



IMPLEMENTING REGULATIONS OF THE VALUE ADDED TAX LAW



Issued by resolution of the Board of Directors of the Zakat, Tax and Customs Authority
No. (3839) dated 14/12/1438H corresponding to 14/11/2016G

As amended by resolution Board of Directors of the Zakat, Tax and Customs Authority
No. (2-4-17) dated 10/4/1439H corresponding to 28/12/2017G

And resolution No. (9-3-19) dated 30/10/1440H corresponding to 03/07/2019G

And resolution No. (7-2-20) dated 12/08/1441H corresponding to 05/04/2020G

And resolution No. (2-3-20) dated 17/10/1441H corresponding to 09/06/2020G

And Resolution No. (1-5-20) dated 14/02/1442H corresponding to 01/10/2020G

And Resolution No. (6-5-20) dated 11/03/1442H corresponding to 28/10/2020G

And Resolution No. (6-2-21) dated 26/02/1443H corresponding to 03/10/2021G

And Resolution No (2-7-21) dated 04/04/1443H corresponding to 09/11/2021G

Eighth Edition

04/04/1443H

09/11/2021G

ZATCA English Translation

Note: this English document serves as an unofficial translation of the official published Arabic version. In case of any discrepancies between this version and the official Arabic version, the information included in the official Arabic version supersedes.



Contents

CHAPTER ONE: DEFINITIONS	1
ARTICLE ONE. DEFINITIONS	1
CHAPTER TWO: TAXPAYERS	1
ARTICLE TWO. TAXPAYERS REQUIRED OR ELIGIBLE TO REGISTER IN THE KINGDOM.....	1
ARTICLE THREE. MANDATORY REGISTRATION - SUPPLIES EXCEED THE MANDATORY REGISTRATION THRESHOLD	1
ARTICLE FOUR. MANDATORY REGISTRATION -SUPPLIES EXPECTED TO EXCEED THE MANDATORY REGISTRATION THRESHOLD	1
ARTICLE FIVE. MANDATORY REGISTRATION OF NONRESIDENTS OBLIGATED TO PAY TAX IN THE KINGDOM	2
ARTICLE SIX. MANDATORY REGISTRATION – OTHER PROVISIONS.....	2
ARTICLE SEVEN. VOLUNTARY REGISTRATION	3
ARTICLE EIGHT. APPLICATION FOR REGISTRATION	3
ARTICLE NINE. REGISTRATION PROVISIONS APPLYING TO SPECIFIC CIRCUMSTANCES	4
ARTICLE TEN. GROUP REGISTRATION	5
ARTICLE ELEVEN. APPLICATION TO FORM A TAX GROUP	5
ARTICLE TWELVE. AMENDMENTS TO OR DISBANDING OF A TAX GROUP	6
ARTICLE THIRTEEN. DEREGISTRATION	7
CHAPTER THREE: SUPPLIES OF GOODS AND SERVICES	10
ARTICLE FOURTEEN. TAXABLE SUPPLIES IN THE KINGDOM.....	10
ARTICLE FIFTEEN. NOMINAL SUPPLIES	10
ARTICLE SIXTEEN. TRANSFER OF OWN GOODS TO ANOTHER MEMBER STATE.....	11
ARTICLE SEVENTEEN. TRANSACTIONS NOT FALLING WITHIN THE SCOPE OF TAX - TRANSFER OF AN ECONOMIC ACTIVITY	12
ARTICLE EIGHTEEN. SUPPLIES BY A LEGAL PERSON TO ITSELF	13
ARTICLE NINETEEN. ISSUE OR SUPPLY OF A VOUCHER	13
ARTICLE TWENTY. DATE OF SUPPLY & TAX DUE DATE IN SPECIFIC CIRCUMSTANCES	14
CHAPTER FOUR: PLACE OF SUPPLY	15
ARTICLE TWENTY-ONE. TAXABLE STATUS OF SUPPLIER AND CUSTOMER	15



ARTICLE TWENTY-TWO. PLACE OF SUPPLY – PRIORITY OF SPECIAL PROVISIONS	16
ARTICLE TWENTY-THREE. REAL ESTATE RELATED SERVICES	16
ARTICLE TWENTY-FOUR. WIRED AND WIRELESS TELECOMMUNICATIONS AND ELECTRONIC SERVICES.....	17
ARTICLE TWENTY-FIVE. PLACE OF SUPPLY - OTHER SERVICES	18
ARTICLE TWENTY-SIX. GOODS SITUATED IN THE KINGDOM	19
ARTICLE TWENTY-SEVEN. GOODS SOLD WITH TRANSPORTATION.....	19
ARTICLE TWENTY-EIGHT. EVIDENTIAL REQUIREMENTS FOR INTERNAL SUPPLIES	20
CHAPTER FIVE: EXEMPT SUPPLIES	20
ARTICLE TWENTY-NINE. FINANCIAL SERVICES	20
ARTICLE THIRTY. LEASE OR LICENSE OF RESIDENTIAL REAL ESTATE	22
CHAPTER SIX: ZERO-RATED SUPPLIES	23
ARTICLE THIRTY-ONE. ZERO-RATED SUPPLIES	23
ARTICLE THIRTY-TWO. EXPORTS OF GOODS FROM THE KINGDOM.....	23
ARTICLE THIRTY-THREE. SERVICES PROVIDED TO NON-GCC RESIDENTS	24
ARTICLE THIRTY-FOUR. TRANSPORTATION SERVICES FOR GOODS OR PASSENGERS OUTSIDE THE KINGDOM AND SUPPLIES RELATING TO TRANSPORTATION.....	24
ARTICLE THIRTY-FIVE. MEDICINES AND MEDICAL EQUIPMENT	26
ARTICLE THIRTY-SIX. SUPPLIES OF INVESTMENT METALS	26
CHAPTER SEVEN: VALUE OF TAXABLE SUPPLIES	27
ARTICLE THIRTY-SEVEN. RELATED PERSONS	27
ARTICLE THIRTY-EIGHT. FAIR MARKET VALUE	27
ARTICLE THIRTY-NINE. VALUE OF SPECIFIC TAXABLE SUPPLIES – NOMINAL SUPPLIES.....	28
ARTICLE FORTY. ADJUSTMENT TO VALUE OF A SUPPLY	29
CHAPTER EIGHT: IMPORTS	31
ARTICLE FORTY-ONE. GOODS DEEMED TO BE IMPORTS INTO THE KINGDOM.....	31
ARTICLE FORTY-TWO. EXEMPTIONS FOR IMPORTS	31
ARTICLE FORTY-THREE. ARTICLE FORTY-THREE: COLLECTION OF TAX ON IMPORTS ON ENTRY TO THE KINGDOM	32
ARTICLE FORTY-FOUR. ARTICLE FORTY-FOUR: PAYMENT OF TAX ON IMPORTS THROUGH THE TAX RETURN	32



CHAPTER NINE: CALCULATION OF TAX PAYABLE.....	34
ARTICLE FORTY-FIVE. CALCULATION OF TAX	34
ARTICLE FORTY-SIX. CASH ACCOUNTING BASIS	34
ARTICLE FORTY-SEVEN. PERSONS LIABLE TO PAY TAX	36
ARTICLE FORTY-EIGHT. SUPPLY OF USED GOODS	36
ARTICLE FORTY-NINE. INPUT TAX DEDUCTION	38
ARTICLE FIFTY. GOODS AND SERVICES DEEMED TO BE RECEIVED OUTSIDE OF ECONOMIC ACTIVITY	41
ARTICLE FIFTY-ONE. PROPORTIONAL DEDUCTION OF INPUT TAX	42
ARTICLE FIFTY-TWO. CAPITAL ASSETS.....	44
ARTICLE FIFTY-THREE. TAX INVOICES	46
ARTICLE FIFTY-FOUR. CREDIT AND DEBIT NOTES	50
CHAPTER TEN: PROCEDURE AND ADMINISTRATION	51
ARTICLE FIFTY-FIVE. CONFIDENTIALITY OF INFORMATION.....	51
ARTICLE FIFTY-SIX. RIGHT OF THE AUTHORITY TO OBTAIN INFORMATION	52
ARTICLE FIFTY-SEVEN. TAX IDENTIFICATION NUMBER	52
ARTICLE FIFTY-EIGHT. TAX PERIOD	52
ARTICLE FIFTY-NINE. PAYMENT OF TAX	53
ARTICLE SIXTY. EXTENSION OF TIME TO PAY TAX.....	54
ARTICLE SIXTY-ONE. CURRENCY CONVERSION	55
ARTICLE SIXTY-TWO. TAX RETURNS	55
ARTICLE SIXTY-THREE. CORRECTION OF RETURNS	56
ARTICLE SIXTY-FOUR. EXAMINATION AND ASSESSMENT PROCEDURES	57
ARTICLE SIXTY-FIVE. SECURITY	59
ARTICLE SIXTY-SIX. RECORDS	60
ARTICLE SIXTY-SEVEN. JOINT LIABILITY FOR TAX AND PENALTIES	62
ARTICLE SIXTY-EIGHT. APPEALS	62
CHAPTER ELEVEN: REFUNDS OF TAX.....	63
ARTICLE SIXTY-NINE. REFUND OF OVERPAID TAX	63
ARTICLE SEVENTY-ONE. REFUND OF TAX TO TAXPAYERS IN OTHER MEMBER STATES	66
ARTICLE SEVENTY-TWO. REFUND OF TAX TO TAXPAYERS NONRESIDENT IN THE GCC TERRITORY	66



ARTICLE SEVENTY-THREE. REFUND OF TAX TO TOURISTS	66
CHAPTER TWELVE: GENERAL PROVISIONS	68
ARTICLE SEVENTY-FOUR. OBLIGATIONS FALLING DUE ON A NON-WORKING DAY	68
ARTICLE SEVENTY-FIVE. RULINGS	68
ARTICLE SEVENTY-SIX. POWER OF THE AUTHORITY TO PRESCRIBE FORMS	69
ARTICLE SEVENTY-SEVEN. TAX REPRESENTATIVES, TAX AGENTS AND APPOINTED PERSONS	69
ARTICLE SEVENTY-EIGHT. PROVISION OF NOTIFICATION	70
ARTICLE SEVENTY-NINE. TRANSITIONAL PROVISIONS	71



CHAPTER ONE: DEFINITIONS

ARTICLE ONE. DEFINITIONS

Words and phrases contained in these Regulations shall have the meanings ascribed to each of them in the Agreement and the Law unless the context requires otherwise.

CHAPTER TWO: TAXPAYERS

ARTICLE TWO. TAXPAYERS REQUIRED OR ELIGIBLE TO REGISTER IN THE KINGDOM

For the purposes of the Law and these Regulations, a Taxable Person in the Kingdom is a Person who conducts an Economic Activity independently for generating income, and is registered for VAT in the Kingdom or who is required to register for VAT in the Kingdom under the Law or these Regulations.

ARTICLE THREE. MANDATORY REGISTRATION - SUPPLIES EXCEED THE MANDATORY REGISTRATION THRESHOLD

- 1- For registration purposes, every Resident Person in the Kingdom who is not registered by the Authority must at the end of each month calculate the value of his Supplies made in the Kingdom within the twelve months then ended, in accordance with the requirements set out in the Agreement. In cases where this value exceeds the Mandatory Registration Threshold detailed in the Agreement, the Person must apply to the Authority to register within thirty (30) days of the end of that month pursuant to Article eight of these Regulations.
- 2- The registration of a Person who registers under the first Paragraph of this Article takes effect from the start of the next month following the month in which the registration application is submitted.

ARTICLE FOUR. MANDATORY REGISTRATION - SUPPLIES EXPECTED TO EXCEED THE MANDATORY REGISTRATION THRESHOLD

- 1- A Resident Person in the Kingdom who is not registered with the Authority must at the end of each month estimate the value of his annual Supplies to be made in the next twelve months, in accordance with the requirements provided for in the Agreement. Where the value of these Supplies is expected to exceed the Mandatory Registration Threshold detailed in the Agreement, the Person must apply to the Authority for



registration within thirty (30) days of the end of that month pursuant to Article eight of these Regulations.

- 2- The registration of a Person who registers under the first Paragraph of this Article takes effect from the start of the first month in which its annual Supplies made in the Kingdom were expected to exceed the Mandatory Registration Threshold.

ARTICLE FIVE. MANDATORY REGISTRATION OF NONRESIDENTS OBLIGATED TO PAY TAX IN THE KINGDOM

- 1- A Nonresident Person who is not registered with the Authority but is obligated to pay Tax on Supplies made or received by that Person in the Kingdom must apply to the Authority for registration within thirty (30) days of the first Supply on which that Person was obligated to pay Tax.
- 2- The registration of a Person who registers under the first Paragraph of this Article takes effect from the date of the first Supply on which the Nonresident Person was obligated to pay Tax.

ARTICLE SIX. MANDATORY REGISTRATION – OTHER PROVISIONS

- 1- Where the Person has failed to make an application to the Authority as prescribed in these Regulations, the Authority may register such Person without submitting any application and such registration shall take effect from the relevant date prescribed under Articles three and four of these Regulations.
- 2- Notwithstanding the other provisions of these Regulations, the Authority may agree to a request from the Person for the registration to take effect from a later date, up to the start of the month following the date of the application made by the Person.
- 3- Notwithstanding the other provisions of these Regulations, the Authority may agree to a request from the Person for the registration to take effect from any earlier date, provided the Person was eligible to be registered on that earlier date.
- 4- Transitional provisions in Chapter twelve of these Regulation concerning Persons obligated to register before the Law's effective date shall take precedence over any provisions concerning Mandatory Registration Threshold and such provisions shall remain in effect until the Law enters into force.



- 5- The value of the Supply of Capital Assets is excluded from the total value of annual supplies subject to Tax, provided that the Capital Asset is used in the operation and furtherance of the Economic Activity of the Person who carries it out in accordance with a commercial registration or a similar license from the competent Authority, and that the Capital Asset has not been held to generate rental income or similar income or to supply it at a later time.¹

ARTICLE SEVEN. VOLUNTARY REGISTRATION

- 1- A Resident Person in the Kingdom who is not required to register under the Agreement and the Law may apply to the Authority for registration in any of the following cases:
- a) the value of the Person's Supplies or expenses during the then ended twelve months were equal to an amount not less than the Voluntary Registration Threshold,
 - b) the value of the Person's Supplies or expenses is expected to be not less than the Voluntary Registration Threshold within the following twelve months.
- 2- For the purposes of Voluntary Registration, the annual value of Supplies or expenses of a person shall be calculated in accordance with the provisions of the Agreement and the Law.
- 3- The Authority may, upon request for registration by an applicant, agree to deem such registration effective from an earlier or later date to the prescribed effective date provided the Person is eligible to be registered from that date.²

ARTICLE EIGHT. APPLICATION FOR REGISTRATION^{3 4}

- 1- An application for registration must be made by completion of the form prescribed by the Authority.
- 2- Any application must contain the following minimum information:
- a) official name of the legal Person or natural Person and ID information if the Person is a natural Person,

¹This provision was added pursuant to BoD Resolution No. (7-2-20) dated 12/08/1441H corresponding to 05/04/22020G and amended pursuant to BoD Resolution No. (1-5-20) dated 14/02/1442H corresponding to 01/10/2020G.

²Provision added pursuant to BoD Resolution No. (2-4-17) dated 10/4/1439H corresponding to 28/12/2017G.

³Paragraph (7) was amended pursuant to BoD Resolution No. (7-2-20) dated 12/08/1441H corresponding to 05/04/2020G and deleted pursuant to BoD Resolution No. (1-5-20) dated 14/02/1442H corresponding to 01/10/2020G.

⁴Paragraph (8) was added pursuant to BoD Resolution No. 7-2-20) dated 12/08/1441H corresponding to 05/04/2020G deleted pursuant to BoD Resolution No. (1-5-20) dated 14/02/1442H corresponding to 01/10/2020G.



- b) physical address of regular abode or place of business,
 - c) email address,
 - d) existing electronic identification number issued by the Authority, if any,
 - e) commercial registration number, if any,
 - f) value of annual Supplies or annual expenses,
 - g) effective date of registration, or any alternative effective date requested.
- 3- The Authority may request the Person to provide documentation, in electronic or physical form, to verify that the information in the application is valid and that the Person is eligible to be registered. The Person must be given twenty (20) days, as a minimum, from the date of request to provide this documentation.
- 4- The Authority may refuse an application for registration where it does not have evidence that the application is valid or that the Person is eligible to be registered. A notification of refusal must be provided to the Person making the application.
- 5- Upon acceptance of the registration, the Authority will issue a certificate of registration to the Person in a notification. This certificate will state the date on which the registration takes effect, and the Tax Identification Number.
- 6- The Authority will maintain a register containing the relevant details of all Taxpayers who are registered in the Kingdom.
- 7- Where any of the Taxable Person's information changes from that provided in the application or otherwise currently recorded, that person is required to notify the Authority of the change within twenty (20) days of that change taking place.
- 8- A Resident Person who is a Taxable Person and who is registered with the Authority must display the registration certificate at such Taxable Person's main place of business and branches in a manner that is visible to the general public.

ARTICLE NINE. REGISTRATION PROVISIONS APPLYING TO SPECIFIC CIRCUMSTANCES

- 1- A Person who at any time has annual Supplies made in the Kingdom whose value exceeds the Mandatory Registration Threshold which are exclusively zero-rated Supplies, is excluded from the requirement to register. A Person who falls under this Paragraph may elect to apply to register voluntarily.
- 2- In cases where two or more Related Persons carry on similar or related activities, the Authority may issue a notification requiring that the value of their annual Supplies be added within a specified duration, and this combined figure be used as each Person's annual Supplies value.



