





# Introduction

This document is an English version of the Unified VAT agreement for the Cooperation Council for the Arab States of the Gulf.

The English text in this document is not an official translation and is provided for information purposes only. While every care has been taken to ensure accuracy, Deloitte does not guarantee that the translation is free from error or omission. Use of the English text is at the user's own risk.

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.

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

The member states of the Cooperation Council for the Arab Gulf States (GCC), namely:

United Arab Emirates,  
Kingdom of Bahrain,  
Kingdom of Saudi Arabia,  
Sultanate of Oman,  
State of Qatar, and  
State of Kuwait,

Pursuant to the objectives set out in the Statute of the Gulf Cooperation Council aimed at the importance of developing existing cooperation relations amongst them in various fields;

In line with the objectives of the GCC Economic Agreement of 2001, which seeks to reach advanced stages of economic integration, and develop similar legislation and legal foundations in economic and financial spheres, and with a desire to promote the GCC economy and proceed with the measures that have been taken to establish economic unity amongst member states; and

Based on the Supreme Council decision at its 36th meeting (Riyadh – 9-10 December, 2015) with respect to the uniform imposition by the GCC States of VAT at a rate of 5%, and delegating to the Financial and Economic Cooperation Committee for Council States the completion of all the requirements necessary to pass the (Unified VAT Agreement for The Cooperation Council for the Arab States of the Gulf) and signing it. And whereas this Agreement aims to establish a unified legal framework for the introduction of a general tax on consumption in the GCC known as (VAT) levied on the import and supply of Goods and Services at each stage of production and distribution.

have agreed to the following:

## Chapter One

### Definitions and General Provisions

#### Article 1

##### Definitions

In the application of the provisions of this Agreement, the following words and phrases shall have the meanings set out against each of them unless the context otherwise requires:

**The Council:** The Gulf Cooperation Council.

**Agreement:** The Unified VAT Agreement for the Council States.

**Tax:** Value Added Tax (VAT) imposed on the import and supply of Goods and Services at each stage of production and distribution, including "Deemed Supplies".

**Member State:** Any country that has full membership status in the Council in accordance with its Charter.

**Council State Territory:** All the territories of the Member States.

**Local Law:** The VAT Law (Regulation) and relevant legislation issued by each Member State.

**Person:** Any natural or legal person, whether public or private, or any other form of partnership.

**Taxable Person:** A Person that conducts an Economic Activity independently for the purpose of generating income, who is registered or obligated to register for VAT in accordance with the provisions of this Agreement.

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

**Taxable Trader:** A Taxable Person in any Member State whose main activity is the distribution of Oil, Gas, Water or Electricity.

**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 or Services.

**Place of Residence of a Person:** The location where Place of Business or any other type of Fixed Establishment is. 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 will be resident in a State if he has a place of residence therein.

**Non-Resident Person:** A person is not resident in a State if he has no Place of Residence therein.

**Supplier:** A Person who supplies Goods or Services.

**Customer:** A Person who receives Goods or Services.

**Reverse Accounting (Charge):** A mechanism by which the Taxable Customer is obligated to pay the Tax due on behalf of the Supplier and is liable for all the obligations provided for in the Agreement and the Local Law.

**Related Persons:** Two or more Persons; one of whom has supervisory or directive control over the others in such a way that he has administrative power that enables him to influence the business of the other Persons from a financial, economic or regulatory aspect. This includes Persons who are subject to the authority of a third Person that enables him to control their businesses from the financial, economic or regulatory aspect.

**Supply:** Any form of supply of Goods or Services for consideration in accordance with the cases provided for in the Chapter Two of this Agreement.

**Deemed Supply:** Anything that is considered a Supply in accordance with the cases provided for in Article 8 of this Agreement.

**Input Tax:** Tax borne by a Taxable Person in relation to Goods or Services supplied to him or imported for the purpose of carrying on the Economic Activity.

**Unified Customs Regulation (Law):** The Unified Customs Regulation (Law) of the GCC.

**First Point of Entry:** First customs point of entry through which Goods enter the Council Territory from abroad in accordance with the Unified Customs Law.

**Final Destination Point of Entry:** Customs point of entry through which Goods enter the Final Destination State within the GCC Territory.

**Consideration:** Everything collected or to be collected by the Taxable Supplier from the Customer or a third party against the Supply of Goods or Services inclusive of the VAT.

**Exempted Supplies:** Supplies on which no Tax is imposed and from which associated Input Tax is not deducted pursuant to the provisions of the Agreement and Local Law.

**Taxable Supplies:** Supplies on which Tax is charged in accordance with the provisions of the Agreement, whether at the basic rate or zero-rate, and from which associated Input Tax is deducted in accordance with the provisions of the Agreement.

**Internal Supplies:** Supplies of Goods or Services by a Supplier who resides in a Member State to a Customer who resides in another Member State.

**Goods:** All types of material property (material assets), including water and all forms of power including electricity, gas, lighting, heating, cooling and air conditioning.

**Importation of Goods:** The entry of Goods into any Member State from outside the Council Territory in accordance with the provisions of the Unified Customs Law.

**Exportation of Goods:** Supply of Goods from any Member State to the outside of the Council Territory in accordance with the provisions of the Unified Customs Law.

**Competent Tax Authority: The relevant** Government entity in each Member State responsible for the administration, collection and implementation of the Tax.

**Deductible Tax:** Input Tax that may be deducted from Tax due on Supplies for each Tax period in accordance with the Agreement and Local Law.

**Capital Assets:** Material and immaterial assets that form part of a business's assets allocated for long-term use as a business instrument or means of investment

**Tax Period:** The period of time for which the Net Tax must be accounted.

**Net Tax:** Tax resulting from deducting the Deductible Tax in a Member State from the Tax due in that State within the same Tax Period. Net Tax may either be payable or refundable.

**Mandatory Registration Threshold:** The lower limit of the value of actual supplies at which the Taxable Person becomes obligated to register for Tax purposes.

**Voluntary Registration Threshold:** The lower limit of the value of actual supplies at which the Taxable Person may apply to register for Tax purposes.

