in the following circumstances:
 - a) upon filing a Tax Return for a Tax Period where Net Tax is an amount due to the Taxable Person.
 - b) where the Taxable Person has paid an amount in excess of the amount of Tax due.
 - c) where the Taxable Person has a credit balance in respect of VAT.
2. Regulations shall prescribe the conditions and limitations required to be satisfied for a Taxable Person to be eligible to apply for refund of Tax paid in excess.
3. The Authority shall carry forward the amount of overpaid Tax not refunded to a Taxable Person as a credit balance for future Tax Periods, subject to terms and limitations specified in the Regulations.

Article 48: Refund of Tax to designated Persons

1. The Authority may allow designated Persons not carrying on Economic Activities, or those engaged in designated Economic Activities, to apply for a refund of Tax paid by them on Supplies of Goods or Services received in the Kingdom.

2. Regulations shall prescribe the designated Persons eligible to apply for a refund of Tax pursuant to the first paragraph of this article, and the terms and limitations for making such a claim.

Article 49: Refund of Tax to Foreign Governments, International Organizations and Diplomatic Bodies and Missions

1. The Authority may, in coordination with the Minister of Foreign Affairs, authorize the granting of a refund in respect of Tax paid or borne by:
 - a) any Person enjoying full or limited immunity, or enjoying rights or privileges under the Diplomatic Privileges Act or under recognized principles of international law.
 - b) any diplomatic or consular mission of a foreign country existing in the Kingdom of Saudi Arabia, relating to transactions pertaining to the official purposes of such mission.
 - c) any foreign government or public international organization, and its officials and employees.
2. The refund provided for in sub-paragraph (a) of the first paragraph of this article is not available to any citizen or permanent Resident of the Kingdom of Saudi Arabia.
3. Regulations shall prescribe the conditions and restrictions for obtaining a refund of Tax, the form by which the application for a refund of Tax under this article is to be made, and the time limits for submission thereof, and the probative material required to be submitted in connection with Tax paid.

Article 50: Refund of Tax to other Persons registered in other Member States

1. Persons registered for VAT in any other Member State may request from the Authority a refund of Tax paid on Goods and Services Supplied to that Person in the Kingdom, according to the provisions stated in the Agreement.
2. Regulations shall prescribe the conditions and limitations for making such a request.

Article 51: Refund of Tax to non-GCC Residents

1. The Regulations may set out a mechanism enabling Persons registered for VAT or any equivalent tax in any third country outside Council Territory to request from the Authority a refund of Tax paid in the Kingdom on Goods and Services used in their Economic Activities, together with the conditions and limitations for making such a request.
2. The Regulations may provide for a refund scheme for Tourists to the Kingdom who are entitled to refunds of Tax incurred in the Kingdom, together with the terms and limitations for such a scheme.
3. The administration and processing of any of the special provisions set out in the first and second paragraphs of this article may be delegated by the Authority to another department or agency or body. Such body may be compensated by allowing it to deduct a percentage of each refund claim as commission for services rendered.

Article 52: Measures against Tax avoidance

1. For the purposes of determining Tax liability, the Authority has the right:
 - a) to disregard a transaction done with the intention of breaching the provisions of this Law and Regulations, or a number of transactions in breach of this Law.
 - b) to redescribe any transaction referred to in paragraph (a) to its correct description if the transaction had not been effected with the intention of breaching or not complying with the provisions of this Law.
2. For the purpose of the first paragraph of this article, a transaction is done with the intention of being in breach and not complying with the provisions of the Law and the Regulations and of violating the Law in any of the following cases:
 - a) if the result of the transaction or the series of transactions is a Tax advantage that is contrary to the purpose of this Law or Regulations.
 - b) obtaining this Tax advantage was one of the principal purposes of the transaction or the series of transactions.
3. The Authority shall have the right to make an assessment of Tax due in accordance with its estimates on the basis of the relevant facts and circumstances if the Taxable Person does not submit his return within the prescribed legal time limit or if he keeps inaccurate accounting books and records, or if he does not abide by the requirement to keep books and records in the form and in the manner prescribed under the Law and Regulations.

Article 53: Review and appeals

1. A Taxable Person has the right to request a review of or to appeal against an assessment issued by the Authority or a decision made by the Authority in the event that the Law or the Regulations provide that it shall be permissible for there to be a review or appeal under this article.
2. Regulations shall define the types of assessments or decisions which may be reviewed or appealed, and the means, time limits and restrictions applying in respect of a review or appeal under the first paragraph of this article.

Article 54: Formation of Review and Appeal Committees and the Scope of Jurisdiction Thereof

1. The Minister shall issue the resolutions necessary to form the first instance committees for determination of VAT disputes.
2. The Council of Ministers shall issue a resolution to form a Higher Appeal Committee, based on the Minister's recommendation, to rule on appeals brought by the Authority or by Taxable Persons in respect of decisions issued by the first instance committees.
3. The Minister may establish a mediation mechanism for resolving disputes, which the Authority and the Taxable Person may agree to use as an alternative to the first instance committee. The Minister may establish such mechanism at any stage of the dispute and before the final executable appeal judgment. Regulations shall lay down the details for the establishment of the alternative committee and its scope, and the procedures to be followed therein in connection with the determination of disputes brought before it.