- 3- Every Nonresident Person who registers in the Kingdom must by itself or through a tax representative approved in accordance with Article seventy-seven of these Regulations use the application form prescribed by the Authority. The particulars of this tax representative, if any, must be listed on the application form.
- 4- A Nonresident Person who changes their tax representative must notify the Authority within twenty (20) days of the change taking place.
- 5- Any activity exercised by a government body in its capacity as a public authority shall not be considered to be an Economic Activity for the purposes of the Law and these Regulations. In cases where a government body, or an entity owned by the government, carries out activities which involve making Supplies of Goods or services in a capacity other than its capacity as a public authority, that government body or entity shall be regarded as carrying on an Economic Activity.
- 6- Employed and other Persons in so far as they are bound to an employer by contract or by any other legal ties creating the relationship of employer and employee as regards working conditions, remuneration and the employer's liability, are not considered to be carrying on an Economic Activity for the purpose of registration under the Law and these Regulations.

ARTICLE TEN. GROUP REGISTRATION

- 1- Two or more legal Persons may apply to register as a Tax Group, for VAT purposes in the Kingdom if the following requirements are met:
 - a) each legal Person is resident in the Kingdom and carries out an Economic Activity,
 - b) fifty percent (50%) or more of the capital of each legal Person, or ownership or control of fifty percent (50%) or more of the voting rights or value, in both or all of the legal Persons, is held by the same Person or group of Persons, whether, in any of the foregoing cases, directly or indirectly,
 - c) at least one of the legal Persons is a Taxable Person.

ARTICLE ELEVEN. APPLICATION TO FORM A TAX GROUP

- 1- An application to form a Tax Group must be made by a Taxable Person. This Person is the representative member of the Tax Group and will have the primary obligation to comply with the obligations and the rights of the group on behalf of all members of the group without prejudice to the joint liability of the other members of the Group.



- 2- An application to form a Tax Group must be made using the application form approved by the Authority. This form must contain the minimum information on all members of the group as indicated in Article eight of these Regulations.
- 3- The Authority may request that the Tax Group representative provides any documentation, in electronic or physical form, to verify that the information contained in the application is valid and that the Persons are eligible to be registered as a Tax Group. The representative legal Person must be given twenty (20) days, as a minimum, from the date of request to provide this documentation.
- 4- The Authority may refuse an application for registration where the information contained in the application is not valid or the legal Persons are not eligible to be registered as a Tax Group. A notification of refusal must be provided to the Person making the application.
- 5- The Tax Group establishment takes effect from the first day of the month following the month in which the application is approved or such later date as determined by the Authority.
- 6- If the application is approved, the Authority will issue a new Tax Identification Number to the Tax Group representative on behalf of the Tax Group and suspend the existing Tax Identification Numbers of members who are individually registered.

ARTICLE TWELVE. AMENDMENTS TO OR DISBANDING OF A TAX GROUP

- 1- In a case where any information originally stated in the application changes, or where any member of the Tax Group is no longer eligible to form part of the Group, notification must be given by the Tax Group representative within twenty (20) days of the change taking place.
- 2- A removal of a legal Person from the Tax Group or the disbanding of the Tax Group arising due to an event set out in the first Paragraph of this Article will take effect from the date that legal Person is no longer eligible to form part of the Tax Group or from the disbanding date.
- 3- Subject to the approval of all group members the Tax Group representative may file an application on behalf of the group to add new members to the group or to remove existing members from the group or to disband the group or to change the Tax Group representative.



- 4- Changes to the Tax Group resulting from an application described in the third Paragraph of this Article will take effect from the date the request is made, unless the Authority specifies an alternative effective date.
- 5- In cases where one or more members leaves a Tax Group, or the group disbands but any individual member remains eligible to be a Taxable Person in its own right, a new Tax Identification Number will be issued to that member if it had no previous Tax Identification Number before joining the group. In these cases, any such members are not considered to have deregistered, and will be deemed to have a continued registration status.
- 6- In cases where one or more members leaves a Tax Group, or the group disbands, and the individual member is not eligible to be a Taxable Person, that Person must deregister, if applicable, with effect from the date it leaves the group or the group is disbanded. Each member of the group remains jointly and severally liable for any tax due upon deregistration and for the rights and obligations of the group when it was a member of the group.
- 7- The Authority may issue a notice to the Tax Group representative to set aside the effect of the Tax Group status as applicable to disregard Tax on any Supplies between members of the group. This notice may have retrospective effect. Such a notice may only be issued where the Tax Group results or will result in the accrual of a tax advantage which is contrary to the purpose of the Law, and obtaining this advantage is one of the principal or main purposes of the group.
- 8- The Authority may issue a notice to two or more Persons who are not part of any Tax Group, but who are eligible to form one together, that they are considered to be in a Tax Group from any prospective date. Such a notice may only be issued where the registration of each Person as a separate Taxable Person results or will result in the accrual of a tax advantage which is contrary to the purpose of the Law.

ARTICLE THIRTEEN. DEREGISTRATION

- 1- Where a Taxable Person ceases to carry on an Economic Activity, including cases where a legal Person ceases to exist as a legal Person that Taxable Person shall deregister. Deregistration will take effect from the date determined by the Authority after its approval of the deregistration.



- 2- Where at the end of any month, a Nonresident Taxable Person has not made any Taxable Supplies in respect of which it is obligated to report Tax in the Kingdom in the most recent twelve-month period that Taxable Person must deregister. Deregistration will take effect from the date determined by the Authority after its approval of the deregistration.
- 3- At the end of any month, a resident Taxable Person is required to deregister where all of the following occur:
- a) The total value of the Taxable Person's annual Supplies or annual expenses in the twelve months then ended does not exceed the Voluntary Registration Threshold,
 - b) The total value of the Taxable Person's annual Supplies or annual expenses in the twenty-four months then ended does not exceed the Mandatory Registration Threshold,
 - c) The total value of the Taxable Person's annual Supplies or annual expenses in that month and the eleven months following is not expected to exceed the Voluntary Registration Threshold.
- 4- A Taxable Person shall apply for deregistration to the Authority within thirty (30) days of any of the cases prescribed in the first, second or third Paragraphs of this Article occurring. In cases where the Taxable Person does not apply for deregistration to the Authority, the Authority may deregister that Person. In these cases, the Authority will issue a notification.
- 5- ⁵
- a) In cases where the Taxable Person registered with the Authority does not submit a request to deregister in accordance with Paragraphs one, two, and three of this Article, The Authority may deregister the Taxable Person and the deregistration shall be effective from the date on which the Person's eligibility for registration ceased, or from any other date determined by the Authority.
 - b) Where the Authority determined that a registered Person was not eligible for registration, the Authority may deregister the Person as of the date it determines.
- In all cases mentioned in this Paragraph, the Authority must issue a notice to the Taxable Person upon deregistration indicating the effective date of deregistration.

⁵ Paragraph 13(5) was amended pursuant to BoD Resolution No. (7-2-20) dated 12/08/1441H corresponding to 05/04/2020G; Subparagraph 13(5)(c) was deleted pursuant to BoD Resolution No. (1-5-20) dated 14/02/1442H corresponding to 01/10/2020G.



- 6- At the end of any month, a Taxable Person who is not required to deregister may apply to deregister where both:
 - a) its annual Supplies made in the Kingdom in the last twelve months do not exceed the Mandatory Registration Threshold,
 - b) its expected annual Supplies made in the Kingdom in that month and the eleven months following do not exceed the Mandatory Registration Threshold.
- 7- The deregistration takes effect on the date determined by the Authority after its approval of the deregistration.
- 8- Without prejudice to the Authority's right to deregister a Taxable Person pursuant to Paragraph (5) of this Article, a Taxable Person who has voluntarily registered with the Authority pursuant to ARTICLE Seven of these Regulation may not submit a deregistration request if the Taxable Person did not cease carrying on an Economic Activity and twelve months have not lapsed since their registration.⁶
- 9- An application under the fourth Paragraph of this Article or under the sixth Paragraph of this Article must be made in an application in the form prescribed by the Authority.
- 10- The Authority may request documentation from the Taxable Person to evidence that the Economic Activity has ceased or to evidence the value of Taxable Supplies made or expected to be made.
- 11- The Authority may refuse an application for deregistration where it does not have sufficient evidence that the Taxable Person is eligible to deregister.
- 12- The Authority will issue a notification that confirms the deregistration of a Taxable Person or the refusal of an application to deregister.

⁶ Paragraph 13(8) was amended Pursuant to BoD Resolution No. (7-2-20) dated 12/08/1441H corresponding to 05/04/2020G.



CHAPTER THREE: SUPPLIES OF GOODS AND SERVICES

ARTICLE FOURTEEN. TAXABLE SUPPLIES IN THE KINGDOM

Without prejudice to Article two of the Law, for the purposes of applying the Agreement and the Law in the Kingdom, the Tax is imposed on all Taxable Supplies of Goods and Services made by a Taxable Person in the Kingdom in the course of carrying on their Economic Activity or those received by a Taxable Person in the Kingdom in the course of carrying on their Economic Activity where the Reverse Charge Mechanism applies, as well as on the Import of Goods into the Kingdom.⁷

ARTICLE FIFTEEN. NOMINAL SUPPLIES

- 1- A Nominal Supply of Goods or services, made by a Taxable Person is treated as a Supply of Goods or services by the Taxable Person for Consideration as part of the Taxable Person's Economic Activity, except as otherwise provided by this Article.
- 2- A Supply of Goods without Consideration is not treated as a Nominal Supply in any of the following situations:
 - a) a Taxable Person Supplies gifts or samples to promote its Economic Activity, provided the Fair Market Value of each gift or sample supplied without Consideration does not exceed two hundred (200) SAR exclusive of VAT per recipient per calendar year; and
 - b) a Taxable Person provides Goods to its employees as a part of carrying on its Economic Activity, provided the Fair Market Value of the Goods supplied without Consideration does not exceed two hundred (200) SAR exclusive of VAT per recipient per calendar year.
- 3- The maximum annual value of Supplies of gifts, samples and Goods which a Taxable Person may make without Consideration and still be eligible to apply the relief in the first Paragraph of this Article, is fifty thousand (50,000) SAR in any calendar year based on the Fair Market Value of those gifts, samples and Goods.
- 4- In cases where Goods are not used for the Economic Activity of a Taxable Person due to the destruction, theft or loss of those Goods the Taxable Person does not make a Nominal Supply of those Goods.

⁷ Article 14 was amended Pursuant to BoD Resolution No. (7-2-20) dated 12/08/1441H corresponding to 05/04/2020G.



- 5- A Supply of services is not treated as a Nominal Supply in cases where a Taxable Person Supplies services without Consideration, and these services are provided to promote the Economic Activity of a Taxable Person or provided to employees in as a part of carrying on the Economic Activity, provided the Fair Market Value of each Supply of service does not exceed two hundred (200) SAR per person per calendar year.
- 6- The maximum annual value of services which a Taxable Person may make without Consideration and still be eligible to apply the relief in the fourth Paragraph of this Article, is fifty thousand (50,000) SAR in any calendar year based on the Fair Market Value of those services.
- 7- The Nominal Supply made on ceasing an Economic Activity will take place on the date of deregistration and be based on the Fair Market Value of the Goods retained at this date.
- 8- In cases where the Taxable Person only deducts a part of the Input Tax on the purchase of Goods and services or Import of Goods directly linked to any Nominal Supply, the value of the Nominal Supply will be adjusted to reflect only the proportional amount of VAT deducted.
- 9- A Supply is not considered a Nominal Supply where the Taxable Person supplies Goods or Services for no Consideration if that the Person had previously incurred Input Tax on the direct cost related to the purchase, production or supply of those goods or services without deducting the Tax from his Tax Returns.⁸

ARTICLE SIXTEEN. TRANSFER OF OWN GOODS TO ANOTHER MEMBER STATE

- 1- A Taxable Person who transfers Goods forming part of his assets from the Kingdom to another Member State is not considered to make a Supply of those Goods provided that Person can evidence the use or intended use of those Goods for his own temporary use or an onwards Supply within sixty (60) days of the Goods being moved to that Member State.
- 2- Evidence of an onwards Supply is an order or contract for sale with a Person in that Member State, or such other evidence as the Authority may accept. Evidence of

⁸ Paragraph (9) was added Pursuant to BoD Resolution No. (7-2-20) dated 12/08/1441H corresponding to 05/04/2020G.



temporary entry of goods is documentation showing the prescribed items and uses as described in the Unified Customs Law.

- 3- A person who cannot evidence an excepted purpose for the Goods in the timeframe specified in the first Paragraph of this Article is able to adjust the Output Tax accounted for on the Supply of the Goods at such time evidence becomes available, subject to the time limitations described in the Law.
- 4- A Supply of Goods made in the Kingdom on the transfer of a Taxable Person's own Goods to another Member State in accordance with the Agreement and the Law is considered to be a Supply made to that Taxable Person for the purpose of determining the authority concerned with deduction of Input Tax on the supplied Goods.

ARTICLE SEVENTEEN. TRANSACTIONS NOT FALLING WITHIN THE SCOPE OF TAX - TRANSFER OF AN ECONOMIC ACTIVITY

- 1- The transfer by a Taxable Person of Goods and services forming a part of his Economic Activity, is not a Taxable Supply of Goods and services by that Person in the course of an Economic Activity and is therefore not a Supply subject to Tax, provided that all of the following conditions are met:
 - a) the Goods and services transferred are capable of being operated as an Economic Activity in their own right, and the recipient immediately following the transfer uses those Goods and services to carry on that same Economic Activity,
 - b) the recipient is a Taxable Person or becomes a Taxable Person as a result of the transfer,
 - c) the Supplier and the recipient agree in writing that they wish the transfer to be viewed as the transfer of an Economic Activity for the purposes of these Regulations.
- 2- Where a transfer on the contractually agreed date of an Economic Activity takes place, the recipient Taxable Person assumes the place of the Supplier for any rights and obligations which will arise in the future for the purpose of the Law and these Regulations.
- 3- In cases where the transfer of an Economic Activity results in the Supplier or recipient of that Economic Activity being required to register or deregister, notification must be provided to the Authority within thirty (30) days of the transfer date.



- 4- The Supplier of an Economic Activity must provide copies of all business records relating to that Activity which are required to be retained by the Law to the recipient of that Economic Activity.

ARTICLE EIGHTEEN. SUPPLIES BY A LEGAL PERSON TO ITSELF

- 1- Goods and services provided by a legal Person to itself, with the exception of Nominal Supplies, are not within the scope of Tax, and are subject to Article sixteen of these Regulations.
- 2- Supplies of Goods or services from one member of a Tax Group to another member of a Tax Group are not within the scope of Tax.
- 3- Services shall be deemed to be Taxable Supplies by a Nonresident Supplier to a legal Person established within the Kingdom, in cases where all of the following apply:
 - a) the legal Person is established in the Kingdom and another member country,
 - b) the services are supplied by a Nonresident Supplier to the establishment of the legal Person outside the Kingdom and subsequently used by the establishment of the same legal Person in the Kingdom,
 - c) the services are not deemed to take place outside the Kingdom due to any of the Special Cases prescribed in the Agreement to determine the place of Supply.

ARTICLE NINETEEN. ISSUE OR SUPPLY OF A VOUCHER

- 1- Where a person issues or Supplies a Voucher, this is not considered to be a Supply for the purposes of the Law, subject to the second Paragraph of this Article.
- 2- The Supply of a face value Voucher is a Supply of services to the extent that the Consideration provided in respect of the issue or Supply of the Voucher exceeds its monetary face value.
- 3- In this Article, a Voucher is an instrument where there is an obligation to accept it as Consideration or part Consideration for a Supply of Goods or services, and where the nature of the Goods or services to be supplied or the identity of the Supplier is indicated on the Voucher or in related documentation.
- 4- A face value Voucher is a Voucher which is issued with a specific monetary redemption value indicated on the Voucher or in related documentation.



ARTICLE TWENTY. DATE OF SUPPLY & TAX DUE DATE IN SPECIFIC CIRCUMSTANCES^{9 10}

- 1- Where services are supplied on a continuous basis and the contract or agreement for such Supply states that Consideration is payable periodically resulting in the issuance of Invoices on a continuous basis, the date of such Supply and the tax due for such Supply is the due date of each payment, or the date on which a payment is actually made, or the date of the issuance of an Invoice, whichever is earliest and provided it occurs and least once in any Twelve (12) consecutive month period.
- 2- In all other cases where Supplies of Goods or services are made on a continuous basis, [each occurrence] is deemed a separate Supply on which the tax becomes due on the earlier of the date an Invoice is issued or payment is made in respect of those Goods or services, to the extent of the amount invoiced or paid.
- 3- In the event that no payment has been received or invoice has not been issued in relation to continuous Supplies of Goods or services by a Taxable Person, the supply shall be occurred and the tax shall be due on the date falling twelve months after the subsequent date of any of the following two dates:
 - a) the date on which the Supply of Goods or services commenced; and
 - b) the previous date on which the Supply took place by reason of an Invoice being issued or payment being made.
- 4- The Supply of oil, gas, water or electricity through a distribution network which is not made on a continuous basis is deemed to occur on, and the tax for such Supply is due on, the earlier of:
 - a) the date an Invoice is issued by the Supplier in respect of those Goods; and
 - b) the date that payment is received by the Supplier in respect of those Goods.
- 5- Where Good or services are supplied to a government body pursuant to contracts executed in accordance with the Government Tenders and Procurement Law, the date of such Supply and the tax on such Supply is due on the earlier of, the date a purchase order in respect of the Supply is issued to the customer, or the date consideration -or a part thereof- is received and to the extent of the amount received.