**Ministerial Committee:** The Financial and Economic Cooperation Committee of the Council States

## **Article (2)**

### **Scope of Tax**

The Agreement shall come into effect in the Council Territory and Tax shall be imposed on the following transactions:

1. Taxable Supplies by a Taxable Person in the Member State Territory.
2. Receipt by a Taxable Customer of Goods or Services supplied to him by a Non-Resident and non-Taxable Person in the Member State in instances where Reverse Tax Mechanism applies.
3. Importation of Goods by any Person

## **Article (3)**

### **Calculation of Time**

Times and periods stipulated in the Agreement shall be calculated according to the Gregorian Calendar.

## **Article (4)**

### **Tax Group**

Each Member State may treat the Tax Group as a single Taxable Person in accordance with the rules and conditions put in place for that purpose. A Tax Group means two or more Corporate Persons who are Residents of the same Member State.

## **Chapter Two**

### **Supplies within the Scope of the Tax**

## **Article (5)**

### **Supply of Goods**

1. A Supply of Goods means the transfer of ownership of such Goods or the right to dispose of the same as an owner.
2. A Supply of Goods includes the following transactions:
  - a- assigning possession of Goods under an agreement that provides for the transfer of ownership of these Goods or the possibility of transferring the same at a date subsequent to the date of the agreement, which shall be no later than the date on which the Consideration is paid in full;
  - b- granting rights in rem deriving from ownership giving the right to use real estate;
  - c- compulsory transfer of ownership of the Goods for Consideration pursuant to a decision of the public authorities or by virtue of any applicable law.

## **Article (6)**

### **Transporting Goods from One Member State to Another**

1. A Taxable Person who transports Goods forming part of his assets for the purposes of his business from the place where they are in a Member State to another place in another Member State shall be deemed to have made a Supply of Goods in the first State.
2. A transportation of Goods as provided for in subsection 1 above shall not be considered a Supply of Goods in the first State if it was done for one of the following purposes:
  - a- to use the Goods in the other Member State temporarily within the conditions of temporary entry provided for in the Unified Customs Law;
  - b- where the transportation of goods is done as part of another Taxable Supply in the other Member State.

## **Article (7)**

### **Supply of Services**

Any Supply that does not constitute a Supply of Goods under this Agreement shall be considered a Supply of Services.

## **Article (8)**

### **Deemed Supply**

1. A Taxable Person shall be deemed to have performed a Supply of Goods when disposing of Goods that form part of its assets in any of the following cases:
  - a- assignment of Goods, for purposes other than Economic Activity, with or without a Consideration;
  - b- changing the use of Goods to use for non-taxable Supplies;
  - c- retaining Goods after ceasing carrying on an Economic Activity; and
  - d- supplying Goods without Consideration, unless the Supply is in the course of business, such as samples and gifts of trivial value as determined by each Member State.
2. A Taxable Person shall be deemed to have made a Supply of Services in any one of the following cases:
  - a- use by him of Goods that form part of his assets for purposes other than those of an Economic Activity; and
  - b- Supplying Services without Consideration.
3. The provisions of this article shall apply if the Taxable Person has already deducted Input Tax related to the Goods and Services mentioned in this Article.
4. Member States may determine the conditions and rules for the implementation of this Article.

## **Article (9)**

### **Receiving Goods and Services**

1. If the Taxable Person in a Member State receives taxable Goods or Services from a Person who is a resident in another Member State, then he shall be deemed to have supplied these Goods or Services to himself and the Supply shall be taxable in accordance with the Reverse Charge Mechanism.
2. If a Taxable Person residing in a Member State receives Services from a person who is not resident in the GCC Territory, then that Person shall be deemed to have supplied these Services to himself and the Supply shall be taxable according to the Reverse Charge Mechanism.

## **Chapter Three**

### **Place of Supply**

#### **Part One**

### **Place of Supply of Goods**

#### **Article (10)**

##### **Supply of Goods without Transportation**

The place of a Supply of Goods that occurs without transportation or dispatch thereof shall be the place where the Goods are located on the date they are placed at the Customer's disposal.

#### **Article (11)**

##### **Supply of Goods with Transportation**

The place of a Supply of Goods that occurs with transportation or dispatch thereof by the Supplier or to the account of Customer shall be the place where the Goods are located when the transportation or dispatch commences.

#### **Article (12)**

##### **Special Case of Internal Supplies with Transportation**

1. As an exception to the provisions of Article 11 of this Agreement, the place of supply for an Internal Supply of Goods with transportation or dispatch thereof from one Member State to another shall be in the State in which the transportation or dispatch of the goods terminates in the following cases:
  - a- if the Customer is taxable.
  - b- without prejudice to subsection 2 of this Article, if the Customer is not taxable and the Supplier is registered in the country where the Customer resides or is obligated to be registered.

2. The place of an Internal Supply of Goods with transportation or dispatch thereof but without installation or assembly by a Supplier who is registered for Tax purposes in a Member State in favor of a Customer who is not registered for Tax purposes in another Member State shall be the place where the Goods are located on the date the transportation or dispatch begins, provided that the total value of the Supplies of that Supplier during any 12 months period does not exceed an amount of SAR 375,000 or its equivalent in GCC currencies, in the State to which the Supply is provided. In the event that the total value of the supplies exceeds this amount, this shall result in the Supplier registering in that State.
3. If transportation of Goods from one Member State to another cannot be established through compliance with the obligations provided for in Article 6 of this Agreement and the Local Laws, the place of supply shall be where the Goods are located on the date the transportation or dispatch begins.
4. In the event of a Supply of Goods that occurs without transportation or dispatch, and it is later established that transportation or dispatch of such Goods to a Member State took place in the circumstances provided for in subsection 1 of this Article, the State in which the transport or dispatch ends has the right to recover the Tax from the Member State where the transportation or dispatch started in accordance with the Automated Direct Transfer Mechanism in force with Customs or any other mechanism approved by the Ministerial Committee.

