



Introduction

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The Kingdom of Saudi Arabia VAT Law and Regulations

Chapter Introduction

Article 1

1. The following words and phrases, wherever mentioned in the Law shall have the meanings ascribed thereto hereunder unless the context indicates otherwise.

Authority: General Authority of Zakat and Tax.

Law: Value Added Tax Law.

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

Kingdom: Territory of the Kingdom of Saudi Arabia including areas outside the territorial waters, in which the Kingdom practices the rights of sovereignty and jurisdiction over their water, their seabed, the layers under the soil and the natural resources, under its Law and the international Law.

Regulation: any Implementing Regulation for this Law.

Board of Directors: Board of Directors of the Authority.

Output Tax: The Tax due and levied on any Taxable Supply for Goods or Services made by a Taxable Person.

Tax Invoice: an invoice issued in respect of Taxable Supplies according to the requirements prescribed in the Law and the Regulations.

2. Without prejudice to paragraph (1) of this Article, the words and phrases in the Law shall have the meanings specified in the Agreement.

Article 2

Tax shall be imposed on the Import and Supply of Goods and Services, according to the provisions stated in the Agreement, the Law and Regulations.

Chapter 2 Registration for Tax Purposes

Article 3

1. A Taxable Person must register according to his Economic Activities carried on in the Kingdom in accordance with the provisions prescribed in the Agreement.
2. A Person who is carrying on an Economic Activity, and who is not required to register under the provisions of the Agreement, may voluntarily register provided that he meets the conditions and rules prescribed in the Regulations.
3. The Authority shall issue a registration certificate to each Registered Person, the Regulations shall set out the information which must be included in the certificate.
4. The Authority shall establish and maintain a register containing the relevant details of every registered Person.
5. The Regulations shall determine the following:
 - a) The conditions, controls and procedures for registration, timelines defined for the same, cases in which a registration application will be rejected, and the mechanism for notifying the registrant with the decisions issued by the Authority in this regard.
 - b) The conditions and controls necessary to exempt a Taxable Person that only makes zero-rated supplies from the obligation to register.

Article 4

1. The Regulations shall determine the rules and conditions according to which a VAT Group may be registered, amend or deregistered.
2. The members of a VAT Group shall be treated as a single Taxable Person.
3. All members of a VAT Group shall be separately and jointly liable for any Tax obligations of that Group arising during the time that they were members of that VAT Group.

Article 5

1. A Taxable Person must apply for deregistration in any of the following cases:

- a) Cases prescribed in the Agreement.
 - b) If the Person is a Resident Person and its total annual revenue does not exceed the Voluntary Registration Threshold during the period stipulated in the Regulations;
 - c) If the Person is a Non-Resident Person and does not made any Taxable Supplies during the period stipulated in the Regulations.
2. The Regulations shall determine the timelines and procedures to be followed by the Registered Persons prior to deregistration, the conditions and controls to reject the application for deregistration, and the additional cases for deregistration.
 3. The Taxable Person who deregisters shall be liable for all the obligations according to the provisions of Law arising during the validity of his registration.

Chapter 3 Supplies of Goods and Services

Article 6

The Regulations shall determine the necessary conditions and controls to implement the relevant provisions related to the Nominal Supplies prescribed in the Agreement.

Article 7

The Regulations shall determine the conditions and controls relating to the transfer by the Taxable Person of Taxable Goods which forms a part of his own Goods from the Kingdom to a Member State and vice versa.

Article 8

The Regulations shall determine the transactions in which the Supply of Goods and Services are outside the scope of Tax.

Article 9

Where a Taxable Person acting in his own name but on behalf of another person supplies or receives Goods or Services, he shall be deemed for the purposes of the Law and Regulations to have received or Supplied those Goods or Services for himself.

Article 10

Regulations shall determine the Exempted Supplies and the zero-rated Supplies and the conditions and controls necessary for such.

Article 11

Regulations shall determine the criteria, and the period of time required for calculating the value of the annual supplies expected to be made by the Taxable Person.

Article 12

The Regulations shall determine the conditions and controls required to aggregate the turnover of Related Persons carrying on similar or related activities, and to register each one of them or to register them mandatorily on the basis of the total turnover.

