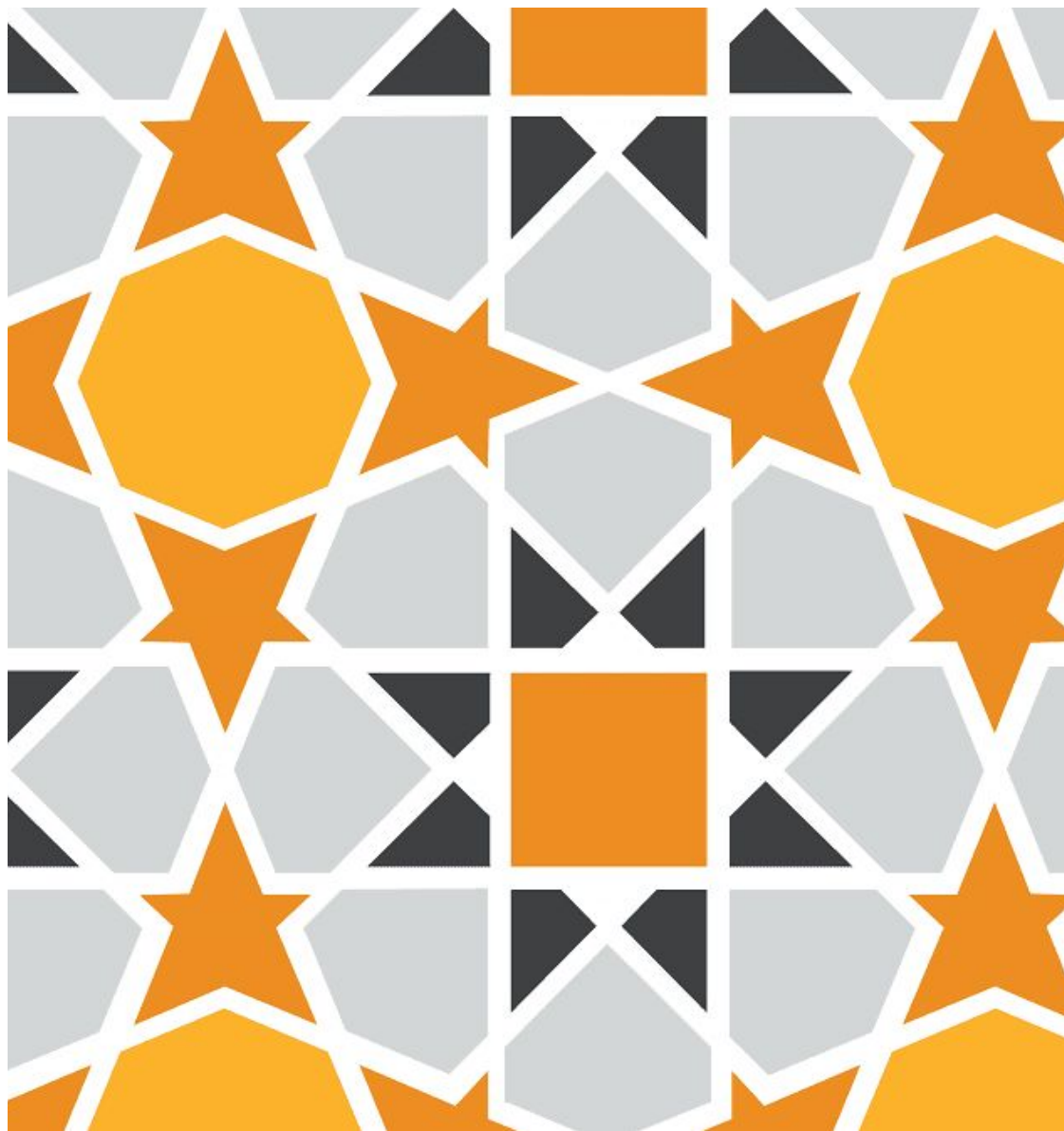


Saudi Arabia: Approved amendments to Chapter Six (Zero rated supplies) of the VAT Implementing Regulations

December 2022





In brief

Approved amendments/additions to the provisions of Articles 33, 34 and 36 of the VAT Implementing Regulations, which were issued earlier for public consultation, have been published in the official Gazette on 2 December 2022, and can be accessed [here](#).

The official communication did not specify the effective date of these amendments. It is expected however that such changes will be applicable from the date of issuance/publication in the official gazette.

In detail

The approved amendments/additions (with slight changes) to Articles 33, 34 and 36 of the VAT Implementing Regulations have been issued post closure of the public consultation window and after incorporating the feedback/comments received from the stakeholders.

Please find below highlights of the amendments:

Article ref	What has been changed
Article 33 (2)	As per the new amendment, further clarity has been provided on the application of VAT rate on services which are supplied separately from the special cases listed in the Articles 17 to 21 of the GCC VAT Framework agreement irrespective of whether those services are directly or indirectly related to the special case services.
Article 34 (2)	Cases prescribed earlier under Article 34(2) for applying a zero rate of VAT have been deleted which transpires that application of zero rate of VAT is no longer linked to the conditions previously stipulated for eligible means of transport under said Article. However linking this with Article 34(8), it appears that the intention is to zero rate international transportation supplies carried



The amendments aim to clarify/enhance the application of zero rate of VAT on exports of service, international transportation and domestic supply of military goods in KSA.





Article ref	What has been added
Article 34 (2) - continued	through an aircraft or vessel which are now automatically considered an eligible means of transport provided that the use is purely for commercial purposes.
Article 34 (8)	The qualifying means of transport definition has been clarified further and limitation of carrying passengers (minimum of 10) has been deleted from aircraft and vessel to treat them as a qualifying means of transport in order to apply a zero rate of VAT.
Article 36	A new Article has been added extending zero rate of VAT on domestic supply of qualified military goods to the governmental Armed Forces and the Internal Security Forces. The provisions also define what constitute 'qualified military goods' in addition to other requirements such as licensing, certification for the supplier etc.

PwC issued news alerts earlier highlighting the changes ZATCA intended to incorporate in these Articles of the VAT Implementing Regulations, which can be accessed through the following links:

- Article 33 - [here](#)
- Article 34 - [here](#)
- Article 36 - [here](#)

It is apt to highlight that the final amended regulations are somewhat different from those issued for public consultation and taxpayers should rely on the final version only which was published in the official gazette.

The takeaway

Taxpayers engaged in supplying services under special cases between member states should review their transactions and determine if any of their services, whether related or not to the special case, should follow a different VAT treatment and assess the impact on their business accordingly in terms of pricing, contractual agreements etc.

Taxpayers engaged in providing international transportation services are advised to assess the impact of the amendments to their existing operations and tax position.


Taxpayers who are involved in supplying military goods are recommended to carefully review the newly added clause and ensure that all requirements are satisfied before applying a zero rate of VAT.

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Let's talk

For a deeper discussion of how this issue might affect your business, please contact:

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Thank you

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