### **Article (13)**

#### **Internal Supplies to Non-Registered Persons**

Each Member State has the right to claim from another Member State the tax paid if the value of the Supply exceeds the amount of SAR 10,000 or its equivalent in other currencies of the GCC to individuals and non-registered persons, and the settlement of Tax shall be according to the Customs Duties Automated Direct Transfer Mechanism applicable under the framework of the Customs Union of the GCC. The Ministerial Committee may propose any other mechanisms.

The Member State may also impose Tax on these supplies at its points of entry to such State if no evidence is presented that the Tax was paid in the other Member State.

### **Article (14)**

#### **Supply of Gas, Oil, Water and Electricity**

As an exception to the provisions of Articles (10) and (11) of this Agreement:

1. The place of supply for gas, oil and water through the pipeline distribution system and Supply of electricity by a Taxable Person who is established in a Member State to a Taxable Trader established in another Member State shall be the place where the Taxable Trader is established.
2. The place of supply for gas, oil and water through the pipeline distribution system and Supply of electricity to a person who is not a Taxable Trader shall be the place of actual consumption.

## **Part Two**

### **Place of Supply of Services**

#### **Section One**

##### **General Principle**

#### **Article (15)**

##### **Place of Supply of Services**

The place of supply for Services provided by a Taxable Supplier shall be the place of the Supplier's residence.

### **Article (16)**

#### **Place of Supply of Services between Taxable Persons**

As an exception to the provisions of Article 15 of this Agreement, the place of supply for Services provided by a Taxable Supplier to a Taxable Customer shall be the place of Customer's residence.

#### **Section Two**

##### **Special Cases**

#### **Article (17)**

##### **Conveyance Leasing Services**



As an exception to the provisions of Article 15 of this Agreement, the place of supply for conveyance leasing Services between a Taxable Supplier and a Non-Taxable Customer shall be the location where these conveyances were placed at the Customer's disposal.

#### **Article (18)**

##### **Supply of Goods and Passenger Transportation Services**

As an exception to the provisions of Article 15 of this Agreement, the place of supply of Services for the transportation of Goods and passengers and related Services shall be the place where transportation begins.

#### **Article (19)**

##### **Supply of Real Estate Related Services**

1. Real Estate related Services shall mean those that are closely linked to real estate, including:
  - a- real estate experts and agent services;
  - b- granting the right to possess or use real estate;
  - c- services related to construction work;
2. As an exception to the provisions of Article 15 of this Agreement, the place of supply of real estate related Services shall be where the real estate is located.

#### **Article (20)**

##### **Supply of Wired and Wireless Telecommunication Services and Electronically Supplied Services**

The place of supply for wired and wireless telecommunication Services and electronically supplied Services shall be the place of actual use of or benefit from these Services.

#### **Article (21)**

##### **Supply of Other Services**

The place of supply for the following Services shall be the place of actual performance:

- a- restaurant and hotel Services and Services for the supply of food and beverages.
- b- cultural, artistic, sport, educational and recreational Services.
- c- services linked to transported Goods supplied from a taxable Supplier residing in a Member State to a non-taxable Customer residing in another Member State.

#### **Part Three**

##### **Place of Import**

#### **Article (22)**

##### **Place of Import**

1. The place of import for Goods shall be the State of the First Point of Entry.
2. When Goods are placed under customs duty suspension under the Unified Customs Law immediately upon entry into the GCC Territory, then the place of import shall be in the Member State where these Goods were released from the duty suspension status.

#### **Chapter Four**

##### **Tax Due Date**

#### **Article (23)**

##### **Date of Tax Due on Supplies of Goods and Services**

1. Tax becomes due on the date of the supply of Goods or Services, the date of issuance of the tax invoice or upon partial or full receipt of the Consideration, whichever comes first, and to the extent of the received amount.
2. The date of supply provided for in subsection 1 of this Article shall be as follows:

- a- the date on which the Goods were placed at the Customer's disposal in connection with supplies of Goods without transportation or dispatch;
  - b- the date on which transportation or dispatch of Goods began in connection with supplies of Goods with transportation or dispatch;
  - c- the date on which the assembly or installation of Goods was completed in connection with supplies of Goods with assembly or installation;
  - d- the date on which the performance of the service was completed;
  - e- the date of occurrence of any of the events referred to in Article 8 of this Agreement.
3. As an exception to the provisions of subsections 1 and 2 of this Article, in connection with supplies of a repetitive nature leading to the repetitive issuance of invoices or payment of Consideration, the Tax is due on the payment date specified in the invoice or the date of actual payment, whichever comes first, and at least once in every period of 12 consecutive months.
  4. Each Member State may determine the date on which Tax becomes due with regard to supplies not referred to in the foregoing subsections of this Article.

## **Article (24)**

### **Tax Due Date on Importation**

Tax becomes due on the date of importing Goods into the Member State, subject to the provisions of Article 39 related to cases of Tax suspension upon importation and Article 64 related to the mechanism for paying Tax due upon importation.

## **Chapter Five**

### **Calculation of Tax**

## **Article (25)**

### **Tax Rate**

1. Tax shall be applied at the basic rate of 5% of the Supply value or the value of Imports, unless this Agreement provides for an exemption or the zero-rate on such supplies.
2. Without prejudice to the obligations provided for under this Agreement and the Local Laws, published prices in the local market for Goods and Services must include VAT.

## **Article (26)**

### **Supply Value of Goods and Services**

1. The fair market value is the amount at which Goods or Services can be dealt in in an open market between two independent parties under competitive conditions determined by each Member State.
2. The value of a Supply shall be the value of Consideration without the Tax and includes the value of the non-cash portion of the Consideration determined according to the fair market value.
3. The value of the Supply shall include all the expenses imposed by the Taxable Supplier on the Customer, the fees due as a result of the Supply and all the Taxes including Excise Tax, but excluding VAT.
4. In the case of Deemed Supply and transportation of Goods from one Member State to another, the Supply value shall be the purchase value or cost. If the purchase value or cost cannot be determined, then the fair market value shall apply.
5. Each Member State shall determine the conditions and rules for adjusting the Supply value between Related Persons.
6. The Supply value is reduced by the following amounts:
  - a- discounts in prices and deductions granted to the Customer;
  - b- the value of subsidies granted by the Member State to the Supplier;
  - c- amounts paid by the Taxable Supplier in the name of and to the account of the Customer; in this case, the Taxable Supplier may not deduct Tax paid on these expenses.
7. If any of the components of the Supply value is expressed in a foreign currency, it shall be converted into the local currency based on the official exchange rate applied in the Member State on the Tax due date.
8. Each Member State may determine the value of the Supply in certain cases not referred to in this Article.

