

Saudi Arabia:

Proposed amendments to various provisions of VAT Implementing Regulations

September 2024





In brief

The Zakat, Tax and Customs Authority ('ZATCA') has published proposed amendments to various provisions of the VAT Implementing Regulations.

The [proposed amendments](#), available in Arabic language, have been published on the Public Consultation Platform of the National Competitiveness Center on 28 August 2024 for public consultation.

Interested stakeholders and taxpayers are encouraged to express their opinion on the [platform](#) and share feedback no later than 17 September 2024.

In detail

The proposed amendments/ additions to the VAT Implementing Regulations aim to enhance compliance with the KSA VAT landscape and to provide further clarity for the taxpayers.

Highlights of the proposed amendments are as follows:

Article no.	Proposed changes and impact
Article 10 - Group Registration	<p>Following amendments are proposed in the conditions to form a VAT group:</p> <ul style="list-style-type: none">• The intended group member must have the right to register as a taxable person.• Fifty percent (50%) or more of the market value of each legal person in the group must be owned directly or indirectly by the same legal person or persons.• None of the members of the group should be licensed to operate in any special zones with customs suspension status and/or be a member of another VAT group.• The applicant or any of the group members must not be a person eligible for refund according to the provisions mentioned in Article (70) of the VAT Implementing regulations.



The proposed amendments aim to enhance and streamline VAT compliance landscape in KSA and to provide further guidance to taxpayers on numerous matters.

The amendments once approved/ enforced will become binding for all relevant stakeholders.



In detail (Cont'd)



Article no.	Proposed changes and impact
<p>Article 11 - Application to form a VAT group</p>	<p>The below amendments are proposed to improve transparency in the application process to form a VAT group:</p> <ul style="list-style-type: none"> ● The relationship between group representative and new group members should be documented by an agreement which needs to be shared with ZATCA. ● The VAT group will be treated as an independent taxable person separate from the individuals participating in it. <p>ZATCA has proposed to add below provisions resulting from registering a VAT group:</p> <ul style="list-style-type: none"> ● The economic activity carried out by any member of the VAT group is considered to be carried out by the VAT group. ● Any supply made by any member of the VAT group is considered to be made by the VAT group. ● Any import of goods or services by a member of the VAT group is considered to be imported by the VAT group. ● Any output tax imposed by a member of the VAT group is considered to be imposed by the VAT group. ● Any input tax incurred by a member of the VAT group is considered to be incurred by the VAT group.
<p>Article 12 - Amendments to and Disbanding of a VAT group</p>	<p>Paragraph (7) provisions are proposed to amend for broadening the powers of ZATCA to cancel the VAT group registration or exclude a specific member from the VAT group from a past or future date.</p>
<p>Article 13 - De-registration</p>	<p>Proposed amendment in paragraph (1) requires taxpayers to cancel their registration in case of transfer of economic activity resulting in cessation of the business.</p> <p>Proposed new paragraph (13) requires the transferee to notify ZATCA within 30 days of the transfer of economic activity unless applied for cancellation of registration by taxpayer.</p> <p>New proposed paragraph (14) mandates that if the VAT group registration is canceled, the taxable person must retain records according to Article 66 of the Regulations.</p>
<p>Article 14 - Taxable supplies in the Kingdom</p>	<p>Proposed addition of paragraph (2) defines the services and includes cases of what constitutes a service.</p>

In detail (Cont'd)

Article no.	Proposed changes and impact
<p>Article 15 - Nominal supplies</p>	<p>The scope of nominal supplies under paragraph (1) proposed to be clarified to cover Agreement and entire regulations.</p> <p>Paragraph (7) proposed to include instance of nominal supply where a person retained goods or is deemed ineligible for registration on cessation of economic activity.</p> <p>Paragraph (8) proposes that where VAT has been deducted on costs related to goods or services involved in a deemed supply, the value of that deemed supply must be adjusted to account for the proportion of VAT that was reclaimed.</p> <p>Paragraph (9) clarifies that if VAT was paid by the taxpayer but not deducted, no further nominal supply exist for supplies made without consideration. The taxable person must prove non-deduction of tax to ZATCA.</p>
<p>Article 17 - Transfer of an Economic Activity</p>	<p>Amendment in paragraph (1) proposed to include the following additions in the event of transfer of business:</p> <ul style="list-style-type: none"> ● Both the supplier and the recipient must notify the Authority of the transfer by the end of the month following the transfer. ● Specifies detailed information that must be included in the notification form <p>Proposed amendment in paragraph (2) includes obligation on transferee for both prior and future rights and obligations post transfer of business.</p> <p>New paragraph (5) is proposed to add to clarify the transfer of economic activity does not transfer the supplier's tax identification number to the recipient.</p>
<p>Article 20 - Date of supply and tax due date in specific circumstances</p>	<p>Amendment in paragraph (6) proposes to include tax point date for deemed supply where the taxable person is no longer eligible for registration.</p>
<p>Article 32 - Exports of goods from the Kingdom</p>	<p>Paragraph (7) related to zero rating supply of goods to customs suspension zone has been proposed to be deleted with addition of a new and more detailed article, summarized hereunder:</p> <ul style="list-style-type: none"> ● Supply of goods to customs duty suspension zone or within such zones will be subject to 0% VAT.