⁹ Article 20 was amended pursuant to BoD Resolution No. (6-2-21) dated 26/02/1443H corresponding to 03/10/2021G.

¹⁰ Paragraphs (1-5) were amended pursuant to BoD Resolution No. (6-2-21) dated 26/02/1443H corresponding to 03/10/2021G.



- 6- A Nominal Supply made as a result of the cessation of a Taxable Person's Economic Activity takes place on, and the tax for such Nominal Supply is due on, the date of deregistration of that Person determined in accordance with the Law and these Regulations.¹¹

CHAPTER FOUR: PLACE OF SUPPLY

ARTICLE TWENTY-ONE. TAXABLE STATUS OF SUPPLIER AND CUSTOMER

- 1- For the purposes of determining the country in which a Supply is made under the provisions of the Agreement and the Law, the Supplier is considered a Taxable Supplier or the Customer is considered a Taxable Customer in cases where that Person is registered for VAT in the Member State where it has a Place of Residence on the date the Supply takes place. A Customer who is a Taxable Person in the Kingdom by reason of being required to be registered is also a Taxable Customer for the purposes of giving effect to the provisions of the Agreement and the Law.
- 2- For the purposes of the Law and these Regulations, subject to the third Paragraph of this Article, a Taxable Person making a Supply of Goods or services to a Taxable Customer in another Member State must obtain the Tax Identification Number of that Customer issued by that Member State which is valid at the date the Supply takes place.
- 3- A Supplier who cannot obtain the Tax Identification Number required by the second Paragraph of this Article must determine the place of Supply on the basis that his Customer is not a Taxable Customer, until such number which was valid at the time of the Supply is later obtained.
- 4- In cases where the Supplier or Customer is established in more than one Member State, the relevant state of that Person's residence in respect of any particular supply is the state most closely connected with that Supply.

¹¹ Paragraph 20(6) was added Pursuant to BoD Resolution No. (7-2-20) dated 12/08/1441H corresponding to 05/04/2020G and deleted Pursuant to BoD Resolution No. (1-5-20) dated 14/02/1442H corresponding to 01/10/2020G.



ARTICLE TWENTY-TWO. PLACE OF SUPPLY – PRIORITY OF SPECIAL PROVISIONS

In cases where the place of Supply of services is determined in accordance with any of the Special Cases in the Agreement, these provisions will take precedence over the General Principles in Articles fifteen and sixteen of the Agreement determining the place of Supply.

ARTICLE TWENTY-THREE. REAL ESTATE RELATED SERVICES

- 1- For the purposes of applying the Agreement and the Law, Real Estate includes:
 - a) any specific area of land over which rights of ownership or possession or other rights in rem can be created,
 - b) any building, structure or engineering work permanently attached to the land,
 - c) any fixture or equipment which makes up a permanent part of or is permanently attached to the building, structure or engineering work.
- 2- For the purposes of applying the Agreement and the Law, Real Estate related services are those which affect or are related to a specific area of Real Estate. Such services include, but are not limited to:
 - a) the grant, assignment or surrender of any interest in or right over Real Estate,
 - b) the grant, assignment or surrender of a personal right to call for or be granted any interest in or right over Real Estate,
 - c) the grant, assignment or surrender of a license to occupy land or any other contractual right exercisable over or in relation to Real Estate, including the provision, lease and rental of sleeping accommodation in a hotel or similar establishment,
 - d) any works of construction, demolition, conversion, reconstruction, alteration, enlargement, repair or maintenance of Real Estate,
 - e) services such as those supplied by estate agents, auctioneers, architects, surveyors, engineers and others involved in matters relating to Real Estate.
- 3- Services relating to Real Estate situated outside the Kingdom are not considered to relate to Real Estate in the Kingdom for the purposes of applying the Agreement and the Law.



ARTICLE TWENTY-FOUR. WIRED AND WIRELESS TELECOMMUNICATIONS AND ELECTRONIC SERVICES

- 1- Wired and wireless telecommunications services and electronic services include, but are not limited to:
 - a) any service relating to the transmission, emission or reception of signals, writing, images and sounds or information of any nature by wire, radio, optical or other electromagnetic systems,
 - b) the transfer or assignment of the right to use capacity for such transmission, emission or reception,
 - c) the provision of access to global information networks,
 - d) the provision of audio and audio-visual content for listening or viewing by the general public on the basis of a program schedule by a person that has editorial responsibility,
 - e) live streaming via the internet,
 - f) Supplies of images or text provided electronically, such as photos, screensavers, electronic books and other digitised documents or files,
 - g) Supplies of music, films and games, and of programs on demand,
 - h) online magazines,
 - i) website Supply or web hosting services,
 - j) distance maintenance of programs and equipment,
 - k) Supplies of software and software updates,
 - l) advertising space on a website and any rights associated with such advertising.
- 2- In cases where wired and wireless telecommunications services and electronic services are provided at a telephone box, a telephone kiosk, a Wi-Fi hot spot, an internet café, a restaurant or a hotel lobby or in other cases where the physical presence of the Customer at a particular location is needed for those services to be provided, the Customer consumes and enjoys the services at that location.
- 3- In all cases where the second Paragraph of this Article does not apply, the Customer consumes and enjoys the service at the place where his usual place of residence is.
- 4- The following indicators may be used by a Supplier to determine the usual place of residence of the Customer for the purpose of the services mentioned in this Article:
 - a) the invoicing address of the Customer,
 - b) the bank account details of the Customer,



- c) the Internet Protocol address used by the Customer to receive the wired and wireless telecommunications services and electronic services,
 - d) the country code of the SIM card used by the Customer to receive the wired and wireless telecommunications services and electronic services.
- 5- The place of actual use or benefit of services for the purposes of this Article is determined based on the circumstances existing at the time of the Supply. Any subsequent changes to the use of the services received will not affect the determination of the place of Supply.

ARTICLE TWENTY-FIVE. PLACE OF SUPPLY - OTHER SERVICES

- 1- Cultural, artistic, sport, educational and entertainment services include the admission to any event taking place in a physical location, or the provision of educational services where these are provided in a physical location. The physical location is the place in which the services are offered.
- 2- The Supply of services relating to Goods or passenger transportation includes the following services:
- a) port fees or charges, including docking, mooring, landing and parking fees,
 - b) charges for customs or immigration clearance relating to the transportation,
 - c) Air navigation services,
 - d) Pilotage services,
 - e) Supplies of crew members,
 - f) loading, unloading or reloading,
 - g) stowing,
 - h) opening for inspection,
 - i) cargo security services,
 - j) preparing or amending bills of lading, air or sea-waybills and certificates of shipment,
 - k) packing necessary for transportation,
 - l) storage services.
- 3- In cases where the place of Supply of a service is determined under the Agreement by the place of performance of that service, and performance of part of the service takes place within the Kingdom and another part of the service outside the Kingdom, the value of the service shall be split accordingly between the part taking place within the Kingdom and the part taking place outside the Kingdom.



- 4- Services which are performed outside the Kingdom are not for the purposes of this Article viewed to be performed in the Kingdom for the purposes of applying the Agreement and the Law.

ARTICLE TWENTY-SIX. GOODS SITUATED IN THE KINGDOM

- 1- Except as otherwise provided by the Agreement, the Law or these Regulations a Supply of Goods situated in the Kingdom, without these goods being transported outside the Kingdom is made in the Kingdom.
- 2- Goods which are situated outside the Kingdom are not considered to be situated in the Kingdom for the purposes of applying the place of Supply rules in the Agreement and the Law.

ARTICLE TWENTY-SEVEN. GOODS SOLD WITH TRANSPORTATION

- 1- Subject to the second Paragraph of this Article, a Supply of Goods is made with transportation or dispatch in cases where the Supplier and Customer both agree that the goods will be transported to the Customer as a consequence of that Supply.
- 2- In cases where Goods are transported directly from one country to another and it is contemplated that this transport will take place in respect of multiple Supplies of these same Goods to different Customers, only one Supply of these Goods is considered to be a Supply made with transportation or dispatch. For the purposes of this Paragraph, the supply with transportation or dispatch shall be deemed to be the first one in which either the Supplier or the Customer is responsible for organizing the transport.
- 3- In cases where transportation of Goods being supplied to the Kingdom commences from outside of Council Territory, 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 Goods in accordance with the Unified Customs Law shall be considered as being made outside the Kingdom.



ARTICLE TWENTY-EIGHT. EVIDENTIAL REQUIREMENTS FOR INTERNAL SUPPLIES

- 1- In cases where a Taxable Person makes an Internal Supply of Goods from the Kingdom to a Person residing in another Member State, that Taxable Person must retain evidence that those Goods have been transported to the state of destination.
- 2- A Taxable Person who does not have evidence that the Goods have been transported within sixty (60) days of the Supply taking place must treat the Supply as being made without transportation or dispatch from the Kingdom until such evidence is later obtained.
- 3- For the purposes of this Article, evidence of the transport to the State of destination must include each of the following:
 - a) commercial documentation identifying the Customer and the place of delivery of the goods,
 - b) transportation documentation evidencing the delivery or receipt of goods in the State of destination,
 - c) a customs declaration, if applicable.
- 4- The Authority may reject the documentation held by a Taxable Person in cases where this documentation does not sufficiently evidence the transport to the destination state. In these cases, the Supply will be treated as being made without transportation or dispatch from the Kingdom until such evidence is later obtained.
- 5- Following the establishment of an Electronic Services System by the GCC Secretary General in accordance with the Agreement, and upon a request from the Authority, a Taxable Person who makes an Internal Supply must provide the Authority with information corresponding to that supply for entry into that system. The Authority will prescribe the format for provision of such information.

CHAPTER FIVE: EXEMPT SUPPLIES

ARTICLE TWENTY-NINE. FINANCIAL SERVICES

- 1- Supplies of Financial Services listed within this Article are exempt from VAT, except in cases where the Consideration payable in respect of the service is by way of an explicit fee, commission or commercial discount.
- 2- Financial Services include the following services:
 - a) the issue, transfer or receipt of, or any dealing with, money, any security for money or any note or order for the payment of money,



- b) the provision of any credit or credit guarantee,
 - c) the operation of any current, deposit or savings account,
 - d) financial instruments, such as derivatives, options, swaps, credit default swaps and futures.
- 3- Islamic finance products, being financial products under contract which are Shari'ah compliant and which simulate the intention and achieve effectively the same result as a Non-Shari'ah compliant financial product will be treated in the same manner as the equivalent non-Shari'ah financial product for the purpose of applying exemption from Tax.
- 4- In cases where ownership of Goods is transferred temporarily as a part of a Shari'ah compliant financial product or as collateral in relation to a financing or other arrangement, but possession of those Goods is not intended to pass permanently to the recipient of the financial product, the transfer of the underlying Goods is not considered a separate Supply of Goods. A separate Supply of Goods which has been transferred as collateral shall be considered to be made upon the transferee becoming entitled to exercise full rights of disposal of the Goods or the transferee otherwise is acting in such a way that the transfer may no longer be considered temporary.
- 5- Under the principles described in the second and third Paragraphs of this Article, the following is a non-exhaustive list of Supplies which would be considered exempt Financial Services:
- a) interest or lending fees charged with an implicit margin for any form of lending, including loans and credit cards,
 - b) interest or lending fees charged with an implicit margin for a mortgage or under a diminishing musharaka arrangement,
 - c) interest or lending fees charged with an implicit margin for finance, including finance leasing, hire purchase products or under a murabaha contract,
 - d) commissions charged on an implicit margin or spread for brokerage services, or under a mudaraba or wakala contract.
- 6- The issue or transfer of a debt security, equity security, or any other transferable document recognizing an obligation to pay a monetary amount to the bearer will be considered an Exempt Supply of Financial Services.
- 7- The provision or transfer of a contract of life insurance, or the reinsurance of a life insurance contract is an Exempt Supply of Financial Services.



- 8- A life insurance contract means any contract of conventional insurance or takaful or other form of Islamic insurance provided by a regulated provider in the Kingdom which results in the payment of a sum contingent on death or other significant event of human life, or a similar contract provided by a Nonresident Supplier.

ARTICLE THIRTY. LEASE OR LICENSE OF RESIDENTIAL REAL ESTATE¹²

- 1- Subject to the other express provisions of these Regulations, the following Supplies shall exempt from VAT:¹³
- a) The Supply of real estate, whether commercial, residential or agricultural real estate or developed or undeveloped bare land, through a transfer of ownership or transfer of the right to dispose of the same as an owner;
 - b) The Supply of residential real estate through lease or license.
- 2- For the purposes of this Article, Residential Real Estate means a permanent dwelling designed for human occupation, including:
- a) immovable property used or intended to be used as a home, such as houses, flats and apartments,
 - b) other Real Estate intended as a Person's primary residence, including residential accommodation for students or school pupils.
- 3- Notwithstanding the first and second Paragraphs of this Article, any hotels, inns, guest houses, motels, serviced accommodation or any other building that is designed to offer temporary accommodation to visitors or travelers are not considered as Residential Real Estate.
- 4- Residential Real Estate includes the boundaries legally assigned to the property, including gardens, garages or any other feature that is considered a permanent part of the property.

¹² Article title was amended Pursuant to BoD Resolution No. (1-5-20) dated 14/02/1442H corresponding to 01/10/2020G.

¹³ Paragraph 30(1) was amended Pursuant to BoD Resolution No. (1-5-20) dated 14/02/1442H corresponding to 01/10/2020G.



CHAPTER SIX: ZERO-RATED SUPPLIES

ARTICLE THIRTY-ONE. ZERO-RATED SUPPLIES

- 1- Supplies of Goods or services listed in this Chapter are zero-rated in accordance with the Agreement and the Law.
- 2- A Supply of Goods or services which constitutes both an Exempt Supply in accordance with both Chapter five of these Regulations and a zero-rated Supply in accordance with this Chapter is treated as a zero-rated Supply.

ARTICLE THIRTY-TWO. EXPORTS OF GOODS FROM THE KINGDOM

- 1- For the purpose of applying the zero-rate to an Export of Goods from the Kingdom to a place outside of Council Territory, the Supplier of those Goods must retain evidence that the Goods have been transported from Council Territory within ninety (90) days of the Supply taking place.
- 2- A Taxable Person who does not have evidence that the Goods have been transported from Council Territory may not treat the Goods as being exported outside of Council Territory after ninety (90) days of the Supply taking place.
- 3- For the purposes of this Article, evidence of the Goods being transported outside of Council Territory must include at least each of the following:
 - a) export documentation issued by the Customs Department or equivalent Department of another Member State, showing the Goods being formally cleared for export on behalf of the Supplier or Customer of that Supply,
 - b) commercial documentation identifying the Customer and the place of delivery of the goods,
 - c) transportation documentation evidencing the delivery to, or receipt of goods outside of Council Territory.
- 4- The Authority may reject the documentation held by a Taxable Person in cases where this documentation does not sufficiently evidence the Goods being transported outside of Council Territory. In these cases, the Supply will be treated as being made without export from Council Territory until such evidence is later obtained.



- 5- A Supply of Goods which is treated as made after the export formalities have been completed will also be subject to the zero rate, provided the Supplier obtains the commercial and transportation documentation prescribed by the third Paragraph of this Article to evidence the transportation of the Goods outside of Council Territory, within the time limit prescribed by the first Paragraph of this Article.
- 6- All re-exports of movable Goods that were temporarily imported into the Kingdom for repairs, renovation, modification or processing are subject to the same evidential requirements as prescribed by this Article.
- 7- The Supply of Goods situated in the Kingdom while subject to a customs duty suspension regime, in accordance with the Unified Customs Law, will be treated as zero-rated subject to sufficient evidence being provided by the Supplier as to the location of the goods at the time of their Supply.

ARTICLE THIRTY-THREE. SERVICES PROVIDED TO NON-GCC RESIDENTS¹⁴

- 1- Except as stated in the second Paragraph of this Article, a Supply of services made by a Taxable Person to a Customer without a Place of Residence in any Member State shall be zero-rated.
- 2- The first Paragraph of this Article shall not be applicable in any of the following cases:
 - a) If the place of Supply of the services is in any Member State pursuant to the Special Cases listed in Articles seventeen to twenty-one of the Agreement;
 - b) If the Customer is a Resident of any Member State;
 - c) If the Customer or any other Person benefits directly from the services when such Customer or Person is situated in a Member State, and the other Person is not permitted to deduct the Input Tax on such services in full; or
 - d) If the services are performed in relation to tangible Goods which are located within a Member State during the Supply.

ARTICLE THIRTY-FOUR. TRANSPORTATION SERVICES FOR GOODS OR PASSENGERS OUTSIDE THE KINGDOM AND SUPPLIES RELATING TO TRANSPORTATION

- 1- The international transport of Goods is zero-rated in accordance with these Regulations.
- 2- The international transport of passengers is zero-rated in accordance with these Regulations in cases where either:

¹⁴ Amended Pursuant to BoD resolution resolution No. (9-3-19) dated 30/10/1440H.