## **Article (27)**

### **Adjustment of Tax Value**

A Taxable Person may adjust the value of the Tax imposed upon the happening of any of the following events at a date later than the Supply date:

1. total or partial cancellation or rejection of a Supply;
2. reduction of the Supply value;
3. total or partial non-collection of the Consideration in accordance with the conditions applicable to bad debts in each Member State.

## **Article (28)**

### **Value of Imported Goods**

1. The value of imported Goods will be the customs value determined in accordance with the Unified Customs Law plus Excise Tax, Customs duty and any other imposts apart from VAT.
2. For Goods temporarily exported outside the GCC Territory for completion of manufacturing or repair thereof abroad, these Goods shall be taxed when reimported on the basis of value added to them as provided for in the Unified Customs Law.

## **Chapter Six**

### **Exceptions**

## **Article (29)**

### **State Rights to Exempt Certain Sectors or to Apply the Zero-Rate**

1. Each Member State may exempt or apply the zero-rate to the following sectors in accordance with the conditions and rules set by that Member State:
  - a- education;
  - b- health;
  - c- real estate; and
  - d- local transport.
2. Each of the Member States may subject its oil, oil derivatives and gas sector to Tax at zero-rate in accordance with to the conditions and rules set by each Member State.

## **Article (30)**

### **Exceptions to Tax Payment in Special Cases**

Each Member State may exclude the following categories from paying Tax upon receipt of Goods and Services in that State, and each Member State may allow these Persons to reclaim Tax borne upon receipt of the Goods and Services in accordance with the conditions and rules determined by that Member State.

These categories include:

- Government bodies designated by each State;
- Charities and Public Benefit Establishments designated by each State;
- Exempted companies under international event hosting agreements;
- Citizens of the Member State when constructing their homes for private use;
- Farmers and fishermen who are not registered for Tax.

## **Article (31)**

### **Supply of Foodstuffs, Medicines and Medical Equipment**

#### **I: Foodstuffs:**

All foodstuffs shall be subject to the basic Tax rate. Member States may apply the zero-rate on foodstuffs mentioned in a unified list of Goods approved by the Financial and Economic Cooperation Committee.

## **II: Medicines and Medical Equipment:**

Medicines and medical equipment shall be subject to the zero-rate in accordance with unified controls proposed by the Committee of Ministers of Health and approved by the Financial and Economic Cooperation Committee.

### **Article (32)**

#### **Internal and International Transportation**

The following transportation transactions shall be subject to Tax at zero-rate:

1. Goods and passenger transport from one Member State to another and the supply of transport-related Services;
2. International Goods and passenger transport from and to the GCC Territory and the supply of transport-related Services.

### **Article (33)**

#### **Supply of Conveyances**

Each Member State may apply the zero-rate to the following supplies:

1. Supply of sea, land and air conveyances allocated to the transportation of Goods and passengers for reward for commercial purposes;
2. Supply of Goods and Services related to the supply of the conveyances mentioned in subsection 1 of this Article allocated to the operation, repair, maintenance or conversion any of these conveyances or for the requirements of the conveyances or their cargo or passengers;
3. Supply of rescue airplanes, rescue boats and aid by land and sea and boats allocated to sea fishing.

### **Article (34)**

#### **Supplies to Outside the GCC Territory**

1. The following supplies shall be subject to the zero-rate:
  - a- the exportation of Goods outside the GCC Territory;
  - b- supply of Goods to a customs duty suspension situation as provided for in the Unified Customs Law and the supply of Goods within customs duty suspension situations;
  - c- re-exportation of moveable Goods that have been temporarily imported into the GCC Territory for repairs, refurbishment, conversion or processing as well as the Services added to these Goods.
  - d- supply of Services by a Taxable Supplier residing in a Member State for a Customer who does not reside in the GCC Territory who benefits from the service outside the GCC Territory in accordance with the criteria determined by each of the Member States, except for the cases provided for in Articles 17 to 21 of this Agreement that determine the place of supply as being in a Member State.
2. The supply of Goods and Services out of the GCC Territory shall be subject to the zero-rate when such supply is exempt from Tax inside the Member State.

### **Article (35)**

#### **Supply of Investment Gold, Silver and Platinum**

1. For the purposes of this Article, Gold, Silver or Platinum shall be considered as an investment when it is at a purity level not less than 99% and tradable on the Global Bullion Exchange.
2. The supply of investment gold, silver and platinum shall be subject to the zero-rate.
3. The first supply after extraction of gold, silver and platinum shall be subject to the zero-rate.

### **Article (36)**

#### **Financial Services**

1. Financial Services performed by banks and financial institutions licensed under the laws in force in each Member State shall be exempt from Tax. Banks and financial institutions may reclaim Input Tax on the basis of the refund rates determined by each State.
2. As an exception to subsection 1 of this Article, each State may apply any other tax treatment to financial Services.

## **Article (37)**

### **Taxation of Supplies of Used Goods**

Each Member State may determine the conditions and rules for the imposition of Tax on the supply of used Goods by the Taxable Person based on the profit margin.

## **Chapter Seven**

### **Exceptions on Importation**

## **Article (38)**

### **Exemptions on Importation**

The following shall be exempt from Tax:

1. Importation of Goods if the supply of these Goods in the final destination country is exempted from Tax or subject to Tax at zero-rate.
2. Importation of the following Goods that are exempted from customs duty under the Unified Customs Law:
  - a- diplomatic exemptions;
  - b- military exemptions;
  - c- Imports of used personal luggage and household appliances which are brought by citizens residing abroad and foreigners who are coming to reside in the country for the first time.
  - d- Imports of requisites for non-profit charity organizations if they are exempted from Tax under Article 30;
  - e- Imports of returned Goods.
3. Personal luggage and gifts arriving accompanied by travellers as specified by the Member State.
4. Requisites for people with special needs as specified by the Member State.