Chapter 4 Place of Supply

Article 13

Regulations shall determine the conditions and controls of the place of Taxable Supply of Goods and Services in accordance with the provisions of the Agreement.

Article 14

Regulations may provide the conditions and controls for determining of the Place of Residence of a Person.

Chapter 5 Taxable Value

Article 15

1. The Value of Imported Goods shall be determined in accordance with the Unified Customs Law.

2. The Regulations shall set out the necessary terms and conditions to determine the fair market value for Goods and Services, the terms and conditions necessary to adjust the value of Supply between Related Persons, and the Supply Value for cases not referred to in the Agreement.

Chapter 6
Import
Article 16

1. Tax shall be payable on Imports into the Kingdom in accordance with the provisions of the Agreement.
2. In the case of suspending the Tax on the Importation of Goods according to the Unified Customs Law, the importer shall provide security covering the value of the Tax, in accordance with the Regulations.

Article 17

The Regulations shall determine the conditions and controls necessary for exempting from Tax the personal luggage and gifts accompanying travelers, and requisites for people with special needs, in accordance with Unified Customs Law.

Chapter 7
Tax Calculation
Article 18

The payable Tax rate shall be the applicable rate on the date of Supply or on the date of Importation.

Article 19

The Regulations shall determine the Tax due date in relation to the Supplies not set in the Agreement.

Article 20

The Regulation shall specify the periods for calculating the Tax and its conditions and controls.

Article 21

1. In case of the issue of an invoice or the payment of consideration for a Good or a Service before the date when Law comes into effect or before the date of registration, and the Supply has been made after that date, then the due date of the Tax shall be the date of the Supply.
2. The provisions of Paragraph (1) of this Article shall apply to Internal Supplies made between a Taxable Supplier resident in the Kingdom and a customer in another Member State, and vice versa.
3. With respect to continuous supplies performed in part before the effective date of Law or before the date of registration, and in part after that date, Tax shall not be payable on the part which is performed before the effective date of Law or the registration date.

Chapter 8
Tax Deduction
Article 22

The Regulations shall set out the following

1. The conditions and controls for the deduction of Tax, the methods of calculating the deduction rate, and the conditions for considering the value of the non-deductible Input Tax as zero.
2. Input tax incurred otherwise than for purposes of an Economic Activity.
3. The conditions and controls necessary for a Taxable Person to prove loss, damage or theft of Goods supplied to him.
4. The time period that entitles the Taxable Person to deduct Input Tax for Services received before the date of registration.
5. Conditions and controls necessary for deducting Input Tax on Capital Assets according to the net book value of the assets at the date of registration.
6. Means of proving the value of the Tax due by the Taxable Person, if the Tax Invoice is not available or does not comply with the conditions stipulated in the Agreement, the Law and the Regulations.

Chapter 9
Tax Invoices

Article 23

The Regulations shall set out the following:

1. The contents and the form of Tax Invoices and the periods for issuance.
2. The conditions and controls necessary for the issuance of simplified or summarized Tax Invoices.
3. The conditions and controls for exempting the Taxable Person from the issuance of Tax Invoices in respect of Exempted Supplies.
4. Conditions and procedures for the acceptance of invoices in form.
5. Conditions for approving the Taxable Person to obtain the assistance of a third party to issue Tax Invoices on his behalf.

Chapter 10 Tax Return

Article 24

1. The Regulations shall determine the Tax Period in respect of which the Taxable Person shall submit his Tax Return.
2. A Taxable Person shall file a Tax Return in respect of each Tax Period with the Authority, within the period provided for and according to the conditions and controls set in the Regulations.
3. A Taxable Person who becomes aware of an error in a Tax Return submitted to the Authority must notify the Authority of this error according to the procedures set out in the Regulations.

Article 25

The Regulations shall specify the rules and conditions for the adjustment of the Consideration for a Supply in the original Tax Invoices, or the amendment of the Tax Return.