- a) The transportation is by way of any qualifying means of transport,
 - b) The transportation is by way of a scheduled passenger flight or voyage which runs according to a published timetable.
- 3- Services which are directly connected and incidental to a Supply of international passenger transport are zero-rated. Such services include:
- a) transporting luggage accompanied by passengers, including domestic pets, bicycles, prams and additional luggage charges,
 - b) transporting vehicles and trailers of passengers,
 - c) transporting airport passenger charges and passenger load supplements,
 - d) seat reservations,
 - e) sleeping berths and cabin charges.
- 4- The Supply of a qualifying means of transport, or of any vessel or aircraft used principally for international transportation of passengers and goods, is zero-rated.
- 5- Any services relating to Goods or passenger transportation, as defined in Article twenty-five of these Regulations are zero-rated provided these are either:
- a) ancillary to and provided with a Supply of zero-rated international transport,
 - b) provided in respect of a qualifying means of transport at an airport or port.
- 6- Subject to the Supplier obtaining a certificate from the Customer that the Supply of Goods and services will be in relation to a qualifying means of transport, the maintenance, repair, or modification of a qualifying means of transport, including the Supply of replacement parts, consumables and other necessary components ordinarily affixed or incorporated into the means of transport in question in connection with those services, are zero-rated. Such zero-rating only applies provided that the purpose of the Supply of those Goods and services is to ensure the continued operation of the vehicle, aircraft or vessel as a qualifying means of transport. Maintenance and repair services must be physically carried out on or at the qualifying means of transport to qualify for zero-rating under this Paragraph.
- 7- For the purposes of this Article, international transport is the provision of a transportation service by means of a vehicle, aircraft or vessel together with a driver or pilot and with a crew where necessary for the purpose of that service, provided that the transportation service involves transport of Goods or passengers either to a place outside the Kingdom, or from a place outside the Kingdom into the Kingdom.



- 8- A qualifying means of transport means any vehicle, vessel or aircraft designed or adapted to carry a minimum of ten (10) people, or designed to carry Goods on a commercial basis, which is used predominantly for international transportation and not domestic passenger transportation. Any means of transport adapted for or intended for recreation or private use is not a qualifying means of transport.

ARTICLE THIRTY-FIVE. MEDICINES AND MEDICAL EQUIPMENT

- 1- Subject to any additional controls imposed by the Ministers of Health Committee of the Member States, the Supply of any Qualifying Medicines or Qualifying Medical Goods is zero-rated.
- 2- For the purposes of this Article, medicines and medical goods shall be considered Qualifying Medicines and Qualifying Medical Goods respectively in accordance with such classifications as may be issued by the Ministry of Health or any other competent authority from time to time.

ARTICLE THIRTY-SIX. SUPPLIES OF INVESTMENT METALS

- 1- The first Supply of a Qualifying Metal by its Producer or Refiner is zero-rated.
- 2- Any grant, assignment or surrender of a right, interest or claim with respect to any Supply of a Qualifying Metal for investment is zero-rated if such right, interest or claim is considered a transfer or to grant a right to the possession of the Goods.
- 3- For the purposes of these Regulations, the expressions defined below in this Paragraph shall have the meanings given to them below.
- a) A Qualifying Metal is:
1. gold,
 2. silver,
 3. platinum.
- b) A Qualifying Metal is considered to be supplied for investment when the metal is at a purity level of not less than ninety-nine percent (99%) and tradeable on the global bullion market.
- c) Producer means any person who carries on the mining and extraction of a Qualifying Metal.
- d) Refiner means any person who carries on the refining by any process of a commodity into a Qualifying Metal.



CHAPTER SEVEN: VALUE OF TAXABLE SUPPLIES

ARTICLE THIRTY-SEVEN. RELATED PERSONS

- 1- In addition to the general principles established by the Agreement, this Article sets out those cases where two or more Persons will be considered Related Persons for the purposes of applying the Agreement and Law.
- 2- A natural Person is considered a Related Person in relation to any other natural Person who is a spouse or a brother-in-law, or a relative to the fourth degree.
- 3- An employer, his employee and partners are Related Persons for the purposes of the Law. Partners in a partnership are also Related Persons.
- 4- A natural Person and a legal Person are considered Related Persons for the purposes of the Law in cases where:
 - a) the natural Person is a partner or a director of a legal Person or a person who directs the strategic decisions of the legal Person,
 - b) the natural Person, either alone or together with a Related Person or Persons under this Article, owns or controls over fifty percent (50%) of the capital or over fifty percent (50%) of the voting rights or value of the legal Person, whether, in either case, directly or indirectly.
- 5- Legal Persons are considered to be under common control and are thus Related Persons if over fifty percent (50%) of the capital, or ownership or control of over fifty percent (50%) or more of the voting rights or value, in both or all of the legal Persons, is held by the same Person or group of Persons, whether, in any of the foregoing cases, directly or indirectly.
- 6- A trustee of a settlement, a settlor, and any beneficiary are Related Persons for the purposes of the Law.

ARTICLE THIRTY-EIGHT. FAIR MARKET VALUE

- 1- The value of a Supply is its Fair Market Value, instead of any actual Consideration paid, in cases where each of the following applies:
 - a) a Supply is made between Related Persons, as defined in the Agreement or in these Regulations,
 - b) the Consideration for the Supply is less than the Fair Market Value of the Supply,
 - c) the Customer is not entitled to a full Input Tax deduction in relation to the Supply.



- 2- For the purposes of the first Paragraph of this Article, the Fair Market Value is the Consideration that would be payable for a Similar and Contemporaneous Supply of Goods or services freely offered and made between Persons who are not Related Persons.
- 3- A Similar and Contemporaneous Supply means another Supply of Goods or services supplied at the same time that are either identical to, or closely or substantially resemble, the Goods and services being supplied. This shall be ascertained based on all relevant factors including the characteristics, quality, quantity of the Goods and services, the place and date of Supply and reputation of the Supplier.
- 4- In cases where the value of a Similar and Contemporaneous Supply is not able to be ascertained, the Taxable Person or Authority may prescribe an alternative Fair Market Value based on other comparable transactions which resemble the supply of Goods and services, or the costs of the Supplier to make the supply, whichever is higher (with the decision of the Authority to prevail in the event of a difference).

ARTICLE THIRTY-NINE. VALUE OF SPECIFIC TAXABLE SUPPLIES – NOMINAL SUPPLIES

- 1- If a supply of Goods or services is treated as a Nominal Supply by reason of its having been made without Consideration or used for a purpose other than for Taxable Economic Activity, the value of that supply is the purchase price or cost of the Goods or services to the Supplier. No Nominal Supply shall be treated as made if Input Tax was not deducted on the supply to the Supplier. In cases where the purchase price or cost cannot be ascertained at the time of the supply, the value of such supply is the Fair Market Value.¹⁵
- 2- The value of a Nominal Supply on the ceasing of an Economic Activity is the Fair Market Value of Goods which are retained on the date of deregistration, other than Goods on which Input Tax was not deducted by the Taxable Person.

¹⁵ Amended Pursuant to BoD Resolution No. (7-2-20) dated 12/08/1441H corresponding to 05/04/2020G.



ARTICLE FORTY. ADJUSTMENT TO VALUE OF A SUPPLY

- 1- The value of a Supply is adjusted in the following cases 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 and the Supplier accepts such return.
- 2- Where the value of the Supply is adjusted because any of the cases described in the first Paragraph of this Article has occurred, an adjustment to the Tax previously reported must be made in accordance with the third Paragraph of this Article if the Supplier has both:¹⁶
 - 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- To affect an adjustment to Tax previously reported, the Taxable Person who acts as Supplier must adjust the Output Tax previously reported to reflect the amount of Tax calculated on the change in Consideration.
- 4- An adjustment that results in an increase to Supplier's Output Tax made in accordance with the third Paragraph of this Article must be made in the Tax Return for the Tax Period in which the event referred to in the first Paragraph of this Article occurred.
- 5- An adjustment that results in a decrease in Supplier's Output Tax made in accordance with the third Paragraph of this Article must be made in the Tax Return for the Tax Period in which the event referred to in the first Paragraph of this Article occurred or in the Tax Return for the period during which the Credit Note was issued to the Customer, whichever is later.

¹⁶ Amended Pursuant to BoD Resolution No. (1-5-20) dated 14/02/1442H corresponding to 01/10/2020G.



- 6- In the cases prescribed by the second Paragraph of this Article which require an adjustment to the value of a supply of Goods or services to a Customer who is or was a Taxable Person on the date of the supply, the Customer must correct its Input Tax to reflect the Tax amount calculated on the change in Consideration in the Tax Period in which the Credit Note or Debit Note is issued.
- 7- In cases where a Taxable Person does not receive all or part of the Consideration for a Taxable Supply made by him, the Taxable Person may reduce his Output Tax for the Tax amount calculated on the Consideration not paid in the Tax Return in which all of the following conditions are met:
- a) the Taxable Person has previously included Tax calculated on the Taxable Supply as Output Tax on a Tax Return and made payment of the Tax due,
 - b) the Consideration is in respect of a Supply of Goods or services made to a Person who is not a Related Person,
 - c) a period of at least twelve months has passed from the date of the Taxable Supply,
 - d) the Taxable Person holds a certificate from his certified accountant indicating that the unpaid Consideration has been written off in his books,
 - e) in cases where the total amounts unpaid by the Customer exceed one hundred thousand (100,000) SAR, formal legal procedures have been taken to collect the debts without success and the Taxable Person can provide evidence of these procedures, such as the issuance of a judicial ruling, evidence of the debtor's bankruptcy or a court order initiating any other formal recovery procedure.
- 8- A person using the cash accounting basis described in Article forty-six of these Regulations must not make any adjustment for non-payment prescribed in the seventh Paragraph of this Article.
- 9- If an adjustment to Output Tax is made in accordance with the seventh Paragraph of this Article and the Taxable Person subsequently receives full or partial payment of the Consideration, Tax calculated on the subsequent Consideration received will become payable and must be accounted for in the Tax Return for the Tax Period in which the payment occurs, and a new Tax invoice must be issued to reflect the additional amount received.
- 10- Any Taxable Person who has deducted Input Tax in respect of a Supply received by that Person, but has failed to make payment in full after a period of twelve months from the date of Supply, must reduce the Input Tax deduction by the amount of Tax calculated on the Consideration not paid at that date.



- 11- In cases where an adjustment to Input Tax is made under the tenth Paragraph of this Article and the Taxable Person subsequently makes payment of the Consideration, the Input Tax deduction may be increased correspondingly to reflect the Tax calculated on the Consideration paid.
- 12- The adjustments required by this Article are subject to any time limits imposed by the Law or these Regulations.

CHAPTER EIGHT: IMPORTS

ARTICLE FORTY-ONE. GOODS DEEMED TO BE IMPORTS INTO THE KINGDOM

- 1- In cases where any legal Person or a natural Person who is resident in the Kingdom but who is not registered for VAT enters Goods with a value exceeding ten thousand (10,000) SAR into the Kingdom from another Member State, and cannot prove at the time of such entry that Tax was paid on the purchase of those Goods in such Member State, that Person is deemed to make an Import of those Goods for the purposes of this Law and VAT shall be payable on such imports.
- 2- Proof of payment of Tax must be by means of producing a Tax Invoice or similar document issued in accordance with the laws of the Member State of purchase, or such other evidence accepted by the Customs Department showing that VAT has been paid on the Goods, or that the Goods were not purchased in that Member State.

ARTICLE FORTY-TWO. EXEMPTIONS FOR IMPORTS

- 1- Imports of personal items and gifts carried in travelers' personal luggage are exempt from Tax, in accordance with the Unified Customs Law and the Customs regulations applying in the Kingdom.
- 2- Imports of equipment for people with special needs shall be exempted from Tax in cases where the equipment is specified in an order issued by the Board of Directors.
- 3- In cases where a Taxable Person is authorized to pay Tax on imports through their Tax Return, the application of an exemption from Tax on imports on Goods which are exempt from customs duty in accordance with the Unified Customs Law is limited to cases where an import entry has been made with the Customs Department, or an equivalent Department of another Member State, declaring that customs duty was not collectable on their import.



ARTICLE FORTY-THREE. ARTICLE FORTY-THREE: COLLECTION OF TAX ON IMPORTS ON ENTRY TO THE KINGDOM

- 1- Upon importation of Goods, a Taxable Person must provide his Tax Identification Number to the Customs Department.
- 2- The Customs Department will issue a statement to a Taxable Person for each month in which Imports of Goods are made by that Taxable Person, showing the value of Goods imported and the value of Tax collected thereon. This statement may be made available electronically.
- 3- The Tax due on the Import of Goods shall be payable on the Import date; Saudi Customs shall be responsible for collecting such Tax as per Customs' procedures. In exceptional cases, where there is no deferral of payment of Import Tax due such that the Taxable Person makes a payment through their Tax Returns pursuant to Article Forty-four, the Board may set the date on which Tax due on Imports is payable, provided that such date is no later than THIRTY (30) days after the date of Import, and may also set forth the procedures, terms and conditions necessary to implement this provision, in coordination with Saudi Customs.¹⁷

ARTICLE FORTY-FOUR. ARTICLE FORTY-FOUR: PAYMENT OF TAX ON IMPORTS THROUGH THE TAX RETURN

- 1- A Taxable Person may apply for authorization for the payment of Tax on imports to be made through that Taxable Person's Tax Return, instead of being collected by the Customs Department on importation entry.
- 2- An application may only be made to the Authority to be granted authorization where the following applies:
 - a) the Taxable Person uses a monthly Tax Period and intends to make Imports of Goods on at least a monthly basis,
 - b) the Taxable Person can evidence that during the most recent twelve-month period, or during all the time the person has been a Taxable Person if less than twelve months, all Tax Returns and payments have been made on time, and all other obligations in respect of VAT have been met,
 - c) sufficient evidence is provided of the Taxable Person's continuing financial stability.

¹⁷ Amended pursuant to BoD Resolution No. (1-5-20) dated 14/02/1442H corresponding to 01/10/2020G.



- 3- The Authority may refuse an application, or cancel an existing authorization, in cases where it views there to be a risk that VAT will not be paid, or where the Taxable Person has any outstanding obligations in respect of VAT.
- 4- The Authority shall cancel an existing authorization in cases where the Taxable Person is no longer eligible to be granted authorization, or upon request of the Taxable Person.
- 5- The Authority shall inform the Taxable Person and the Customs Department in a notification of the approval or refusal of the application, or the cancellation of an existing authorization, and the effective date.
- 6- From the effective date of an approved authorization, the Authority is responsible for collection of Tax on imports by an authorized Taxable Person. This responsibility continues until the removal of the authorization for that Taxable Person. The Customs Department shall not collect Tax on any subsequent Imports of Goods by an authorized Taxable Person.
- 7- Upon authorization being approved, the Taxable Person must notify the Customs Department of the approval prior to making the next import declaration.
- 8- Except as provided in Paragraph (2-) of this Article, the Board may specify certain situations in which Taxpayers may defer payment of Tax due on Import to be payable through the Tax Return, and may establish the terms, conditions and procedures necessary for its implementation.¹⁸

¹⁸ Amended pursuant to BoD Resolution No. (6-5-20) dated 11/03/1442H corresponding to 28/10/2020G.



CHAPTER NINE: CALCULATION OF TAX PAYABLE

ARTICLE FORTY-FIVE. CALCULATION OF TAX

- 1- Unless a Taxable Person elects to use the cash accounting basis in accordance with Article forty-six of these Regulations, or unless the Taxable Person is supplying Eligible Used Goods in accordance with Article forty-eight of these Regulations, the Net Tax payable by a Taxable Person in respect of a Tax Period is calculated by deducting the total Input Tax, including Input Tax on imports, allowed to the Taxable Person during the Tax Period from the total of Output Tax payable in respect of all Taxable Supplies made by the Taxable Person in the Kingdom during the Tax Period. This calculation method is known as the invoice accounting basis.
- 2- The calculation of Tax on any amount of Consideration in respect of a Supply is made in accordance with the following equation:

$$\text{Tax} = \text{Consideration} \times \frac{\text{Tax Rate}}{(100\% + \text{Tax Rate})}$$

where the Tax Rate is expressed as a percentage.

ARTICLE FORTY-SIX. CASH ACCOUNTING BASIS

- 1- As an exception to the requirement to use the invoice accounting basis described in Article forty-five of these Regulations, a Taxable Person may apply to calculate Net Tax due for a Tax Period on a cash accounting basis provided that the annual value of Taxable Supplies in the past calendar year does not exceed five million (5,000,000) SAR, and the anticipated value of Taxable Supplies in the current calendar year is not expected to exceed five million (5,000,000) SAR, subject to the second Paragraph of this Article.

The Authority shall notify the Taxable Person whether his application has been approved.

- 2- A Taxable Person who has received notification of a VAT violation in the last twelve months is not eligible to use the cash accounting basis.
- 3- A Taxable Person using the cash accounting basis shall only include Output Tax and Input Tax in its Tax Return in respect of Supplies of Goods and services for which and to the extent that payment has been made.



- 4- A Taxable Person may apply to use the cash accounting basis at the time of his application for registration or to obtain his Tax Identification Number with the Authority. A Taxable Person who has not applied in this manner may, at any subsequent time apply to use the cash accounting basis by filing an application with the Authority, provided he is eligible to do so.
- 5- A change to the cash accounting basis takes effect from the start of the Tax Period following that in which the application is approved. The Authority must provide notification of the approval and the effective date of the change to the Taxable Person.
- 6- The Tax Return for the first Tax Period following a change from the invoice accounting basis to the cash accounting basis must include an adjustment to the Taxable Person's Output Tax and Input Tax to reflect the Tax calculated on the amounts unpaid in respect of Taxable Supplies made to or by the Taxable Person at the date of the change.
- 7- The Authority may require evidence of the Taxable Person's turnover to be submitted and may reject an application if it is not satisfied that the Taxable Person is eligible to use the cash accounting basis.
- 8- A Taxable Person who is approved to use the cash accounting basis must inform the Authority within twenty (20) days of finding that he is no longer eligible to do so, by submitting an application to use the invoice accounting basis as described in Article forty-five of these Regulations.
- 9- A Taxable Person using the cash accounting basis may voluntarily elect to use the invoice accounting basis after the cash accounting basis has been used for a minimum of two (2) years, by submitting an application.
- 10- The change to the invoice accounting basis takes effect from the start of the following Tax Period. The Authority shall provide notification to the Taxable Person of the change and its effective date.
- 11- The Tax Return for the first Tax Period following a change from the cash accounting basis to the invoice accounting basis must include an adjustment to the Taxable Person's Output Tax and Input Tax to reflect the Tax calculated on Taxable Supplies made by or to the Taxable Person without payment by the effective date of the change.