## **Article (39)**

### **Suspension of Tax**

Tax shall be suspended on imports of Goods that are placed under a customs duty suspension situation in accordance with the conditions and rules provided for in the Unified Customs Law. Each Member State has the right to link the suspension of Tax to the provision of security for the value of the Tax.

## **Chapter Eight**

### **Persons who are Obligated to Pay Tax**

## **Article (40)**

### **General Principle**

1. The Taxable Person is obligated to pay Tax due on taxable supplies of Goods and Services to the concerned Tax authority in the Member State where the place of supply is located.
2. Any Person that states a Tax amount on any invoices issued by him becomes obligated to pay this Tax amount to the concerned Tax authority in the Member State where the place of supply is located.

## **Article (41)**

### **Customer Obligated to Pay Tax According to the Reverse Charge Mechanism**

1. If the place of supply for Goods or Services is in a Member State where the Supplier is not a resident, then the Taxable Customer residing in that Member State shall be obligated to pay the Tax due.
2. Tax due under subsection 1 of this Article shall be paid pursuant to a tax return or independently of it as determined by each Member State.

## **Article (42)**

### **Person Obligated to Pay Tax in respect of Importation**

The Person appointed or acknowledged as an importer pursuant to the Unified Customs Law shall be obligated to pay Tax due on imports.

## **Article (43)**

### **Joint Liability**

1. A Person who willfully participates in violating any of the obligations provided for in this Agreement and the Local Law shall be jointly liable with the Person obliged to pay the Tax and any other amounts due as a result of the violation.
2. Each Member State may determine other instances of joint liability other than those provided for in this Article.

## **Chapter Nine**

### **Deduction of Tax**

## **Article (44)**

### **Tax Deduction Principle**

1. The Taxable Person may deduct from the Tax due and payable by him in a Member State the value of deductible Tax borne in the same State in the course of making Taxable Supplies.
2. The right to make a deduction arises when a Deductible Tax is due pursuant to this Agreement.
3. A Customer who is obligated to pay Tax pursuant to the reverse charge mechanism may deduct deductible Input Tax related thereto provided that he has declared the Tax due under Article 41 (2) of this Agreement.
4. Each Member State shall determine the terms and rules for Tax deduction.

## **Article (45)**

### **Restrictions on Input Tax Deductions**

Input Tax that has been borne cannot be deducted in either of the following cases:

1. If it is for purposes other than Economic Activities as determined by each Member State;
2. If it is paid on Goods that it is prohibited to deal in in the Member State according to applicable laws.

## **Article (46)**

### **Proportional Deduction**

1. If Input Tax is related to Goods and Services used to make Taxable Supplies and non-Taxable Supplies, then Input Tax cannot be deducted save within the limits of the proportion referable to the Taxable Supplies.
2. Each Member State may determine the methods of calculating the deduction rate and the conditions for treating the value of non-deductible Input Tax as zero.

## **Article (47)**

### **Adjustment of Deductible Input Tax**

1. A Taxable Person must adjust the value of Input Tax deducted by him when receiving Goods or Services supplied to him if it is more or less than the value of the Input Tax deduction of which is available to him, as a result of changes in the determining factors for Deductible Tax, including:
  - a- cancellation or rejection of a Supply;
  - b- reduction of the Supply Consideration after the date of the Supply;
  - c- non-payment of the Supply Consideration, whether in whole or in part according to Article 27(3) of this Agreement;
  - d- changing the use of Capital Assets.
2. The Taxable Person is not required to adjust the Input Tax in any of the following cases:
  - a- where the Taxable Person establishes loss, damage or theft of the supplied Goods in accordance with the conditions and rules applicable in each Member State.
  - b- where the Taxable Person uses the supplied Goods as samples or gifts of slight value as specified in Article 8 (1)(d) of this Agreement.

## **Article (48)**

### **Conditions for Exercising the Right of Deduction**

1. For purposes of exercising the right of deduction, the Taxable Person must hold the following documents:
  - a- the Tax Invoice received pursuant to the provisions of this Agreement;
  - b- the customs documents proving that he imported the Goods in accordance with the Unified Customs Law.
2. Each Member State may allow the Taxable Person to exercise the right of deduction in the event that a Tax Invoice is not available or does not meet the requirements provided for in this Agreement, provided that the value of Tax due can be established by any other means.

#### **Article 49**

##### **The Right to Deduct Input Tax Paid Prior to the Date of Registration**

1. A Taxable Person may deduct Input Tax paid on Goods and Services supplied to him prior to the date of his registration for Tax purposes after meeting the following requirements:
  - a- Goods and Services are received for the purpose of making Taxable Supplies;
  - b- Capital Assets were not fully depreciated before the date of registration;
  - c- Goods were not supplied prior to the registration date;
  - d- Services were received within a specific period of time prior to the date of registration as determined by each Member State;
  - e- the Goods and Services are not subject to any restriction related to the right to make a deduction stated in this Agreement.
2. For the purposes of applying this Article, Input Tax shall be deductible for Capital Assets in accordance with the net book value of the assets as on the date of registration as specified by each Member State.

#### **Chapter Ten**

##### **Obligations**

##### **Part One**

##### **Registration**

#### **Article 50**

##### **Mandatory Registration**

1. For the purposes of implementing this Agreement, a Taxable Person shall be obliged to register if :
  - a- he is resident in any Member State;
  - b- the value of his annual supplies in that Member State exceeds or is expected to exceed the Mandatory Registration Threshold.
2. The Mandatory Registration Threshold shall be SAR 375,000 (or its equivalent in the GCC State currencies). The Ministerial Committee has the right to amend The Mandatory Registration Threshold after it has been in force for three years.
3. A non-resident of a Member State shall be required to register in that State regardless of his business turnover if he is obliged to pay Tax in that State under this Agreement. Registration can be done directly or through the appointment of a tax representative with the consent of the concerned Tax authority. The tax representative shall take the place of the Non-Resident Person in all its rights and obligations provided for in this Agreement, subject to the provisions of Article 43(2) of this Agreement.
4. A Taxable Person who makes only zero-rated supplies may request to be excluded from the Mandatory Registration requirement for Tax purposes in accordance with the conditions and rules determined by each Member State.