Article 26

1. The Authority may make a Tax assessment on a Taxable Person irrespective of the Tax Return submitted.
2. The Authority has the right to make a new Tax assessment which adjusts a prior assessment made by it.
3. The Authority must notify the Taxable Person of the Tax assessment issued under this article.
4. The Regulation shall set out the periods and procedures necessary for conducting the Tax assessment, procedures for objection, means of notifying such to the Taxable Person, and the mechanisms for him to submit an application for correction.

Chapter 11 Tax Payment

Article 27

1. The Regulation shall determine the periods, terms and rules for payment of the Net Tax due by the Taxable Person.
2. The Authority may permit a Taxable Person to change its designated Tax Period upon request to the Authority in accordance with the conditions and controls set out in the Regulations.
3. The Authority may, with a reasoned decision, obligate the Taxable Person to change his Tax Period.
4. The Authority shall notify the Taxable Person of any change in its Tax Period, in accordance with the dates and means specified in the Regulations.

Article 28

1. The General Department of Customs shall collect Tax payable upon importation, in accordance with the applicable procedures and transfer such to the account determined by agreement between the Ministry of Finance and the Authority.
2. As an exception to paragraph (1) of this Article, the Authority may permit a Taxable Person to defer the payment of Tax payable on Goods imported for the purposes of Economic Activities, in accordance with the conditions and controls determined by the Regulation, and in all cases, the Taxable Person shall declare the same in his Tax Return.

Article 29

The Regulations shall determine the mechanism for the payment of Tax due in the cases where the Place of Supply of Goods or Services is made in the Kingdom but where the Supplier is not Resident in the Kingdom.

Article 30

The Regulations shall determine the conditions and controls necessary to charge Tax on the Supply of used Goods by a Taxable Person on the basis of the profit margin.

Chapter 12

Tax Refund

Article 31

The Authority may exclude the categories set out in the Agreement from the payment of Tax upon receipt of Goods and Services in the Kingdom and allow those categories to recover the Tax incurred upon receipt of the Goods and Services in accordance with the conditions and controls determined by the Regulations.

Article 32

The Regulations shall determine the conditions and controls for granting foreign governments, international organizations, diplomatic and consular bodies and missions the right to request the refund of the Tax incurred on Goods and Services in the Kingdom and the conditions and rules necessary to apply the Tax at zero-rate on the Supply of Goods and Services to these entities.

Article 33

1. The Regulations shall determine the procedures necessary for Persons not resident in the Council Territory to recover Tax paid in the Kingdom.
2. The Regulations shall determine the terms and conditions necessary for applying a Tax refund scheme for Tourists.

Article 34

The Regulations shall determine the terms and conditions for allowing the Taxable Person to request the refund of the deductible or refundable Net Tax, or for it to be deferred to future tax periods.

Chapter 13

Confidentiality and Exchange of Information

Article 35

1. Officers and all employees of the Authority, and Persons working with or for the benefit of it, must maintain the confidentiality of the Tax information which they have received due to their engagement, and may disclose the Tax information only in the situations prescribed in the Regulations, in accordance with the conditions and controls of the Regulations, without prejudice to the applicable laws of 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 paragraph (1) of this article.
3. Except in the situations prescribed in the Regulations, a Person who receives and has sight of Tax information may not further disclose the information to any other Person, and must return all the documents relating to such information to the Authority.

Chapter 14

Document Keeping and Joint Liability

Article 36

The Regulations determine the period required for retention of Tax Invoices, books, records and accounting documents.

Article 37

Without prejudice to the cases of joint liability provided for in the Agreement and the Law, the Regulations shall determine other cases in which joint liability with a Taxable Person is determined, and the measures to be taken against any Person who is determined to be jointly liable.

Chapter 15

Inspection and Control

Article 38

Employees appointed by a decision from the Board of Directors shall be responsible for monitoring, inspecting and controlling violations of the provisions of this Law and they shall have all the powers necessary to perform their duties. The Regulations shall specify the procedures for carrying out of their duties.

