



Saudi Arabia

VAT is an indirect tax that is imposed on the importation and supply of goods and services in Saudi Arabia since 1 January 2018

VAT standard rate

15% is the standard VAT rate in Saudi Arabia is charged on almost all types of goods it is changed on 1 July 2020. Before it was 5%.

VAT zero rate

VAT zero rate applies to:

- Supply of Qualifying means of transport
- Qualifying medicines and qualifying Medical Goods
- Supply for investment
- Supply of Qualifying Metals (gold, silver, or platinum)
- Exports of goods
- International shipping and passenger transportation services

Exempted Supply

The issue or supply of a voucher entitling the recipient to a supply of goods is exempted from VAT.

Threshold

The small business VAT registration threshold is SAR 375,000 (approx. \$100K) for domestic Saudi Arabian businesses, which make taxable supplies.

A non-resident company that isn't established in Saudi Arabia is required to register when such a business is obliged to pay tax on the supplies irrespective of the value of supplies. There is no registration threshold for foreign companies selling to customers in Saudi Arabia.

Right to deduct VAT

In Saudi Arabia, businesses can generally claim a deduction for VAT paid on goods and services used or intended to be used for taxable supplies. This means that if a business buys goods or services that are used for business purposes and are subject to VAT, they can deduct the VAT paid on those purchases from the VAT collected on the supplies they make.

REGISTRATION PROCEDURE

To register for VAT company must obtain a TIN number at the beginning. For tax registration business needs to provide the Tax authority with expected taxable sales for the next year, the amount of taxable sales in Saudi Arabia for last year expected taxable expenses for the next year, and the actual amount for the last year.

VAT representative

Companies, which are non-residents of Saudi Arabia are required to appoint a local tax representative. This tax representative must be approved by GAZT and act on the company's behalf in respect of its VAT obligations in the KSA.

VAT RETURN

VAT-registered companies must file a VAT return with GAZT. There are 2 reporting VAT periods:

- Monthly VAT return for taxable companies with annual revenue above SAR 40 million.
- The quarterly reporting period for all other VAT-registered businesses.

The VAT return must be filed, and the corresponding payment of net tax due made, no later than the last day of the month following the end of the tax period to which the VAT return relates.

Failure to file VAT return in time will end up 5-25% of the VAT in respect of which the

return should have been filed. For failure to pay the VAT on time, a fine of 5% of the VAT due is applied.



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