Article 55: Tax Identification Number

The Regulations will determine the mode of use of the Tax Identification Number, as well as its form.

Chapter 11: Penalties and Fines

Article 56: Penalty for failure to register for Tax

Any Person who fails to apply for registration within the time limits set out in Regulations is liable for a penalty equal to ten thousand (10,000) riyals. This penalty is without prejudice to payment of the Tax payable from the date on which the Person's registration takes effect for the purpose of this Law.

Article 57: Penalty and fine for error in Tax returns

1. Any Taxable Person who submits a Tax Return to the Authority or makes an amendment to a Tax Return under article 43 of this Law, or submits a document to the Authority in respect of his Tax due is liable for a fine as provided for in paragraph 2 of this article where the material submitted to the Authority results in the calculation of an incorrect amount of Tax due.
2. The fine due shall be calculated as fifty percent (50%) of the under-reported Tax, subject to the provisions for exemption from the penalty provided for in article 72 of this Law.
3. A Taxable Person is not liable to a penalty under this article where he submits an incorrect Tax Return showing more Tax payable than the actual Tax due.

Article 58: Penalty and fine for overstated claims for refund

Any Person who submits a claim for a refund of Tax to the Authority in an amount exceeding what he is entitled to under articles 48 to 51 of this Law shall be liable to a penalty equal to fifty percent (50%) of the amount by which the claim to Tax is overstated, subject to the provisions for exemption from the penalty provided for in article 72 of this Law.

Article 59: Penalty and fine for failure to pay Tax when due

1. A Person who fails to make payment of the Tax set out in a return or assessment by the due date prescribed under this Law or Regulations is liable for a penalty as set out in the second paragraph of this article.
2. The penalty amount shall be calculated as one thousand (1,000) riyals plus an amount calculated as follows:
 - a) five percent (5%) of the unpaid Tax if the delay does not exceed thirty (30) days from the time limit specified under this Law and the Regulations.
 - b) ten percent (10%) of the unpaid Tax if the delay exceeds thirty (30) days and does not exceed ninety (90) days from the time limit specified under this Law and the Regulations.
 - c) twenty percent (20%) of the unpaid Tax if the delay exceeds ninety (90) days and does not exceed three hundred sixty five (365) days from the time limit specified under this Law and the Regulations.
 - d) twenty five percent (25%) of the unpaid Tax if the delay exceeds three hundred sixty five (365) days from the time limit specified under this Law and the Regulations.
3. If a Person pays the penalty due under the first paragraph of this article and has paid the relevant Tax due or part thereof, and it is subsequently found that it was not due from him and the Tax paid is refunded to him again, he shall be entitled to a refund of the amount of the penalty that he has paid relating to the Tax that has been refunded to him.

Article 60: Penalty for failure to file returns

A Person who fails to file a Tax Return by the date required under this Law and Regulations is liable for the general penalty prescribed in article 66 of this Law. This penalty can be imposed in addition to other penalties prescribed in this Law.

Article 61: Penalty and fine for issue of Invoices by unauthorized Persons

Where a Person who is not registered for VAT issues an Invoice showing an amount of VAT or if he states therein that the value includes VAT, or attempts to charge VAT, the Person shall be liable for a penalty equal to the higher of one thousand (1,000) riyals or double the amount of VAT.

Article 62: Penalty for recipient of Supply

Where a recipient provides an incorrect TIN or other incorrect information to a Supplier which results in Tax not being imposed on the Supply, that recipient shall be liable for a penalty equal to the higher of one thousand (1,000) riyals or double the amount of VAT.

Article 63: Failure to maintain books and records

Any Person failing to maintain books and records as prescribed in this Law or Regulations shall be liable to the general penalty prescribed in article 66 of this Law for each Tax Period in which he has been in breach of the legal requirements.

Article 64: Penalty for failure to comply with a request for information from the Authority

Any Person failing to provide the information requested of him by the Authority pursuant to the provisions of this Law or the Regulations shall be liable to the general penalty prescribed in article 66 of this Law.

Article 65: Failure to comply with requirements to issue Invoices

Any Taxable Person who fails to issue Invoices or credit and debit notes in the manner and format prescribed in Regulations shall be liable to the general penalty prescribed in article 66 of this Law for each Tax Period in which he is in breach of the legal requirements.

Article 66: General penalty

A Person who fails to abide by the compliance requirements provided for in articles 60, 63, 64 or 65 of this Law, or material requirements of this Law for which no penalty is laid down under this Chapter 11 or material requirements of the Regulations, is liable for a penalty in respect of each failure on the higher amount of:

- a) one thousand (1,000) riyals.
- b) two percent (2%) of his Average Monthly Taxable Supplies calculated in accordance with this Law and Regulations, provided that the penalty does not exceed twenty thousand (20,000) riyals.