ARTICLE FORTY-SEVEN. PERSONS LIABLE TO PAY TAX

- 1- In cases where the Agreement provides that a Taxable Customer is obligated to pay Tax on a Supply received from a Nonresident Supplier, Tax shall be paid by way of the Reverse Charge Mechanism. The Taxable Customer must report the Output Tax on the Supply and any Input Tax (to the extent that the Customer can benefit from Input VAT deduction) in the Tax Return for that Tax Period.
- 2- In cases where electronically supplied services are supplied in the Kingdom through an online interface or portal acting as intermediary for a Nonresident Resident Supplier, the operator of the interface or portal is presumed to purchase the services from the Nonresident Supplier and to Supply those same services in his own name for the purposes of the Law and these Regulations. The operator of the interface or portal is liable to pay Tax on any such Supply, subject to the third Paragraph of this Article.
- 3- The presumption in the second Paragraph of this Article does not apply in cases where both of the following conditions apply:
 - a) the Nonresident Supplier is expressly indicated as the Supplier during the online sale process, in the contractual arrangements between the parties, and on the invoice or receipt issued by the operator of the interface or portal,
 - b) the operator of the interface or portal does not authorize charging the Customer for the delivery of the services or the delivery itself or set the general terms and conditions of the Supply.

ARTICLE FORTY-EIGHT. SUPPLY OF USED GOODS

- 1- A Taxable Person may apply to account for Tax payable on a Supply of Eligible Used Goods using the profit margin method, subject to the conditions in this Article. The Taxable Person may not use the calculation method in this Article until it has received notification from the Authority that it is approved.
- 2- For the purposes of this Article, a Supply of Eligible Used Goods must meet all of the following criteria:
 - a) the Supply is that of used Goods situated in the Kingdom, and the Goods are of a type which the Authority has specified are eligible for Tax to be calculated using the profit margin method;
 - b) the Goods were purchased by the Taxable Person in a Supply made to the Taxable Person in the Kingdom by a Non-Taxable Person, by a Taxable Person outside of his Economic Activity, or by a Supplier applying the profit margin method in



- accordance with this Article, in all cases where such Taxable Person did not deduct any Input Tax on his purchase of the Goods; and
- c) the Taxable Person meets the criteria stated in this Article in respect of the purchase and supply of those Eligible Used Goods.
- 3- A Supply of Goods which are situated outside the Kingdom, or which move to or from the Kingdom as part of the supply to or supply by the Taxable Person, is not a supply of Eligible Used Goods.
- 4- Tax Invoices issued for Supplies of Eligible Used Goods by a Taxable Person must clearly refer to the Taxable Person's use of the profit margin method and must not show any amount of Tax charged in respect of any Supply.
- 5- In cases where a Taxable Person purchases the Eligible Used Goods from a Non-Taxable Person, the Taxable Person must issue an invoice in respect of the purchase to that Non-Taxable Person. This invoice must include:
- a) the name, address and Tax Identification Number of the Taxable Person,
 - b) the name and address of the Non-Taxable Person,
 - c) the date of the purchase,
 - d) details of the Goods purchased, including any relevant registration number or other details which the Authority may specify,
 - e) the Consideration payable in respect of the purchase of the Goods.
- 6- The profit on a Supply of Eligible Used Goods is calculated as the Consideration for the Supply of the Eligible Used Goods by the Taxable Person, less the Consideration payable in respect of the purchase of the Eligible Used Goods. The profit does not include any expenses or other amounts incurred by the Taxable Person in respect of the Supply.
- 7- Tax is calculated on the profit in accordance with the method prescribed by Article forty-five of these Regulations.
- 8- In cases where the profit calculated under the sixth Paragraph of this Article in respect of any Supply is zero, or results in a negative amount, the value of that Supply by the Taxable Person is zero.
- 9- A Taxable Person must not deduct Input Tax in respect of any amount of Tax charged to it or included in the Consideration for the purchase of Eligible Used Goods.



- 10- Any Taxable Person who elects to use the profit margin method to calculate Tax on any Supply of Eligible Used Goods must retain a record of all Eligible Used Goods purchased and supplied by that Taxable Person, for the period stated in Article sixty-four of these Regulations and in addition to the records required to be retained by this Article. In respect of each Supply of Eligible Used Goods, the record must contain:
- a) all information detailed in the fifth Paragraph of this Article,
 - b) the number of the Tax Invoice issued by the Taxable Person for the Supply of the Eligible Used Goods,
 - c) the Consideration payable for the Supply of the Eligible Used Goods by the Taxable Person,
 - d) name and address of the Customer,
 - e) the profit calculated in accordance with the sixth Paragraph of this Article,
 - f) VAT due on the profit.
- 11- In cases where the Taxable Person has not complied with any of the requirements of this Article in respect of any Supply of Used Goods, the profit margin method may not be used in respect of that Supply. In these cases, the Taxable Person must calculate Tax on the full Consideration for his Supply.

ARTICLE FORTY-NINE. INPUT TAX DEDUCTION

- 1- Subject to the specific provisions of this Article, a Taxable Person may deduct Input Tax charged on Goods and services supplied to that Taxable Person, to the extent these are received in the course of carrying on an Economic Activity and constitute:
- a) Taxable Supplies including zero-rated Supplies,
 - b) Internal Supplies,
 - c) Supplies that would have been Taxable Supplies had they been made in the Kingdom.
- 2- A Taxable Person is entitled to deduct Input Tax incurred by that Person in respect of services supplied to that Person during the period of the six months before the effective date of registration, provided that:
- a) the services are purchased to be used for the purposes described in the first Paragraph of this Article,
 - b) the services have not been supplied onwards, or used in full, by the Taxable Person prior to the registration date,
 - c) the services are not of a type which is restricted from deduction, as prescribed in Article fifty of these Regulations.



- 3- A Taxable Person is entitled to deduct Input Tax incurred by that Person in respect of Goods supplied to that Person or Goods imported by that Person before the effective date of registration, provided that:
- a) the Goods are purchased or imported to be used for the purposes described in the first Paragraph of this Article, and where the Tax cannot be wholly attributed to such use, an apportionment is used,
 - b) in cases where the Goods are Capital Assets, these have a positive book value at the date of registration,
 - c) the Goods have not been supplied onwards by the Taxable Person, or used in full by the Taxable Person, prior to the registration date,
 - d) the Goods are not of a type which is restricted from deduction, as prescribed in Article fifty of these Regulations.
- 4- In cases where Capital Assets are held at the date of registration, the maximum deductible Input Tax permitted under the third Paragraph of this Article shall be calculated as if the net book value, determined in accordance with the accounting practice of the Taxable Person, were the Consideration for the Supply.
- 5- Goods acquired by a Taxable Person which are lost, damaged or stolen must be reported as such in the accounting records held by the Taxable Person in order to support deduction of Input Tax on those Goods. The Authority may require further evidence be provided in respect of such lost, damaged or stolen Goods including without limitation police reports and insurance claim documentation.
- 6- In cases where a Taxable Person deducts Tax on the Import of Goods into the Kingdom, and subsequently moves these goods to a final Destination State, and becomes liable to transfer Tax to that Member State in accordance with the Agreement, the Taxable Person must reduce the Input Tax deducted in the Tax Return for the Tax Period during which the removal occurred. A Taxable Person who intends to move Goods imported into the Kingdom to another Member State must not claim a deduction in respect of the importation of these Goods.



- 7- Input Tax may only be deducted where the Taxable Person holds evidence of the amount of Input Tax paid or payable in a form specified in Article forty-eight of the Agreement. In cases where a Taxable Person does not hold the documents specified in the Agreement, a deduction may be claimed where he is able to provide the following alternative evidence to the Authority:
- a) a Simplified Tax Invoice which is correctly issued in accordance with these Regulations,
 - b) in the case of a Supply arising on the transfer of Goods to another Member State, a commercial or other document substantiating the value on which VAT is calculated at the transfer date,
 - c) other commercial documentation permitted at the discretion of the Authority, evidencing that the Taxable Person has received the Supply and correctly incurred the VAT in question.
- 8- A deduction of Input Tax may be made by a Taxable Person in a Tax Period subsequent to that Tax Period including the date of Supply, provided that the Taxable Person remains eligible to make such deduction under the other provisions of these Regulations. Input Tax may not be deducted in any period which falls more than five calendar years after the calendar year in which the Supply takes place.
- 9- Where a Taxable Person incurs Input Tax on the purchase, construction, modification, or renovation of real estate for the purpose of making a Taxable Supply, and such Supply has become exempt pursuant to Paragraph (1) of Article 30 of these Regulations, the Taxable Person may deduct such Input Tax subject to the provisions of Paragraph (7) of this Article and the following conditions:¹⁹
- a) The Supplies related to the purchase, construction, modification, or renovation of real estate were received before the date the exemption was enacted and entered into force.
 - b) The Input Tax on such Supplies -the subject of this Paragraph- is deducted through a filed Tax Return for any Tax Period prior to 31 December 2020 G.
 - c) That Input Tax is deducted proportionally if the Input Tax incurred is not fully attributable to the Supplied real estate or if the Input Tax incurred appears on a Tax Invoice for a continuous Supply executed in-part on or before the exemption's entry into force and in-part thereafter.

¹⁹ Added pursuant to BoD Resolution No. (1-5-20) dated 14/02/1442H corresponding to 01/10/2020G.



ARTICLE FIFTY. GOODS AND SERVICES DEEMED TO BE RECEIVED OUTSIDE OF ECONOMIC ACTIVITY

- 1- Expenditure relating to the following Goods or services is not considered to be incurred by the Taxable Person in the course of carrying on his Economic Activity, and consequently the Taxable Person will not be permitted to deduct the Input Tax relating to such expenditure, save where the Goods or services are to be directly supplied onwards as a Taxable Supply by the Taxable Person:
 - a) Any form of entertainment, sporting or cultural services.
 - b) catering services in hotels, restaurants and similar venues.
 - c) the purchase or lease of Restricted Motor Vehicles, as defined in the second Paragraph of this Article.
 - d) repair, alteration, maintenance or similar services on Restricted Motor Vehicles.
 - e) fuel used in Restricted Motor Vehicles.
 - f) any other Goods and services used for a private or non-business purpose.
- 2- A Restricted Motor Vehicle is any vehicle designed to be used on the road unless the vehicle is either:
 - a) used exclusively by the Taxable Person or by its employees for work purposes, without being made available for any private use,
 - b) primarily intended for resale by the Taxable Person or otherwise for use in an Economic Activity supplying that vehicle.
- 3- In cases where a Restricted Motor Vehicle is treated under the first Paragraph of this Article as not being purchased in the course of an Economic Activity, any Supply of that Restricted Motor Vehicle by the Taxable Person will not be considered to be made in the course of his Economic Activity.
- 4- Notwithstanding the first Paragraph of this Article, the purchase of any services listed in that Paragraph which are intended for onward sale, without use by that Taxable Person, are considered to be effected in the course of carrying on that Taxable Person's Economic Activity.



ARTICLE FIFTY-ONE. PROPORTIONAL DEDUCTION OF INPUT TAX

- 1- Tax incurred by a Taxable Person on Goods and services received which are exclusively and directly attributed to Taxable Supplies made by them, or other Supplies described in Paragraph (1-) of Article Forty-nine of these Regulations, may be deducted in full subject to the other provisions of these Regulations.
- 2- Tax incurred by a Taxable Person on Goods and services which are exclusively and directly attributed to an Exempt Supply is not deductible.
- 3- In cases where a Taxable Person incurs Input Tax on Goods or services which are used both for making Taxable Supplies and for making Exempt Supplies, or which cannot be attributed exclusively to use in making a specific Supply, the default method of proportional deduction of Input Tax shall be determined in accordance with this Article.
- 4- The proportional deduction, for the purposes of the default method of proportional deduction referred to in the third Paragraph of this Article, is calculated on the basis of a fraction where:
 - a) the numerator is the value of Taxable Supplies made by the Taxable Person in the last calendar year,
 - b) the denominator is the total value of Taxable Supplies and Exempt Supplies made by the Taxable Person during the last calendar year,
 - c) the value of Taxable Supplies or Exempt Supplies made by that Person in the fraction include those Supplies that do not take place in the Kingdom, but that would have been either Taxable Supplies or Exempt Supplies if they had taken place in the Kingdom.
- 5- The fraction calculated in Subparagraph (b) of the fourth Paragraph of this Article shall not include:
 - a) Supplies of Capital Assets by the Taxable Person,
 - b) Supplies taking place outside the Kingdom which are supplied from an establishment of the Taxable Person outside the Kingdom.
- 6- Taxpayers who were not registered for VAT in the previous calendar year must calculate the fraction using the default method set out in the fourth Paragraph of this Article based on estimated values for the current calendar year.



- 7- At the end of the calendar year, the Taxable Person using the default method set out in Paragraph 4- of this Article must compare the values used in the fraction during that year with the actual values of Supplies made in that calendar year, and make an adjustment to Input Tax in the final Tax Return for that calendar year to reflect the correct proportional deduction based on the actual Supplies for the entire year.
- 8- A Taxable Person may submit an application to use an alternative proportional deduction method to the default method, in cases where that alternative method more accurately reflects the use of Goods and services supplied to that Taxable Person.
- 9- The Authority may approve or reject an application to use a method other than the default method by notification to the Taxable Person. In cases where the application is approved, the Authority shall prescribe a time period during which the alternative method may or must be used. Such period may be for a maximum of five years, following which a new application must be submitted.
- 10- Notwithstanding any prior approval, in cases where the Authority believes the default method or the approved alternative method does not accurately reflect the Taxable Person's use of Goods and services supplied to it, the Authority may issue a notification directing the use of another method, and the period during which this method must be used.
- 11- In cases where the Taxable Person incurs Input Tax on Goods and services which are not used to make a Taxable Supply, but are used:
 - a) in respect of raising capital for an ongoing Economic Activity to the extent this constitutes the making of Taxable Supplies by way of the issue of share capital or debt;
 - b) for a business activity which is treated as outside the scope of VAT, such as a transfer of an Economic Activity or part of an Economic Activity as a going concern within Article seventeen of these Regulations;
 - c) to carry out an exempt Supply of real estate -as per the provisions of Subparagraph a)a) of Article Thirty (30) of these regulations- that is incidental and not regularly carried out in the ordinary course of the Taxable Person carrying out their taxable Economic Activity;²⁰ or

²⁰ Subparagraph (c) was added pursuant to BoD Resolution No. (1-5-20) dated 14/02/1442H corresponding to 01/10/2020G.



- d) for another one-off event which is incidental to the Economic Activity to the extent this constitutes the making of Taxable Supplies;

such Input Tax shall be deductible in accordance with the proportion of the overall Economic Activity of the Taxable Person which constitutes the making of Taxable Supplies, determined using the applicable proportional deduction method determined in accordance with this Article.

ARTICLE FIFTY-TWO. CAPITAL ASSETS

- 1- A Taxable Person shall adjust previously deducted Input Tax in relation to a Capital Asset in cases where the Taxable Person's Input Tax decreases or increases as a result of a change in the way the Taxable Person uses the Asset, or a change in the VAT status of such use.
- 2- The adjustment period in respect of which adjustment under this Article is required is six (6) years in respect of moveable tangible or intangible Capital Assets and ten (10) years in respect of immovable Capital Assets which are permanently attached to land or Real Estate, starting from the date of purchase of the Capital Asset by the Taxable Person. Should the life of the Capital Asset determined in accordance with the accounting practice of the Taxable Person be less than the otherwise corresponding adjustment period, the adjustment period shall instead be the life of the Capital Asset, with any part years counting as one year.
- 3- At the time a Taxable Person acquires a Capital Asset, Input Tax shall initially be deducted in accordance with the intended use of the Goods. During the adjustment period, an adjustment to the deduction must be made following any year in which the actual use of the Capital Asset differs from that initial intended use. Capital expenditure incurred on a Capital Asset already owned by the Taxable Person (to construct, enhance or improve it) counts as expenditure or additional expenditure acquiring it and the adjustment period (or additional adjustment period) for such expenditure shall commence on the date of completion of such works.



- 4- At the end of each twelve-month period, as calculated in Paragraph 5- of this Article, a Taxable Person shall calculate the amount of Input Tax potentially subject to adjustment using the fraction:

$$\frac{\text{Initial Input Tax deduction}}{\text{adjustment period}}$$

and shall make an adjustment to the amount of the Input Tax deducted, based on the actual use of the Capital Asset during that year.