#### **Article 51**

##### **Voluntary Registration**

1. A Person who is not required to be registered under Article 50(1) of this Agreement who resides in any Member State may request to be registered therein, provided that the value of his annual supplies is not less than voluntary registration threshold.
2. A Member State may allow the registration provided that the annual expenses of a person who is not obliged to register in that State exceed the Voluntary Registration Threshold in accordance with the conditions and rules determined by that State.
3. The Voluntary Registration Threshold is 50% of the Mandatory Registration Threshold.

## **Article 52**

### **Calculating the Value of Supplies**

1. For the purposes of applying the provisions of this Agreement, the value of annual supplies is calculated on the basis of any of the following:
  - a- total value of supplies – excluding exempted supplies – made by the Taxable Person at the end of any month plus the previous eleven months;
  - b- total value of supplies – excluding exempted supplies – expected to be made by the Taxable Person at the end of any month plus the following eleven months in accordance with the criteria and period determined by each Member State.
2. Total value of supplies consists of the following:
  - a- the value of Taxable supplies except for the value of Capital Assets Supply;
  - b- the value of Goods and Services supplied to the Taxable Person who is obliged to pay Tax pursuant to the provisions of this Agreement;
  - c- the value of Internal Supplies the place of supply of which is in a Member State other than the State where the Taxable Supplier resides and these supplies would have been taxable in the State where the Supplier resides had the place of supply been located in that State.
3. Each Member State may determine the conditions and rules for the aggregation of the business revenue of Related Persons who conduct similar or related activities and register each of them mandatorily on the basis of the total business revenue.

## **Article 53**

### **Tax Identification Number (TIN)**

When registering for Tax purposes in any of the Member States, each Member State shall allocate a TIN for the Taxable Person provided that The Ministerial Committee shall determine the controls for issuing the TIN.

## **Article 54**

### **Deregistration**

1. A Taxable Person who is registered for Tax purposes must apply for deregistration in any of the following cases:
  - a- cessation of carrying on of the Economic Activity;
  - b- cessation of Taxable Supplies;
  - c- if the value of the Taxable Person's supplies falls below the Voluntary Registration Threshold pursuant to the provisions of Article (51) of this Agreement.
2. The Taxable Person may apply for deregistration if the total annual revenue of its business falls below the Mandatory Registration Threshold but exceeds the Voluntary Registration Threshold.
3. For the purposes of applying items (b) and (c) of the first and second paragraphs of this Article, each Member State may determine a minimum period to keep the Taxable Person registered for Tax purposes as a condition of deregistration.
4. Each Member State may determine the conditions and rules necessary to reject an application for the deregistration of a Taxable Person or to deregister him in cases other than those provided for in the first and second paragraphs of this Article.
5. The Tax Authority shall notify the Taxable Person of his deregistration and the effective date of the same.

## **Part Two**

### **Tax Invoice**

## **Article 55**

### **Issuance of the Tax Invoice**

1. The Taxable Person must issue a Tax Invoice or similar document in the following cases:
  - a- Supply of Goods or Services including a Deemed Supply as provided for in Article 8 of this agreement;
  - b- Full or partial receipt of Consideration prior to the supply date.
2. Each Member State may except the Taxable Person from issuing the invoices provided for in to this Article for exempted supplies, provided these do not pertain to Internal Transactions between Member States.



3. Subject to the provisions of Article 56 of this Agreement, each Member State may allow the Taxable Person to issue summary tax invoices; each including all the supplies of Goods and service made in favour of a single Customer that were taxable over a period of one month.
4. For the purposes of applying this Agreement, the Member States must accept the invoices in form, whether issued on paper or electronically, in accordance with the conditions and procedures determined by each Member State.

## **Article 56**

### **Contents of the Tax Invoice**

1. Each Member State must determine the contents of the Tax Invoice and the period within which it must be issued, provided that The Ministerial Committee shall determine the minimum details required to be included in the tax invoice. Each Member State may allow for the issuance of simplified invoices in accordance with the conditions and rules determined by it.
2. Tax invoices can be issued in any currency, provided that the value of the Tax is written in the currency of the Member State where the place of supply is located based on the official currency exchange rate in force in that State as on the Tax due date.

## **Article 57**

### **Amendment of Invoices (Credit Notes)**

A Taxable Person who adjusts the Supply Consideration must include this adjustment in a document (credit or debit note "Tax Invoice") correcting the original Tax Invoice. This document shall be treated in the same way as the original Tax Invoice according to the procedures determined by each Member State.

## **Article 58**

### **Special Provisions**

1. A taxable Customer who receives Goods or Services supplied to him from a Taxable Supplier may issue Tax Invoices provided that the Supplier consents and the Tax Invoice is marked as a self-issued invoice with the approval of the concerned Tax authority. In this event, a self-issued invoice shall be treated as an invoice issued by the Supplier.
2. A Taxable Person may engage the assistance of others to issue Tax Invoices on his behalf with the approval of the concerned Tax authority and provided that all the obligations provided for in this Agreement and the Local Law are fulfilled.

## **Part Three**

### **Retention of Tax Invoices, Records and Accounting Documents**

## **Article 59**

### **Retention Period for Tax Invoices, Records and Accounting Documents**

Without prejudice to any longer period stipulated under the laws of the Member State, Tax Invoices, books, records and accounting documents shall be retained for a period not less than five years from the end of the year to which the invoices, books, records and accounting documents relate. This period shall be extended to fifteen years for the retention of Tax Invoices, books, records and documents pertaining to real estate.