Article 67: Penalty in relation to false or misleading statements

Where any Person knowingly or by neglect makes material statements to the Authority that are false or misleading, or omits from a statement made to the Authority any material matter without which the statement is misleading, and the Tax for which the return is made according to the particulars submitted is less than the actual Tax payable to the Authority, the Person is liable for a fine equal to double the amount of the difference.

Article 68: Penalty for evasion of Tax

Where a Person does any of the following with the deliberate intention to avoid Tax:

1. omits any transaction from a Tax Return or document that he is required to submit to the Authority or third party in respect of Tax.
2. deliberately includes false transactions or information in a Tax Return or any document submitted to the Authority or to a third party in respect of Tax.
3. prepares false or incorrect records or documents.
4. prevents or obstructs an Officer of the Authority from carrying out audit or assessment procedures.

that Person is liable to a penalty equal to double the unpaid Tax and additional consequences prescribed by article 69 of this Law.

Article 69: Additional consequences for deliberate offences

1. In addition to the penalties prescribed in articles 67 and 68 of this Law, the acts mentioned in these articles shall be considered deliberate offences and may be referred by the Authority to the Administrative Court to impose any additional punishments.
2. A Person who breaches the obligations in article 35 surrounding confidential information commits a deliberate offence. This offence shall be punished with a fine of twenty thousand (20,000) riyals, and may be referred to the Administrative Court to impose any additional punishments, punishments in other relevant laws regarding this offence may apply.

3. Such punishment may, on conviction, include an additional fine of up to one million (1,000,000) riyals or imprisonment for up to two years, without prejudice to any criminal penalty that may be imposed under other Laws in force in the Kingdom in addition to the penalties imposed under this Law.

Article 70: Payment of financial penalties

The imposition of any penalties or fines provided for in this Chapter shall be without prejudice to the recovery of the Tax due. Financial penalties shall become payable on the date prescribed by the Authority upon the penalty being imposed.

Article 71: Joint liability for penalties

Wherever this Law or its Regulations prescribe that other Persons have joint liability with a Taxable Person for payment of Tax, this joint liability will also apply to any financial penalties imposed on that Taxable Person. The penalties provided for in article 69 of this Law may not be imposed otherwise than on the basis of personal liability.

Article 72: Exemption from penalty

1. The Authority may, in accordance with the procedures provided for in Regulations, exempt any Person from the imposition of any penalty payable, in whole or in part, and may suspend it in whole or in part, in order to ensure that the penalty is proportionate to the Person's conduct, the disclosure that he is making, or in accordance with his prior record, or for any other reason.
2. The Regulations shall determine the means and limitations in respect of exemption from penalties and the agreements and procedures necessary for that purpose.

Article 73: Powers of the Minister to write off amounts relating to Tax

Without prejudice to any other provisions in this chapter, the Minister has the power to write off amounts of Taxes and penalties upon it being ascertained that it is impossible to collect them.

The Regulations may specify cases in which amounts are deemed not collectable for the purpose of this article.

Chapter 12: General Provisions

Article 74: Transitional provisions

1. This Law applies from 1 January 2018 except for articles 4, 5 and 6 of this Law, which apply from the beginning of the day immediately following the day in which this Law has been published in the Official Gazette.
2. Without prejudice to the provisions of this Law and the Regulations, Tax may be imposed on a Supply made after the commencement date of this Law where an Invoice was issued or Consideration was provided in respect of the Supply prior to the commencement date. Regulations shall prescribe the conditions for imposing Tax relating to such Supplies.
3. Without prejudice to the first paragraph of this article, Regulations may prescribe rules allowing for Supplies made after the commencement date of this Law to be relieved from Tax, in certain specified circumstances where contracts for those Supplies were in effect prior to the issue of this Law.
4. Regulations may provide that Persons must assess whether they are required to register and apply for registration before the commencement date of this Law.
5. Regulations shall specify transitional rules applying to transactions with other Member States which have not introduced VAT at the time of the transaction.
6. Regulations may prescribe any additional transitional rules in respect of the application of this Law or with respect to a change amending the Tax rate or Tax base.

Article 75: Special provisions for transfers of VAT revenues

Regulations may provide for cases where VAT collected on a Supply or Import in the Kingdom is transferred to another Member State under the Customs Duties Automated Direct Transfer Mechanism, or where VAT collected in another Member State is transferred to the Kingdom under that mechanism.

Article 76: Entry into force of the Law

This Law enters into force on 1 January 2018, except for articles 4, 5 and 6 of this Law, which apply from the beginning of the day which immediately follows the day in which this Law has been published in the Official Gazette.

Subject to the other paragraphs of this Chapter, the Law shall apply to any Supplies of Goods or Services, Imports, or other relevant events taking place on or after its entry into force.

Article 77: Issuance of the Regulations

The Regulations to this Law shall be issued by [date] and shall come into force as from 1 January 2018. Regulations shall, so far as concerns articles 4, 5 and 6 of this Law, apply from the date of their being approved and coming into force.



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