- 5- For the purposes of the fourth Paragraph of this Article, the first twelve-month period shall commence from the start of the Tax Period in which the Capital Asset was acquired, and each subsequent twelve-month period shall begin following the end of the preceding twelve-month period for that Capital Asset. The Taxable Person shall make the adjustment to Input Tax in the Tax Return for the last Tax Period which falls in the twelve month-period and shall accordingly either claim an additional amount of Input Tax or make a repayment of Input Tax.
- 6- In cases where there is no change in the use of the Capital Asset from the initial intended use in any year, the Taxable Person is not required to adjust Input Tax in respect of that Capital Asset for that year.
- 7- In cases where there is a permanent change in the use of a Capital Asset due to the sale or disposal of the Capital Asset by a Taxable Person, the Taxable Person must adjust the Input Tax deduction for the remainder of the adjustment period for that Capital Asset in the Tax Period in which it is sold. No adjustment to the Input Tax deducted for the remainder of the adjustment period is needed if the Capital Asset is destroyed, stolen or before the end of its useful life earlier than accounted for.
- 8- In cases where there is a permanent change in use of a Capital Asset due to that Capital Asset no longer being used for the Taxable Activities of that Taxable Person, no adjustment to Input Tax is made but the Taxable Person shall be considered to make



a Nominal Supply of the Capital Asset in accordance with the Agreement. The value of such Nominal Supply shall be calculated using the following formula:

$$\left(\text{Purchase value of Capital Asset} \times \text{Initial Recovery Percentage} \times \frac{\text{Remaining Useful Life}}{\text{adjustment period}} \right)$$

where the Remaining useful life is the adjustment period determined in accordance with the Paragraph 2- of this Article less the number of part or full years during which the Taxable Person has used the Capital Asset, and the Initial Recovery Percentage is the recovery percentage determined in accordance with the intended use of the Goods at the time of purchase as calculated in accordance with this Article.

ARTICLE FIFTY-THREE. TAX INVOICES²¹

1- ²²

- a) Each Taxable Person must issue or arrange for the issuance of a Tax Invoice containing –at a minimum- the information provided in Paragraph (5) of this Article in the following cases:
 1. Where the Taxable Person makes a Taxable Supply of Goods or Services which he to another Taxable Person or to a non-taxable legal Person or to an establishment (sole proprietorship) or to any other entity established in accordance with the laws of the Kingdom
 2. Where the Taxable Person receives Consideration in respect of and prior to making a Taxable Supply of Goods or Services to an another Taxable Person, to a Nonresident Legal Person, to an establishment (sole proprietorship) or to any other entity established in accordance with the laws of the Kingdom;
 3. Intra-GCC Supplies and Exports; and
 4. The Supply of zero-rated Service to a customer not residing in GCC Member State.
- b) In all cases set forth under Subparagraph (a) hereof, the Tax Invoice must be issued no later than the fifteenth day of the month following the month in which the Supply took place.

²¹Paragraph (10) was added pursuant to BoD Resolution No. (2-3-20) dated 17/10/1441H corresponding to 09/06/2020G and subsequently deleted pursuant to BoD Resolution No. (1-5-20) dated 14/02/1442H corresponding to 01/10/2020G.

²² Paragraph (1) was amended pursuant to BoD Resolution No (2-7-21) dated 04/04/1443H corresponding to 09/11/2021G.



- c) Notwithstanding the provisions of this Paragraph (1), a Taxable Person may issue a summary Tax Invoice -in accordance with Paragraph (7) of this Article- in respect of the Supplies set forth in Subparagraph (a) of this Article the value of which is less than SAR 1,000.
- 2- Subject to the Authority's approval, a Taxable Customer may issue Tax Invoices on behalf of a Supply made by a Taxable Supplier provided that a prior agreement between such Supplier and Customer has been made to this effect; that the Tax Invoice state that it was issued by the Customer on behalf of the Supplier; and that the Supplier and Customer are registered with the Authority for VAT purposes. A Tax Invoice issued as per this Paragraph will be deemed to be issued by the Supplier. The agreement referred to in this Paragraph must include a recitation of the procedures required for the Tax Invoices to be approved by the Supplier on whose behalf they are issued and a certification by the Supplier that they will not issue invoices in respect of the Supplies for those Tax Invoices were issued.²³
- 3- Subject to the Authority's approval, a Taxable Person may issue Tax Invoices through a third-party provided that all obligations [legal requirements] set forth in the Law and these Regulations are satisfied. The Supplier shall be responsible for the accuracy of the information shown on the Tax Invoice and for reporting Output Tax on the supply.²⁴
- 4- In the events set forth in Paragraph (1) of this Article, a Taxable Person may issue a summary Tax Invoice that includes more than one separate supply of Goods or Services to the same Customer in a period not exceeding one calendar month; the summary Tax Invoice must contain –at a minimum- the information set forth in Paragraph (5) of this Article and must be issued no later than the fifteenth day of the month following the month for which the Tax Invoice pertains.²⁵
- 5- A Tax Invoice must include the following details in Arabic, in addition to any other language also shown on the Tax Invoice as a translation:
- a) the date of issue,
 - b) a sequential number which uniquely identifies the Tax Invoice,
 - c) the Tax Identification Number of the Supplier,

²³ amended pursuant to BoD Resolution No (2-7-21) dated 04/04/1443H corresponding to 09/11/2021G.

²⁴ Amended pursuant to BoD Resolution No (2-7-21) dated 04/04/1443H corresponding to 09/11/2021G.

²⁵ Amended pursuant to BoD Resolution No (2-7-21) dated 04/04/1443H corresponding to 09/11/2021G.



- d) in cases where the Customer is required to self-account for Tax on the Supply, the Customer's Tax Identification Number and a statement that the Customer must account for the Tax,
 - e) the name and the address of the Supplier and of the Customer,
 - f) the quantity and nature of the Goods supplied, or the scope and nature of the services rendered,
 - g) the date on which the Supply took place, where this differs from the date of issue of the Tax Invoice,
 - h) the taxable amount per rate or exemption, the unit price exclusive of VAT and any discounts or rebates if they are not included in the unit prices,
 - i) the rate of Tax applied,
 - j) the amount of Tax payable, shown in SAR,
 - k) in the case where Tax is not charged at the basic rate, a narration explaining the Tax treatment applied to the supply, and
 - l) in cases where the profit margin method for Eligible Used Goods is applied, reference to the fact that VAT is charged on the profit on those Eligible Used Goods.
- 6- Tax Invoices shall be issued in an electronic format in cases where this is prescribed in any regulations issued by the Minister of Finance or the Board of Directors surrounding the requirements and conditions for issue of electronic Invoices, provided these Regulations are in force as at the date of the Supply.
- 7- ²⁶
- a) Every Taxable Person must issue a Simplified Tax Invoice containing –at a minimum- the information set forth in Paragraph (8) of this Article in any of the following cases:
 - 1. the supply of Taxable Goods or Services made to a Person other than a Person referred to in Paragraph (1)(a) of this Article; and
 - 2. the receipt of Consideration in respect and prior to the occurrence of a Taxable Supply of Goods or Services to a Person other than a Person referred to in Paragraph (1)(b) of this Article.
 - b) In all cases referred to in Subparagraph (a) of this Paragraph, a Simplified Tax Invoice must be issued on the earliest of the date of the supply and the date of receipt of Consideration –in whole or in part-.

²⁶ This Paragraph was added pursuant to BoD Resolution No (2-7-21) dated 04/04/1443H corresponding to 09/11/2021G.



- c) Notwithstanding the provision of Subparagraph (b) of this Article, a Taxable Person may issue Simplified Tax Invoices in respect of the following Supplies no later than the fifteenth day of the month day following the month on which the Supply took place and provided that such Simplified Tax Invoices contain –at a minimum- the Customer's name, Customer's address, and the date the Supply took place in addition to the information set forth in Paragraph 8 of this Article:
 - 1. The Supply of Financial Services made by banks, financial institutions, or insurance companies licensed by the competent authorities in the Kingdom;
 - 2. Any other Supplies as approved by a decision of the Governor.
 - d) A Taxable Person eligible for the exemptions related to the Supplies set forth in Subparagraph (c) hereof may issue a summary Simplified Tax Invoice containing separate Supplies of Goods or Services made by such Person to the same Customer within the same calendar month, provided that such summary Simplified Tax Invoice contain –at a minimum- the Customer's name, Customer's address, and the period to which the Supplies pertain, in addition to the information set forth in Paragraph 8 of this Article; such summary Simplified Tax Invoice must be issued no later than the fifteenth day of the month day following the calendar month to which the Supplies pertain.
- 8- A Simplified Tax Invoice must include the following details:
- a) the date of issue,
 - b) the name, address and Tax Identification Number of the Supplier,
 - c) a description of the Goods or services supplied,
 - d) the Consideration payable for the Goods or services,
 - e) the Tax payable or a statement that the Consideration is inclusive of Tax in respect of the Supply of the Goods or services.
- 9- The Authority's governor has the right to amend the details that must be provided in the invoices according to this article, and he has the right to specify any additional details that must be available in the invoices For the purposes of applying the provisions of the electronic billing regulation .²⁷

²⁷ Paragraph (9) added pursuant to BoD Resolution No. (2-4-17) dated 10/4/1439H corresponding to 28/12/2017G and amended pursuant to BoD Resolution No (2-7-21) dated 04/04/1443H corresponding to 09/11/2021G.



- 10- The Authority may, with proper justification and upon conducting the necessary analysis, suspend or revoke –in full or in part- electronic invoicing obligations on a certain group of Taxable Person or specific Taxable Person upon, and may accordingly issue decision to that effect at its discretion.²⁸
- 11- The term “Tax Invoice” shall mean -wherever it appears in these Regulations- invoices issued in accordance with any provision [Paragraphs] of this Article.²⁹

ARTICLE FIFTY-FOUR. CREDIT AND DEBIT NOTES

- 1- In the event that one of the circumstances in the first Paragraph of Article Forty of these Regulations occurs after a Tax Invoice has been issued 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.³⁰
- 2- In the event that one of the circumstances in the first Paragraph of Article Forty of these Regulations occurs after a Tax Invoice has been issued and the amount shown as Tax charged in that Tax 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.³¹
- 3- In cases other than those set forth in Paragraph (1) of Article Forty of these Regulations, a Taxable Person who issues a Tax Invoice and becomes aware of an error on the Tax Invoice in their information or that of the Customer, the Taxable Person may issue a debit or credit note –as the case may be- to the Customer correcting the erroneous information in that Tax Invoice, provided that both the Supplier and Customer retain a copy of the Tax Invoice and debit or credit note issued pursuant to this provision in order to satisfy their [respective] obligations under the Law and these Regulations.³²
- 4- A credit notes or debit note issued in accordance with this Article must contain all information required to be included in the corresponding Tax Invoice pursuant to the provisions of Article Fifty-Three of these Regulations that relate to the nature of that invoice. that pertain to the depending to Article reference to the sequential number of the Tax Invoice issued in respect of the initial Supply to which the credit notes or debit

²⁸ Paragraph (10) added pursuant to BoD Resolution No (2-7-21) dated 04/04/1443H corresponding to 09/11/2021G.

²⁹ Paragraph (11) added pursuant to BoD Resolution No (2-7-21) dated 04/04/1443H corresponding to 09/11/2021G.

³⁰ Amended pursuant to BoD Resolution No (2-7-21) dated 04/04/1443H corresponding to 09/11/2021G.

³¹ Amended pursuant to BoD Resolution No (2-7-21) dated 04/04/1443H corresponding to 09/11/2021G.

³² Amended pursuant to BoD Resolution No (2-7-21) dated 04/04/1443H corresponding to 09/11/2021G.



note relates. Such credit note or debit note shall also include a clear reference –as specified by the Authority- to previously issued Tax Invoice(s) related thereto.³³

- 5- A credit note or debit note should otherwise contain the discount information required by Article fifty-three of these Regulations to be shown on the corresponding Tax Invoice.³⁴

CHAPTER TEN: PROCEDURE AND ADMINISTRATION

ARTICLE FIFTY-FIVE. CONFIDENTIALITY OF INFORMATION

- 1- Employees of the Authority may only disclose Tax information concerning Taxpayers received in an official capacity in the situations described in the second, third or fourth Paragraphs of this Article.
- 2- Disclosure of Tax information may be made in cases where such disclosure is required by any court order, law or implementing regulations or other governing rules applicable in the Kingdom.
- 3- Disclosure of Tax information may be made by employees of the Authority where such disclosure is necessary for the exercise of the duties and powers vested in the Authority and subject to the following conditions:
 - a) the disclosure is made to another employee of the Authority acting in their official capacity, or to the Customs Department, the General Audit Bureau, a tribunal or court, or a tax authority of a foreign country in accordance with any treaty or agreement to which the Kingdom is a party,
 - b) the employee of the Authority is carrying out those powers on the instructions of the Authority and is authorized to do so,
 - c) the disclosure of Tax information is not excessive compared to the purpose of the disclosure, having regard to the personal or commercial impact of the disclosure,
 - d) the Tax information is not retained for longer than necessary for the purpose of the disclosure,
 - e) the confidential information that is disclosed is stored in an adequate and protected matter, and takes all measures prescribed by the Authority against unlawful or

³³ Amended pursuant to BoD Resolution No (2-7-21) dated 04/04/1443H corresponding to 09/11/2021G.

³⁴ Previously Paragraph (4) prior to amendment pursuant to BoD Resolution No (2-7-21) dated 04/04/1443H corresponding to 09/11/2021G.



unauthorized distribution, loss, destruction or damage of the confidential information,

- f) before the disclosure, the person to whom the disclosure is made, is made aware of the confidentiality of the Tax Information and of the confidentiality requirements stated in the Law.

- 4- Notwithstanding the other Paragraphs of this Article, Tax information concerning a Taxable Person may be disclosed to another Person without breaching the confidentiality requirements in the Law upon the Taxable Person's written and fully informed consent.

ARTICLE FIFTY-SIX. RIGHT OF THE AUTHORITY TO OBTAIN INFORMATION

- 1- All Persons must provide the Authority with any information requested by the Authority for the purposes of establishing whether that Person is complying fully with its Tax obligations.
- 2- In addition to the other rights provided for in this Article, the Authority may access relevant information held by third parties directly from those parties including requiring direct access to records generally on an ongoing basis.
- 3- The third parties to which this Article applies are limited to government entities, banks and other financial institutions regulated in the Kingdom by the Saudi Central Bank or the Capital Market Authority.
- 4- A failure of a third party to provide access to information requested by Authority under this Article is a breach of the obligation to provide the Authority with information for which that third party may be subject to penalties under the Law.

ARTICLE FIFTY-SEVEN. TAX IDENTIFICATION NUMBER

A Taxable Person must state the Tax Identification Number on Tax Invoices and on any correspondence with the Authority relating to VAT.

ARTICLE FIFTY-EIGHT. TAX PERIOD³⁵

- 1- For Taxpayers whose annual value of Taxable Supplies exceeds forty million (40,000,000) SAR during the previous twelve months, the Tax Period shall be monthly.
- 2- For all other Taxpayers, the standard Tax Period shall be three months.

³⁵ Paragraph 8 was added pursuant to BoD Resolution No. (7-2-20) dated 12/08/1441H corresponding to 05/04/2020G and deleted pursuant to BoD Resolution No. (1-5-20) dated 14/02/1442H corresponding to 01/10/2020G.



- 3- A Taxable Person whose annual value of Taxable Supplies does not exceed the value in the first Paragraph may submit an application to use a monthly Tax Period.
- 4- Upon approval of an application by a Taxable Person to use a monthly Tax Period, the Authority will issue a notification including the effective date of the change. The effective date will be the start of the next Tax Period following that in which approval is granted.
- 5- A Taxable Person who has used the monthly Tax Period for two years may submit an application to use a Tax Period of three months, provided that Taxable Person's value of annual Taxable Supplies during the last twelve months does not exceed the value prescribed in the first Paragraph of this Article at the time of the application.
- 6- Upon approval of an application by a Taxable Person to use a three-month Tax Period, the Authority will issue a notification including the effective date of the change. The effective date will be the start of the next Tax Period following that in which approval is granted.
- 7- In cases where the Authority directs the Taxable Person to use a certain Tax Period it will issue a notification and the effective date of such Tax Period.

ARTICLE FIFTY-NINE. PAYMENT OF TAX³⁶

- 1- Payment of Tax due by a Taxable Person in respect of a Tax Period must be made at the latest by the last day of the month following the end of that Tax Period.
- 2- Payment of Tax by a Person in the case of an assessment issued by the Authority must be made before the date specified in the notification of the assessment.
- 3- Payment of Tax must be made to the designated bank account of the Authority.
- 4- The Person making payment must provide details of the Tax Identification Number of the Taxable Person and the Tax Period or Tax Periods to which the payment relates.
- 5- For each Taxable Person, the Authority shall keep a VAT account which records:
 - a) VAT due by the Taxable Person in respect of each Tax Period, including penalties and other charges relating to that particular Tax Period,
 - b) the ongoing balance in respect of the overall VAT due and refundable by that Taxable Person, including any general penalties or other amounts payable in relation to VAT.

³⁶ Paragraph 9 was added pursuant to BoD Resolution No. (7-2-20) dated 12/08/1441H corresponding to 05/04/2020G and deleted pursuant to BoD Resolution No. (1-5-20) dated 14/02/1442H corresponding to 01/10/2020G.



- 6- Details of the balances of a Taxable Person's VAT account shall be made available electronically by the Authority for the Taxable Person to review.
- 7- When the Authority receives a payment from a Taxable Person, it will first be applied to the balance of the Tax Period to which the payment refers. Any excess balance will be applied to penalties, fines or charges owing from any previous Tax Period, and the remainder will then be applied to outstanding balances for other Tax Periods, starting from the oldest period with a balance payable.
- 8- The Authority may offset any VAT credit balance against any other taxes due by the Taxable Person. The Authority shall notify a Person where an offset of a credit balance is carried out.