## **Part Four**

### **Tax Period and Tax Returns**

## **Article 60**

### **Tax Period**

Each Member State must determine its own tax period or periods, and provided that no tax period shall be less than one month.

## **Article 61**

### **Submission of Tax Returns**

Each Member State shall determine the periods, conditions and rules for submission of Tax Returns by a Taxable Person for each tax period, provided that The Ministerial Committee shall determine the minimum data required to be included in the tax return.

**Article 62**  
**Amending the Tax Return**

Each Member State shall determine the conditions and rules that allow a Taxable Person to amend a Tax Return that has already been submitted.

**Part Five**  
**Payment and Refund of Tax**

**Article 63**  
**Payment of Tax**

Each Member State shall determine the periods, conditions and rules for payment of Net Tax due by the Taxable Person.

**Article 64**  
**Payment of Tax on Imports**

1. Tax due on imported Goods shall be paid at the First Point of Entry and deposited in a special tax account, and transferred to the final Destination State according to the Customs Duties Automated Direct Transfer Mechanism in force within the framework of the GCC Customs Union; the Ministerial Committee may propose any other mechanisms.
2. Each Member State may, in accordance with the conditions and rules determined by it, allow a Taxable Person to defer payment of Tax due on Goods imported for the purposes of the Economic Activity and to declare the same in his Tax Return. Tax due that has been deferred and declared shall be deductible according to the provisions of this Agreement.

**Article 65**  
**Tax Refunds**

Each Member State shall determine the conditions and rules for allowing a Taxable Person to request a refund of net deductible Tax or request to carry it forward to subsequent tax periods.

**Chapter Eleven**  
**Special Treatments of Tax Refunds**

**Article 66**  
**Tax Refunds for Persons residing in the GCC Territory**

Taxable Persons in any Member State may request the refund of Tax paid in another Member State in accordance with the conditions and rules determined by the Financial and Economic Cooperation Committee.

**Article 67**  
**Tax Refunds for Non-Residents in the GCC Territory**

Each Member State may allow Persons who are not resident in the GCC Territory to request tax refunds for Taxes paid in it if all the following requirements are met:

1. the Non-Resident Person does not supply Goods or Services for which it is required to pay Tax in any Member State;
2. the Non-Resident Person is registered for Tax purposes in his country of residence, if such country applies a VAT system or a similar tax system;
3. the Tax is borne by a Person who is not resident in any Member State for the purposes of his Economic Activity.

**Article 68**  
**Tax Refunds for Tourists**

1. Each Member State may apply a Tax Refund system for tourists pursuant to the conditions and rules determined in its Local Law.
2. For the purpose of applying this Article, a tourist shall be defined as any natural person who meets all of the following requirements:
  - a- he is not a resident of the GCC Territory;

b- he is not a crew member on the flight or aircraft leaving a Member State.

## **Article 69**

### **Tax Refunds for Foreign Governments, International Organizations and Diplomatic Bodies and Missions**

1. Each Member State shall determine the conditions and rules for granting foreign governments, international organizations and diplomatic, consular and military bodies and missions the right to reclaim Tax borne for Goods and Services in the Member State in application of international treaties or the condition of reciprocity.
2. Each Member State may apply the zero-rate to supplies of Goods and Services in favor of foreign governments, international organizations, and diplomatic, consular and military bodies and missions within the conditions and rules determined by each State.

## **Chapter Twelve**

### **Exchange of Information among Member States**

## **Article 70**

### **Exchange of Information**

1. The tax authorities in the Member States shall exchange information relevant to the implementation of the provisions of this Agreement, or information related to the administration or enforcement of Local Laws related to VAT.
2. Without prejudice to the provisions of international conventions to which the Member State is a party, the information obtained by the tax authority shall be treated as confidential information in the same manner as the information obtained under the domestic laws of that authority, and shall be disclosed only to persons or authorities (including the courts and administrative authorities) concerned with Tax assessment, collection, implementation, or bringing judicial claims or determining appeals relating thereto or supervising the above. Such persons or authorities may not use the information obtained save for those purposes, and may disclose such information in judicial proceedings in public courts or in judicial decisions. Notwithstanding the foregoing, the information obtained by the tax authority may be used for other purposes when the laws of both States permit its use for such other purposes, and the tax authority in the providing State allows such use.
3. The provisions of subsections 1 and 2 shall not in any case be interpreted in a way that obliges any Member State to do the following:
  - a- to implement administrative procedures that breach regulations and administrative practices in that State or in another Member State.;
  - b- to provide information which is not obtainable under the regulations or the normal administration directives of that State or in another Member State;
  - c- to provide information which would disclose any secret relating to trade, business, or industry, or commercial or professional secrets, or commercial operations, or information the disclosure of which may be contrary to public policy (public order).
4. If a member State requests Information under this Article, the other Member State must use its own procedures to collect the required information notwithstanding that that other State may not require it for its own tax purposes. The obligation set out in the preceding sentence is subject to the restrictions provided for in subsection 3. However, under no circumstances shall these restrictions be interpreted as allowing any Member State to decline to provide information on the sole ground that it has no local interest therein.
5. Under no circumstances shall the provisions of subsection 3 be interpreted as allowing any contracting State to decline to provide information on the sole ground that such information is held by a bank or other financial institution, or by an authorized person or person acting under a power of attorney, or a person acting in a fiduciary capacity or that this information is related to ownership interests of any person.

## **Article 71**

### **Electronic Service Systems**

1. Each Member State shall create an electronic Services system for the purposes of complying with requirements related to Tax. The GCC Secretariat General shall take the necessary measures to establish a tax information center, and to operate a central website or electronic system to follow up the information related to Internal Supplies and the exchange of this information between the concerned Tax authorities in the Member States; provided that the website or electronic system of the tax information center must include at least the following information:
  - a- the TIN for both the Supplier and the Customer;
  - b- the number and date of the Tax Invoice;
  - c- a description of the transaction;
  - d- the consideration for the transaction.