Chapter 16

Tax Evasion and Penalties

Article 39

The following is considered tax evasion:

1. Submitting false, forged or artificial documents, declarations, records or information with the purpose of evading the payment of the Tax due, or reducing its value, or unlawfully obtaining refunds of such Tax; the Onus of Proof of the absence of intent rests with the Taxable Person.
2. Entering or attempting to enter, removing or attempting to remove Goods or Services into or from the Kingdom, in violation of the applicable laws, without payment of Tax in whole or in part, or in violation of the provisions of prohibition and restriction set out in this Law or any other Law.

Article 40

Tax evasion shall be punishable by a fine not less than the amount of the Tax due, and not more than three times the value of the Goods or the Services which are the subject of the evasion.

Article 41

Any Person who has not applied for registration within the period specified in the Regulations shall be fined (10,000) ten thousand riyals.

Article 42

1. Any Person who has filed a wrong Tax return with the Authority, or has amended a Tax return after being filed, or submitted any document to the Authority relevant to the payable Tax which resulted in errors in calculating the Tax value less than the payable Tax, shall be fined (50%) of the difference between the calculated Tax and the Due Tax.
2. The Authority may – according to rules determined by its Board of Directors – except any person from the penalty stated in paragraph (1) of this Article, or reduce the same.
3. Any Person who fails to submit the Tax Return within the period specified by the Regulation shall be liable to a fine not less than (5%) and not to exceed (25%) of the value of the Tax which he ought to have declared.

Article 43

Any person who fails to pay the Tax due during the period specified by the Regulations shall be liable to a fine equal to (5%) of the value of the unpaid Tax; for each month or part thereof in respect of which the Tax has not been paid.

Article 44

A non-registered Person shall be liable to a fine not exceeding (100,000) one hundred thousand riyals in case he issues a Tax Invoice, without prejudice to any heavier penalty provided for in any other Law.

Article 45

A fine of not more than (50,000) fifty thousand riyals shall be imposed on any Person who:

1. Has not committed to keeping Tax Invoices, books, records and accounting documents within the period stipulated in the Regulations, the fine shall be for each Tax Period.
2. Prevents or obstructs the employees of the Authority or any of its employees from performing their duties.
3. Violates any other provision of the Law or the Regulations.

Article 46

1. Fines imposed pursuant to this Law shall be without prejudice to the payment of the Tax due.
2. The implementation of any penalty set out in the Law shall not be prejudice to other penalty set out in any other law.

Article 47

If the same violation is repeated within three years from the date of the final decision certifying the previous violation, it is permissible to double the fine imposed on the offender under that decision.

Chapter 17

Penalties and Violations Review

Article 48

1. The Authority shall impose the penalties stipulated in the Law in accordance with the classification of violations and the determination of the penalties prescribed by the Board, taking into account the proportionality between the violation and the penalty.
2. The penalty shall be imposed by a decision of the Governor of the Authority or by a person authorized by the Board of Directors.

3. The decision to impose a penalty may include the publication of the decision to impose the penalty at the expense of the offender in a local newspaper issued at his place of residence, or, if none is available, in the nearest area newspaper or through other appropriate means, depending on the type, gravity and effects of the offense, after the decision is deemed final.

Article 49

Any Person against whom a penalty is issued may file a grievance before the competent judicial authority within 30 days from the date of notification thereof, otherwise the decision shall be deemed final with no right of appeal with any other Judicial Authority.

Chapter 18 Final Provisions

Article 50

Subject to the provisions of Article (28) of the Law, the Authority shall be responsible for the administration, examination, assessment and collection of the Tax, and shall, in doing so, take such measures as it deems fit.

Article 51

1. The Authority may coordinate with government agencies in all matters related to the implementation of the provisions of the Agreement, the Law and the Regulations.
2. All government agencies and Persons shall provide the Authority with the information it requests for the purposes of Tax.

Article 52

The Board of Directors shall issue the Regulations within 30 days from the date of issuance of the Law, and they shall be effective and applicable after the Law comes into force. It shall also issue the decisions and instructions necessary to implement the provisions of the Law and the Regulations.

Article 53

1. The Law shall come into force as from the commencement of the fiscal year following its publication in the Official Gazette.
2. As an exception to paragraph (1) of this Article, the Persons, who are liable to register for the Tax purposes, shall register with the Authority within 30 days from the date of publishing the Law.



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