ARTICLE SIXTY. EXTENSION OF TIME TO PAY TAX

- 1- The Authority may, if a Taxable Person presents evidence showing that he is unable to pay the Tax when due or showing that he would suffer hardship from payment thereof in a single payment, allow payment in installments of Tax and penalties, fines, or charges payable.
- 2- A request by a Taxable Person to make payment of Tax, penalties, fines or charges in installments must be made in writing to the Authority. Such request must identify the amounts due, the relevant Tax Periods in respect of which payments are due, and the reasons for inability to pay by the due date or dates. The request must include supporting evidence.
- 3- The Authority shall provide notification of acceptance or refusal to the Taxable Person within twenty (20) days from the date of receipt.
- 4- The notification of approval will prescribe the value and a due date for each installment, and the Tax Period or Tax Periods to which each installment relates. The Taxable Person must quote its Tax Identification Number and the Tax Period or Tax Periods with each installment payment. Collected amounts will be allocated in accordance with the seventh Paragraph of Article fifty-nine of these Regulations.
- 5- The due dates for all installments due in any approved payment arrangement must not span a period in excess of twelve months.
- 6- In cases where the Taxable Person does not pay two installments, or other cases where the Authority believes it necessary for protection of the public revenues of the Kingdom, the installment arrangement may be revoked by the Authority. Notification



shall be provided to the Taxable Person upon revocation. In these cases, the Taxable Person will be required to make immediate payment of the remaining due balance.

- 7- 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 the Law and these Regulations for the period of the extension.

ARTICLE SIXTY-ONE. CURRENCY CONVERSION

Where any relevant amount to which these Regulations apply is expressed in a currency other than riyal, the amount must be converted to riyal using the daily rate prescribed by the Saudi Central Bank on the date that the relevant Tax becomes due in accordance with the Agreement and the Law.

ARTICLE SIXTY-TWO. TAX RETURNS³⁷

- 1- The Tax Return of a Taxable Person must be filed by the Taxable Person or a person authorized to act on his behalf for each Tax Period with the Authority no later than the last day in the month following the end of the Tax Period to which the Tax Return relates. A Tax Return filed validly on behalf of a Taxable Person shall be considered that Taxable Person's self-assessment of Tax due for that Tax Period. The Authority shall have the right to issue an assessment based on its best estimate of the Tax properly due for the relevant Tax Period in cases where the Taxable Person has failed to file a Tax Return. The Taxable Person remains obligated to submit the outstanding Tax Return.
- 2- In addition to the information required under Article forty of these Regulations, the Authority may require in the form prescribed by it disclosure of the following information in respect of the Tax Period to which a Tax Return relates:
 - a) the total value of all Supplies of Goods and services made by the Taxable Person subject to the basic rate and the zero-rate of Tax, and the total Output Tax on those Supplies;
 - b) the total value of all Goods and services supplied to the Taxable Person, and the total deductible Input Tax;
 - c) the total value of all Nominal Supplies of Goods and services;

³⁷ Paragraph (3) added pursuant to BoD Resolution No. (7-2-20) dated 12/08/1441H corresponding to 05/04/2020G and deleted pursuant to BoD Resolution No. (1-5-20) dated 14/02/1442H corresponding to 01/10/2020G.



- d) the total value of all Supplies of Goods and services to the Taxable Person where the Tax is payable by the Taxable Person under the Reverse Charge Mechanism;
- e) the total value of Internal Supplies made by the Taxable Person;
- f) the total value of Tax on imports reported through the Taxable Person's Tax Return; and the total Input Tax relating to all imports of Goods by the Taxable Person;
- g) the total value of Exempt Supplies made by the Taxable Person;
- h) the value of any other Supplies made by the Taxable Person;
- i) the value of any adjustments made to Input Tax in accordance with Articles fifty-one or fifty-two of these Regulations during that Tax Period;
- j) any correction of previous Tax Returns made through that Tax Return in accordance with Paragraph 2 of Article Sixty-three of these Regulations.

ARTICLE SIXTY-THREE. CORRECTION OF RETURNS

- 1- In cases where a Taxable Person becomes aware of an error or an incorrect amount in a filed Tax Return, or becomes aware of such facts which should have led it to be aware of such error or incorrect amount, which has resulted in the amount of Tax payable to the Authority being understated, that Person must notify the Authority within twenty (20) days of becoming aware of the error or incorrect amount, by filing a submission to correct the Tax Return save to the extent the third Paragraph of this Article applies and is complied with by the Taxable Person.
- 2- Without prejudice to Paragraph (4) of this Article, in cases where a Taxable Person becomes aware of an error or an incorrect amount in a filed Tax Return which has resulted in the amount of Tax payable to the Authority being overstated, the Taxable Person may correct that error by adjusting the Tax in any Tax Return filed subsequent to the discovery of such error.³⁸
- 3- Notwithstanding the requirements of the first Paragraph of this Article, if the understatement of Net Tax by the Taxable Person is less than five thousand (5,000) SAR, the Taxable Person may correct that error by adjusting the Net Tax in its next Tax Return.³⁹
- 4- No correction to any Tax Return relating to an overstatement of Tax in respect of a Tax Period may be made after a period of five (5) years has passed from the end of the calendar year in which the Tax Period takes place.

³⁸ Amended pursuant to BoD Resolution No. (1-5-20) dated 14/02/1442H corresponding to 01/10/2020G.

³⁹ Amended pursuant to BoD Resolution No. (2-4-17) dated 10/4/1439H corresponding to 28/12/2017G.



- 5- Any correction filed with the Authority must provide the following minimum information:
- a) the Tax Period or Tax Periods to which the Tax Returns being corrected relate,
 - b) the amount of Output Tax and Input Tax being corrected in respect of each Tax Period,
 - c) information explaining the reason for the error or incorrect information in the Tax Return.

ARTICLE SIXTY-FOUR. EXAMINATION AND ASSESSMENT PROCEDURES

- 1- The Authority may make an assessment of the VAT obligations of a Person in respect of one or more Tax Periods. The Authority shall provide notification to the Taxable Person when it issues such an assessment.
- 2- An assessment issued by the Authority shall at a minimum show the Net Tax payable, the due date for payment, and the basis for calculation of the assessment. The assessment shall notify the Taxable Person of its rights to appeal the assessment.
- 3- Subject to the fourth Paragraph of this Article, the Authority may not issue or amend an assessment in respect of any Tax Period after a period of five (5) years has passed from the end of the calendar year in which the Tax Period falls.
- 4- In cases where any transaction is carried out with the intention of breaching the provisions of the Law and these Regulations, or in cases where a Person is required to register but fails to do so, the Authority may issue or amend assessments up to a period of twenty (20) years from the end of the calendar year in which the Tax Period falls.
- 5- An assessment issued by the Authority in cases where a Taxable Person has failed to file a Tax Return can be withdrawn after the filing of a completed Tax Return for that Tax Period by the Taxable Person or a person authorized to act on his behalf.
- 6- Taxpayers shall cooperate with an examination carried out by the Authority. The following conditions shall apply to examinations by the Authority:
 - a) subject to Subparagraph (b) of this Paragraph, the examination shall be performed at the premises of the Taxable Person or the premises of the Authority pursuant to a notice issued by the Authority twenty (20) days before the first date of the examination,



- b) as an exception to Subparagraph (a) of this Paragraph, the Authority may conduct an examination without prior notice in cases where it has good reason to suspect violation of the Law or these Regulations or of a refusal of the Taxable Person to cooperate has occurred or is likely to occur;
 - c) an examination at the Person's premises shall be carried out during working hours of the Taxable Person subject to the examination and the Taxable Person shall make available all the invoices, books, records and accounting documents which the Taxable Person is required to keep in accordance with the Law and these Regulations, which may be examined by the Authority on or off the premises;
 - d) in cases where the Authority transfers invoices, books, records and accounting documents from the Taxable Person's premises, a receipt for the transferred documents shall be provided to the Taxable Person;
 - e) the Authority, upon completion of the examination, shall return transferred documents to the Taxable Person within twenty (20) days from the end of the examination save that the Authority may retain copies of documents if considered necessary by the Authority.
- 7- As part of an examination, employees of the Authority may visit any premises of the Taxable Person to verify that the Taxable Person is complying fully with its Tax obligations.
- 8- Where invoices, books, records and accounting documents of a Taxable Person are kept on a computer system or electronically, the Taxable Person shall during an examination provide upon request by employees of the Authority with physical copies or electronic files containing the required information.
- 9- In cases where a Taxable Person fails to cooperate fully with Authority's employees in providing the requested information, the employees of the Authority may take additional measures to obtain invoices, books, records and accounting documents and other relevant documents that provide such information and may temporarily seize such documents if they have reason to believe that they may otherwise be hidden, damaged or tampered with by the Taxable Person. In cases where a violation of the provisions of the Law or these Regulations is suspected, the Authority may carry out a search of those premises and collect evidence in respect of that violation or tax evasion.



ARTICLE SIXTY-FIVE. SECURITY

- 1- In cases other than those referred to in the second and third Paragraphs of this Article, the Authority may require the Taxable Person to provide a cash guarantee or a bank guarantee against the performance of its tax obligations, subject to the following controls:⁴⁰
- a) The Authority shall make all requests for cash guarantee or bank guarantee to a Taxable Person via a written notification indicating the type, value and duration of the required guarantee, provided that the duration does not exceed twelve months. The written notification shall indicate the date by which a Taxable Person must provide the guarantee, provided that in all cases the Taxable Person shall be allowed no less than twenty (20) days to provide the guarantee from the date of the written notification.
 - b) The Authority shall determine the value of the guarantee required by the Taxable Person based on the estimated average quarterly value of the Output Tax, or double the average quarterly value of the Output Tax in the case of a Nonresident Taxable Person that does not appoint a tax representative. In certain cases, the Authority may, at its discretion, set the minimum and maximum value for the value of security required from the Taxable Person, and shall have the right to use other calculation methods in cases where the Authority considers it necessary.
 - c) The cash guarantee amount shall be held in a separate account from the Taxable Person's tax account.
 - d) Where formal collection procedures have commenced in respect of any amounts due for VAT and such amounts remain unpaid, the Authority may, after notifying the Taxable Person, set off the cash guarantee against such unpaid amounts due, or execute the bank guarantee up to the unpaid amount due.
 - e) In cases where the cash guarantee or bank guarantee has been used to set off amounts due for VAT, the Authority may request a new cash guarantee or bank guarantee from the Taxable Person in accordance with the controls specified in this Article.

⁴⁰ Paragraph (1) was amended pursuant to BoD Resolution No. (9-3-19) dated 30/10/1440H



- f) After the expiry of a guarantee period, the Authority may retain the cash guarantee or require the bank guarantee remain in force for an additional similar period; otherwise the Authority may credit the guarantee amount to the Taxable Person's account by setting off the guarantee amount against any VAT related liabilities that may be due, unless the Taxable Person requests that the Authority refund or return the guarantee to the Taxable Person.
- 2- In cases where a formal review or appeal is lodged against an appealable decision, and the Authority has evidence or reason to doubt that the Taxable Person may not pay the disputed Tax, the Authority may require a cash guarantee or bank guarantee from the Taxable Person up to a maximum value of the unpaid amount of Tax and associated penalties arising in connection with the decision. A notification requiring cash security or a bank guarantee shall be issued in writing.
- 3- Notwithstanding anything in these Regulations, the Customs Department may require cash guarantee or a bank guarantee from a Person importing Goods into a customs duty suspension regime in the Kingdom for an amount up to the value of Tax that would be payable on the import of those Goods.

ARTICLE SIXTY-SIX. RECORDS

- 1- The invoices, books, records and accounting documents required to be maintained by a Taxable Person in accordance with the Law and these Regulations shall be kept for a minimum period of six (6) years from the end of the Tax Period to which they relate. Records with respect to Capital Assets must be kept for a minimum of the adjustment period for these Capital Assets prescribed in Article fifty-two of these Regulations, plus five (5) years, with such period starting from the date those Capital Assets are acquired by the Taxable Person.
- 2- Records shall be kept in Arabic, and all Tax Invoices shall be issued in Arabic in addition to any other language also shown on the Tax Invoices as a translation.
- 3- Without prejudice to any law, regulations or instructions applicable in the Kingdom relating to keeping and maintaining records and documents, electronic transactions, or cyber security, invoices, records and documents shall be kept in the Kingdom either physically or electronically through access to the relevant server or databases where on which they are stored via a terminal point or access point in the Kingdom. In cases



where the Taxable Person opts to store the records electronically, the following conditions shall be met:⁴¹

- a) Upon the Authority's request, the invoices, documents, and records must be accessible and producible from the computer system used;⁴²
- b) without prejudice to any obligation under other regulations, to the extent practicably data is to be entered into the computer in Arabic and shall be an identical copy of such the invoices, documents, and records;
- c) original documents corroborating all entries in accounting books shall be maintained and provided to the Authority upon its request;
- d) final accounts and balance sheet may be generated directly by a computer. In the case of using a conventional accounting method with computer assistance for some account items, all settlement entries shall be provided in Arabic to the extent practicable;
- e) the Taxable Person shall document computer data entries and processing system of accounting entries for reference if necessary;
- f) the Taxable Person shall take the necessary security measures and adequate controls that can be reviewed and examined to prevent tampering with invoices, documents, and electronic records
- g) the Authority may conduct a review of systems and programs used by the Taxable Person to electronically prepare their records; and
- h) as of the date specified in the electronic invoice regulations and any related decisions [orders], a Person subject to the electronic invoicing regulations shall retain electronic invoices and electronic notices related thereto in the form of and in accordance with the procedures set forth in the electronic invoicing regulations and decisions issued by the Authority or the Governor.

4- ⁴³

- a) A Resident Taxable Person may appoint a third party established in the Kingdom to comply with the that Taxable Person's obligations for maintaining invoices, books, records and accounting documents, without prejudice to the Taxable Person's responsibility to comply with such obligations.

⁴¹ Amended pursuant to BoD Resolution No (2-7-21) dated 04/04/1443H corresponding to 09/11/2021G.

⁴² Subparagraph (a) was amended, and Subparagraph (b) was added pursuant to BoD Resolution No. (9-3-19) dated 30/10/1440 corresponding to 03/07/2019G.

⁴³ Subparagraph (a) was amended, and Subparagraph (b) was added pursuant to BoD Resolution No. (9-3-19) dated 30/10/1440 corresponding to 03/07/2019G.



- b) A Nonresident Taxable Person who does not appoint a Tax Representative in the Kingdom shall appoint a third party established in the Kingdom to comply with the requirements for maintaining invoices, books, records and accounting documents keeping requirements prescribed in the Law and these Regulations.
- 5- The Tax Representative of a Nonresident Person shall maintain the invoices, books, records and accounting documents related to the Nonresident Person's activities.⁴⁴
- 6- When deemed necessary by the Authority, the Authority may, at any time, request additional records for the purposes of registration, examination and assessment procedures from the Taxable Person, provided that the Authority has a justifiable reason for such request. The Authority shall, where applicable, notify the Taxable Person that it requires such additional records and shall allow a reasonable time for the Taxable Person to submit the additional records.

ARTICLE SIXTY-SEVEN. JOINT LIABILITY FOR TAX AND PENALTIES

In cases where a Person is jointly liable with a Taxable Person for Tax, penalties and other amounts due in accordance with the Agreement and the Law, the Authority may raise an assessment on that Person in respect of the amounts of Tax and penalties due in relation to that violation. The assessment shall be issued by way of a notification and set out the following:

- a) the amount of Tax properly due in respect of that violation;
- b) any penalty payable;
- c) the due date for payment.

ARTICLE SIXTY-EIGHT. APPEALS

- 1- Appeals shall be to the competent judicial authority in accordance with the Royal Decree No. (M/113) dated 2-11-1438 H, Income Tax Law and the Law.
- 2- The Minister of Finance may make provisions to establish a mediation procedure to resolve disputes between the Authority and Taxable Person which may be used in circumstances where the Authority and the relevant Taxable Person consent to the use of such mediation procedure.

⁴⁴ Amended pursuant to BoD Resolution No. (9-3-19) dated 30/10/1440H corresponding to 03/07/2019G.



CHAPTER ELEVEN: REFUNDS OF TAX

ARTICLE SIXTY-NINE. REFUND OF OVERPAID TAX

- 1- A Taxable Person may claim a refund of the amount of excess Tax paid, following terms and conditions prescribed by this Article, in any of 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 VAT credit balance.
- 2- A Taxable Person may submit a request to the Authority for refund in any circumstances prescribed in the first Paragraph of this Article at the time the Tax Return is filed, or at any other time within five (5) years following the end of the calendar year for which the circumstances relate.
- 3- A refund request may be rejected if there are any Tax Returns due and not submitted with the Authority.
- 4- The Authority will review the Taxable Person's request, and may approve the refund, issue a rejection in part or in full, or may request additional information from the Taxable Person for verification. Once a refund is approved in full or in part, the Authority must conclude refund procedures and initiate payment within sixty (60) days from the date of approval of the request. Payment is to be made by way of bank transfer to the Taxable Person's registered bank account.
- 5- The Authority may offset excess Tax held in the Taxable Person's VAT account against taxes, penalties or any other amounts due to the Authority, or withhold payment pending the resolution of outstanding assessments raised against that Taxable Person in respect of other taxes.
- 6- The Taxable Person may request excess Tax to be refunded, otherwise excess Tax will be carried forward in the VAT account at the time he submits each Tax Return or at any other time within the limitation period of the second Paragraph of this Article.