2. If the information recorded by each of the Supplier and the Customer corresponds, each of them shall be given a confirmation number that must be retained for Tax audits performed by the concerned Tax authority and for the purpose of ascertaining that this information corresponds with that provided in Tax returns and other relevant information provided pursuant to the provisions of this Agreement.
3. The system must be reliable and secure and must not allow the Supplier or the Customer access to any information other than that to which they are permitted to have access.
4. The concerned Tax authority in each Member State shall have a right of access to the information related to Internal Supplies between Taxable Persons registered for Tax purposes.
5. The System shall allow the follow-up of proof of transfer of Goods to the country of Final Destination.

## **Article 72**

### **Cooperation between Member States**

1. The Member States may, upon a proposal from the Secretary General of the Gulf Cooperation Council to the Ministerial Committee, take the necessary measures related to administrative cooperation among them, especially in the following areas:
  - a- exchange of information needed to determine Tax accuracy based on the request of each Member State;
  - b- agreeing to synchronized auditing procedures and participating in audits performed by any Member State pursuant to the approval of the concerned States.
  - c- assisting in the collecting of Tax and taking the necessary procedures related to collection.
2. Subject to the provisions of international agreements to which the Member State is party, each Member State shall obligate its employees not to disclose or use information they receive in the course of their work from another Member State for any other purposes not related to their functions. Each Member State may determine the penalties that apply in the event of violation.

## **Chapter Thirteen**

### **Transitional Provisions**

#### **Article 73**

Each Member State must provide in its Local Law transitional provisions dealing with the following areas at least:

1. Tax is due on supplies of Goods and Services and on imports of Goods as from the date the Local Law comes into effect in the Member State.
2. Each Member State shall determine timelines for registering Taxable Persons obliged to register on the date the Local Law comes into effect.
3. Notwithstanding any other provision in this Agreement, should an invoice be issued or Consideration paid before the date of application of the Local Law or prior to the registration date and the Supply occurred after such date, then each Member State may ignore the date of the invoice or payment and consider the Tax due date to be the date of the Supply.
4. Notwithstanding any other provision in this Agreement, should an invoice be issued or Consideration paid before the date on which the Local Law comes into force or prior to the registration date and the Supply occurs after such date, then each Member State may ignore the date of the invoice or payment and treat the Tax due date as being the date of the Supply

The provisions of subsection 3 of this Article shall apply to Internal Supplies between a Taxable Supplier residing in a Member State and a Customer in another Member State.

5. With regard to continuing supplies that are partially performed before the date on which the Local Law comes into force or before the registration date and partially after such date, then Tax shall not be due on the part performed before the date of coming into force or of the registration.

## **Chapter Fourteen**

### **Objections and Appeals**

#### **Article 74**

### **Objections and Appeals**

Each Member State shall determine the conditions and rules for objecting to decisions of the concerned tax authority. This includes the right of recourse to the competent local courts in each Member State.

**Chapter Fifteen**  
**Closing Provisions**  
**Article 75**  
**Interpretation**

The Ministerial Committee shall have jurisdiction to consider matters related to the application and interpretation of this Agreement and its decisions shall be binding on the Member States.

**Article 76**  
**Dispute Resolution**

The Member States will work to settle any dispute which may arise between them concerning this Agreement amicably, and they may, upon agreement, if such amicable settlement is not possible pursuant to the foregoing, submit the dispute to arbitration in accordance with the rules of arbitration to be agreed upon.

**Article 77**  
**Amendments**

This Agreement may be amended upon the approval of all the Member States and based on the proposal of any of these States. The coming into force of the amendment shall be subject to the same procedures provided for in Article 79 of this Agreement.

**Article 78**  
**Coming Into Force**

This Agreement shall be approved by the Supreme Council and ratified by the Member States in accordance with their constitutional process.

1. The Agreement shall come into effect as from the lodging of the second State's confirmation document with the Secretary General of the GCC Council.
2. Each Member State shall take domestic measures to issue its Local Law with the aim of implementing the Agreement. This includes laying down the required policies and procedures to implement the Tax in such manner as does not conflict with the provisions of this Agreement.
3. Each Member State that has not implemented its Local Law shall be treated as being outwith the scope of this Agreement until such time as its Local Law comes into force.

This Agreement is executed in Arabic in the city of Riyadh on ..... corresponding to ..... in one original to be kept at the GCC General Secretariat and a certified conformed copy of the same shall be provided to each Member State that is a party in this Agreement.

State of the United Arab Emirates

.....

The Kingdom of Bahrain

.....

The Kingdom of Saudi Arabia

.....

Sultanate of Oman

.....

State of Qatar

.....

State of Kuwait

.....



This publication has been written in general terms and therefore cannot be relied on 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. Deloitte & Touche (M.E.) would be pleased to advise readers on how to apply the principles set out in this publication to their specific circumstances. Deloitte & Touche (M.E.) accepts no duty of care or liability for any loss occasioned to any person acting or refraining from action as a result of any material in this publication.

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"), its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as "Deloitte Global") does not provide services to clients. Please see [www.deloitte.com/about](http://www.deloitte.com/about) for a more detailed description of DTTL and its member firms.

Deloitte provides audit, consulting, financial advisory, risk management, tax and related services to public and private clients spanning multiple industries. Deloitte serves four out of five Fortune Global 500® companies through a globally connected network of member firms in more than 150 countries bringing world-class capabilities, insights, and high-quality service to address clients' most complex business challenges. To learn more about how Deloitte's approximately 225,000 professionals make an impact that matters, please connect with us on Facebook, LinkedIn, or Twitter.

Deloitte & Touche (M.E.) is a member firm of Deloitte Touche Tohmatsu Limited (DTTL) and is a leading professional services firm established in the Middle East region with uninterrupted presence since 1926.

Deloitte provides audit, tax, consulting, and financial advisory services through 26 offices in 15 countries with more than 3,300 partners, directors and staff. It is a Tier 1 Tax advisor in the GCC region since 2010 (according to the International Tax Review World Tax Rankings). It has also received numerous awards in the last few years which include best employer in the Middle East, best consulting firm, the Middle East Training & Development Excellence Award by the Institute of Chartered Accountants in England and Wales (ICAEW), as well as the best CSR integrated organization.