ARTICLE SEVENTY. REFUND OF TAX TO DESIGNATED PERSONS⁴⁵

- 1- In accordance with the Agreement and the Law, the Authority may allow designated Persons not carrying on an Economic Activity, or those engaged in designated Economic Activity, to apply for a refund of Tax paid by them on Supplies of Goods or services received in the Kingdom. The Minister of Finance may issue an order setting out a list of Persons considered an Eligible Person for the purpose of this Article from time to time.
- 2- In accordance with the Agreement and the Law, Foreign Governments, International Organizations, Diplomatic and Consular Bodies and Missions may also be authorized by the Minister of Finance as Eligible Persons to request the refund of the Tax incurred on Goods and services in the Kingdom, and to be included on the list issued by way of an order issued by the Board of Directors.
- 3- An Eligible Person may submit an application to allow that Person to submit refund applications. Upon acceptance of the application, the Authority will issue an individual identification number to an Eligible Person. This number shall be quoted by the Person on all refund applications and in correspondence with the Authority.
- 4- An Eligible Person may submit a refund application in respect of either a quarterly period or a calendar year. Only one refund application can be submitted in respect of any quarterly period or calendar year.
- 5- All refund applications must be submitted within six months from the end of the calendar year to which the claim period relates.
- 6- The refund application may only include Tax paid on Goods and services for which a Tax Invoice dated within the indicated refund period is held by the Taxable Person at the time the application is submitted.
- 7- In cases where a government body, or an entity, is an Eligible Person, it will only be allowed to apply for a refund insofar as that body or entity is not acting in a commercial capacity.
- 8- With the exception of refunds requested by Eligible Persons authorized in accordance with the second Paragraph of this Article, Tax related to Supplies of Goods and services prescribed by Article Fifty of these Regulations and that are deemed not to be incurred in the course of a Taxable Person's Economic Activity will not be refunded.

⁴⁵ Paragraphs (8) & (11) Amended pursuant to BoD Resolution No. (9-3-19) dated 30/10/1440H corresponding to 03/07/2019G.



9- A refund application may not be submitted in respect of a total value of incurred Tax which is less than one thousand (1,000) SAR.

10- The following information in respect of the Goods and services supplied to the Eligible Person shall be included with each refund application:

The following information in respect of the Goods and services supplied to the Eligible Person shall be included with each refund application:

- a) name and Tax Identification Number of the Supplier,
- b) invoice date,
- c) invoice number,
- d) total invoice amount,
- e) VAT amount,
- f) a description of the purchased Goods or services.

11- The Authority may request copies of Tax Invoices or additional information from the Eligible Person either electronically or in physical form. In such cases, the additional information must be provided within the period specified by the Authority in its request and that shall in all cases be no less than twenty (20) days from the date of the Authority's request.

12- After processing the claim, the Authority will issue a notification to the Eligible Person.

13- If the claim is approved either partially or in full, the Authority will make the payment to the bank account indicated by the Eligible Person in the application within sixty (60) days from issuing the notification.

14- Pursuant to Paragraph (1) of this Article, a Person who carries out an Economic Activity in their capacity as a licensed real estate developer -in accordance with the terms and conditions established by the Authority- may submit an application to register as a designated Person eligible for a refund of the Tax such Person incurs on Goods and Services received in the Kingdom and that relate to that Economic Activity in accordance with the refund procedures set forth in this Article. The Authority may establish additional rules and procedures for the refund of Tax by such Persons.⁴⁶

⁴⁶ Added pursuant to BoD Resolution No. (1-5-20) dated 14/02/1442H corresponding to 01/10/2020G.



ARTICLE SEVENTY-ONE. REFUND OF TAX TO TAXPAYERS IN OTHER MEMBER STATES

Persons who are registered for VAT in another Member State may submit an application for refund of Tax incurred in the Kingdom in accordance with the mechanism agreed between the Member States.

The procedures for applications to be submitted and processed in respect of Tax incurred in the Kingdom will be set out in an order issued by the Board of Directors.

ARTICLE SEVENTY-TWO. REFUND OF TAX TO TAXPAYERS NONRESIDENT IN THE GCC TERRITORY

- 1- Persons who carry on an Economic Activity in a country outside of Council Territory may apply to be considered as Eligible Person and to request a refund of Tax incurred on Supplies of Goods or services made to that Person in the Kingdom. A Person will be considered as an Eligible Person in accordance with this Paragraph in the following cases:
 - a) if the Person is established in a country with a transaction Tax system similar to VAT and that Person is registered for that Tax,
 - b) if the Person is established in a country with a transaction Tax system similar to VAT and that country allows a similar mechanism to provide refunds of Tax to residents of the Kingdom who are charged Tax in that country.
- 2- The Person wishing to request a refund of Tax shall submit an application to the Authority to be an Eligible Person, in accordance with the process described in Article seventy of these Regulations.
- 3- An Eligible Person whose entitlement to apply for refunds arises under this Article may submit claims in respect of a calendar year basis only. In other cases, the Eligible Person will submit applications for refunds and the Authority will consider these applications following the process described in Article seventy of these Regulations.

ARTICLE SEVENTY-THREE. REFUND OF TAX TO TOURISTS

- 1- The Authority may authorize one or more providers to carry out a tourist refund scheme facilitating refunds of VAT incurred in the Kingdom by Tourists. The Authority shall publish a list of all authorized providers.
- 2- Tourists who can evidence they are not Resident in a Member State may apply directly to the approved provider for a refund of VAT on Goods which are purchased in the



Kingdom, which will not be used whilst in the Kingdom and which will be exported to a place outside of Council Territory.

- 3- A refund application under this Article shall be submitted by the tourist to the authorized provider while the Tourist is still present in the Kingdom.
- 4- The authorized provider shall collect evidence of payment of VAT and on the eligibility of Goods for refund and carry out a check of the application before submitting those applications to the Authority for approval.
- 5- In cases where an application in respect of any tourist is approved the Authority will make payment of the refund amount to the provider. The provider is obliged to make payment to the tourist but may deduct a percentage of the Tax refund as a commission.
- 6- The Authority may reject individual claims in part or in full where it is not satisfied that the eligibility criteria are met. In cases where the eligibility criteria are not met in respect of multiple claims, the Authority may revoke the authorization to a provider to offer a tourist refund scheme.
- 7- The Authority has no obligation to individual Tourists to make refunds of VAT incurred in the Kingdom.



CHAPTER TWELVE: GENERAL PROVISIONS

ARTICLE SEVENTY-FOUR. OBLIGATIONS FALLING DUE ON A NON-WORKING DAY

- 1- Tax Returns must be filed and payments of Tax due is must be made on or before the relevant date prescribed by these Regulations whether such date is a Working Day or a non-working day.
- 2- Except for the obligations set forth in Paragraph (1) of this Article, where any other obligation prescribed by the Law and these Regulations which is required to be fulfilled by a Person or the Authority falls on a date that is a non-working day, such obligation will be treated as performed on that date when it is performed on the next Working Day.⁴⁷
- 3- A Working Day is any day except Friday, Saturday and any other day which is a state holiday as prescribed in the Basic Law of Governance.

ARTICLE SEVENTY-FIVE. RULINGS

- 1- A Taxable Person may request that the Authority give its opinion or a ruling on the interpretation of the Law or these Regulations to the Taxable Person's current or intended Economic Activity. The request should be made in writing and specify whether the Taxable Person wishes the ruling to be private or public.
- 2- The Authority may, in its discretion, issue an opinion or ruling on such a request. The Authority will consider the request in light of:
 - a) The complexity of the issue and the availability of existing resources to the Taxable Person to address the request,
 - b) whether the request is for a private or public ruling and the benefit for other Taxpayers in accessing an opinion or ruling on the matter,
 - c) the level of information provided in the request surrounding the current or intended Economic Activity to allow the Authority to issue a ruling with an accurate application of the Law or these Regulations to that Economic Activity,
 - d) the expected value and regularity of the event or transaction,
 - e) the availability of resources within the Authority to respond to the request.
- 3- A public ruling is issued by the Authority, in doing so the identity of the Taxable Person, or details based on which the Taxable Person can be identified, shall not be disclosed when the ruling is issued.

⁴⁷ Amended pursuant to BoD Resolution No. (1-5-20) dated 14/02/1442H corresponding to 01/10/2020G.



- 4- The Authority may, in its discretion, choose to issue a public ruling to provide guidance on the application of the Law or these Regulations without a specific Taxable Person request.
- 5- Any opinion or ruling issued by the Authority in accordance with this Article is not binding on the Authority or any Taxable Person in respect of any transaction carried out by the requesting Taxable Person or any other Person. The provisions of this Article shall be without prejudice to the rights of the Authority to issue binding decisions and instructions pursuant to Article fifty-two of the Law.

ARTICLE SEVENTY-SIX. POWER OF THE AUTHORITY TO PRESCRIBE FORMS

- 1- For the purposes of the administration of the Agreement, the Law and these Regulations, the Authority may prescribe any forms and any electronic formats for mandatory use in registrations, applications, filings or other obligations of Taxpayers or other Persons. The Authority may prescribe that any documents which the Law and these Regulations require be provided in writing be submitted electronically.
- 2- Notwithstanding the first Paragraph of this Article, the Authority may allow a Person to provide the information required in another form or format or to be delivered in person or by post.
- 3- Any form or document will be considered to be submitted on the date it is received by the Authority.

ARTICLE SEVENTY-SEVEN. TAX REPRESENTATIVES, TAX AGENTS AND APPOINTED PERSONS⁴⁸

- 1- In coordination with the competent authorities, the Authority may approve Persons who wish to act as Tax Representatives or Tax Agents for Taxpayers in respect of their VAT obligations in the Kingdom. The Authority shall publish a list of approved Tax Representatives and approved Tax Agents.
- 2- A Nonresident Taxable Person may appoint a Tax Representative residing in the Kingdom in respect of its VAT obligations. The Tax Representative will be jointly liable for payment of any amounts due by the Taxable Person in relation to VAT, provided that the Tax Representative's annual liability shall not exceed double the average

⁴⁸ Paragraphs (2) & (3) were amended pursuant to BoD Resolution No. (9-3-19) dated 30/10/1440H corresponding to 03/07/2019G.



quarterly value of the Output Tax of the Taxable Person. The Tax Representative shall remain jointly liable until the date on which the Authority issues confirmation that the Tax Representative is no longer acting on behalf of the Taxable Person to whom he was appointed, without prejudice to its liabilities incurred prior to the date of the confirmation.

- 3- All Nonresident Taxpayers must provide a security in accordance with the requirements set out in Article sixty-five of these Regulations as a precondition of VAT registration.
- 4- A Taxable Person who is resident in the Kingdom may appoint a Tax Agent to act on that Taxable Person's behalf in respect of its VAT obligations in the Kingdom by submitting a notification. Notwithstanding the appointment of a Tax Agent, the Taxable Person shall maintain individual responsibility for all such obligations.
- 5- Any requests to provide information made by the Authority on a Taxable Person under the Law and these Regulations may equally be made on a Tax Representative or Tax Agent for the period in which that Tax Representative or Tax Agent acts on behalf of the Taxable Person.
- 6- An Appointed Person, being an administrator, personal representative, executor of a will, receiver or liquidator who has been appointed legally to administer, manage, liquidate or wind up the affairs of a Taxable Person including a deceased natural Person, shall notify the Authority in writing of the appointment within twenty (20) days of the date of the appointment.

ARTICLE SEVENTY-EIGHT. PROVISION OF NOTIFICATION

- 1- All notifications made by the Authority to a Taxable Person shall be considered to have been received by the Taxable Person on the date on which the notification is sent, unless evidence can be provided that receipt of the notification was delayed in circumstances outside of the Taxable Person's control.
- 2- Any correspondence specified in these Regulations as requiring a notification to be provided by the Authority to a Taxable Person, shall be provided on a formal document containing a unique identification marking. Such document may be made available electronically over a secure medium.



- 3- A physical copy of notifications made to a Taxable Person in accordance with Articles Sixty-Five or Sixty-Six of these Regulations shall also be sent to the address of the Taxable Person.
- 4- In cases where a Taxable Person has appointed a Tax Representative, Tax Agent or an Appointed Person in respect of the Taxable Person, a copy of all notifications and correspondence will be provided to that other Person in the same format or formats.

ARTICLE SEVENTY-NINE. TRANSITIONAL PROVISIONS

- 1- If an invoice is issued or Consideration is paid before the commencement date of the Law in respect of a Supply which occurs on or after the commencement date of the Law in accordance with the provisions of this Article, the Supplier of the Goods or services shall be considered to make a Taxable Supply on the date the Goods or services are supplied, in accordance with the Agreement. In such cases the Taxable Person shall issue an additional invoice showing the Tax charged on the Supply of Goods or services, unless this Tax was included on the invoice issued before the commencement date of the Law.
- 2- For the purposes of this Article, the date of a Supply occurs on or after the commencement date of the Law in the following cases:
 - a) if the date when Goods are delivered or made available occurs on or after the commencement date of the Law,
 - b) if the date when the performance of services is completed occurs on or after the commencement date of the Law.
- 3- Any Supply of Goods or services made in respect of a contract which does not anticipate the application of VAT to the Supply may be treated as zero-rated by the Supplier until the earlier of the time the contract expires, is renewed or 31 December 2018 provided that:
 - a) the contract was entered into before 30 May 2017;
 - b) the Customer is entitled to deduct Input Tax in respect of the Supply of Goods or services in full or is an Eligible Person entitled to a refund of the Tax; and
 - c) the Customer is entitled to deduct Input Tax in respect of the Supply of Goods or services in full or is an Eligible Person entitled to a refund of the Tax.



4- Any Person who is a Resident Person and carrying on an Economic Activity as at the date these Regulations come into force or at any date up to and including 20 December 2017 shall:

- a) make an estimate of annual turnover for the year commencing 1 January 2018,
- b) apply to the Authority for registration in cases where the value of annual Taxable Supplies in this year is expected to exceed the Mandatory Registration Threshold.

The Authority shall for the purposes of Paragraph 5(a) of Article three of the Law, have the discretion to accept late registrations under this Article save that the last date for any registration to which this Article applies shall be 20 December 2017.

5- As a transitional measure the Authority may register Persons who are expected to be required to mandatorily register in advance of 1 January 2018. All registrations under the fourth and the fifth Paragraph of this Article will be effective from 1 January 2018.

6- For the purposes of the Law, any Member State which has not introduced VAT, or which does not have an Electronic Services System in place with the Kingdom shall be considered a country outside the Council Territory in accordance with the Agreement. An Internal Supply made with such Member State shall be considered to be made with a third country outside Council Territory. A Person who is a resident in such Member State shall be treated as a resident of a third country outside Council Territory.⁴⁹

7- Prior to the introduction of the Electronic Services System, the Supply of Goods will be treated as follows:

- a) a Taxable Person who receives Goods into the Kingdom from another Member State shall be deemed to have imported the Goods into the Kingdom, and Tax will be collected in accordance with the provisions pertaining to imports,
- b) for VAT purposes, Supplies of Goods involving the transport of the Goods from the Kingdom to another Member State shall be treated as an Export of the Goods.⁵⁰

8- For the purposes of these Regulations, the date of introduction of the Electronic Services System will be formally announced by the Authority by way of an order issued by the Authority.

⁴⁹ Amended pursuant to BoD Resolution No. (9-3-19) dated 30/10/1440H corresponding to 03/07/2019G.

⁵⁰ Amended pursuant to BoD Resolution No. (9-3-19) dated 30/10/1440H corresponding to 03/07/2019G.



- 9- Notwithstanding any other provision of the Law and these Regulations a Person whose value of annual Supplies exceeds the Mandatory Registration Threshold but does not exceed one million (1,000,000) SAR is exempted from the requirement to register in the Kingdom until 1 January 2019. However, any application for such registration must be submitted that on or before 20 December 2018. This Paragraph does not affect any Person's ability to register on a voluntary basis.
- 10- For the purpose of applying the provisions stated in Paragraph (2) of Article Two of the Law, the modified standard Tax rate shall be applied according to the following:⁵¹
- a) Notwithstanding Supplies made before 30/06/2020 for which invoices were issues before 11/05/2020 and only to the extent of the value shown in the invoice, if an Invoice is issued or Consideration for Goods or service is paid before 1/7/2020 and the Supply was made after this date, the Tax will be determined based on the date of Supply, regardless of the date of issuing the Invoice of the payment of Consideration. Whereas a consequence of Supply there is a discrepancy between the amount of the Tax due, the Supplier must issue an additional invoice for the difference in Tax due, unless that Tax is included in the Invoice that was issued before the effectiveness day of the amendment to the Law.
 - b) With regards to continuous Supplies that are partially executed before 1/7/2020 and partly after that date, the modified Tax Rate shall be applied to the partly executed Supplies after 1 July 2020, with exception for the continues Supplies that have issued Tax Invoices before 11 May 2020, and within the limit of the value stated in that invoice, with the condition that actual Supply takes place before 30 June 2021. Additionally, the supplier may calculate the modified Tax Rate on the total value of the Supply after the customer's approval.
 - c) The supplier may treat any Taxable Supplied Goods or services related to a contract dated before 11 May 2020 as a supply subject to the basic Tax Rate before adjustment including all supplies related to the same contract for all supplies made under that contract until the date of expiry, renewal or by 30 June 2021 whichever is earlier. In condition that both the supplier and the customer are registered as Taxpayers in the Tax system. The customer may deduct full amount of the Income Tax related to the Supply of the Goods and services supplied under this contract.

⁵¹ Paragraph (10) was added pursuant to BoD Resolution No. (2-3-20) dated 17/10/1441H corresponding to 09/06/2020G.



- d) The supplier may treat any Taxable Supply of Goods or services related to a contract signed or awarded through a governmental entity before 11 May 2020, as Supply subject to the basic Tax Rate before adjustment including all Supplies related to the same contract for all Supplies made under that contract until the date of expiry, renewal or by 30 June 2021 whichever is earlier.



Scan this code to view the last
version and all published documents
Or visit the website zatca.gov.sa