In detail (Cont'd)



Article no.	Proposed changes and impact
<p>Article 32 - Exports of goods - continued</p>	<ul style="list-style-type: none"> • The VAT on the import of goods to such zones will be suspended, however, VAT becomes due upon the release of the goods from such zones. • Goods exit from such zones to outside GCC territory will be considered as exports <p>The article also includes conditions that should be satisfied to apply the VAT treatment for customs suspension zones in addition to other conditions such as document retention etc.</p>
<p>Article 33 - Services provided to non-GCC residents</p>	<p>Amendment in paragraph (2) has been proposed to clarify that the "other person" under condition (c) must be related to the customer to consider as an exception applicable to general rule of export of services.</p> <p>Services supplied to tourists related to tax refunds under Article (73) are proposed to subject to VAT at 0%.</p>
<p>Article 36 - Supplies of qualified military goods</p>	<p>Amendment in paragraph (2) proposed to ease the conditions of qualifying military goods by removing the requirement that the supplier must also be the manufacturer of such goods.</p>
<p>Article 38 - Fair Market Value</p>	<p>Proposed amendment in paragraph (1) broadens the applicability of FMV and now includes the supplies provided to affiliates as well.</p>
<p>Article 39 - Value of specific taxable supplies - Nominal supplies</p>	<p>Paragraph (1) proposed amendments aim to clarify that the value of supplies treated as deemed supply will be the purchase or cost value or FMV (as per provisions of Article 38) in cases where the purchase or cost cannot be determined.</p> <p>Amounts paid by a government entity to the supplier are not considered subsidies if those amounts, or part of them, constitute compensation for the supply of goods or services to that government entity or for its benefit, has been proposed to be added as paragraph (2).</p>
<p>Article 40 - Adjustment to the value of supply</p>	<p>Paragraph (3) proposed amendment aim to clarify the adjustment will be required for <u>tax due</u> as against current tax declared values.</p> <p>Paragraph (10) proposed amendments aim to clarify the period in which adjustment should be made for input VAT outstanding payment for 12 months. The rule does not apply to supplies under financing contracts (like leasing or murabaha) if the contract is active and undisputed. The supplier must have reported the full tax amount to the Authority, and the customer must have a written confirmation from the supplier, has been proposed to be added.</p>

In detail (Cont'd)

Article no.	Proposed changes and impact
Article 47 - Persons liable to pay tax in special cases	<p>The title of the Article has been proposed to amend by including 'special cases'.</p> <p>Paragraph (2) has been proposed to clarify the following:</p> <ul style="list-style-type: none">● The marketplace is seen as purchasing and re-supplying electronic services from a non-resident supplier.● The electronic marketplace must pay the tax on services supplied in the Kingdom through it.● Exemptions: This rule does not apply if:<ul style="list-style-type: none">○ The non-resident supplier is clearly identified in transaction documents.○ The marketplace does not manage the service consideration, billing, payment, complaints, offers, or terms <p>Paragraph (3) has been proposed to clarify the following:</p> <ul style="list-style-type: none">● When intermediating for a non tax registered resident supplier, the marketplace is considered to have bought and re-supplied the goods/services● The electronic marketplace is responsible for paying the tax on these supplies.● Exemptions: This does not apply if:<ul style="list-style-type: none">○ The unregistered supplier is clearly identified in transaction documents.○ There is a direct contract between the supplier and the customer, with the supplier setting all terms.○ The marketplace does not manage the supply consideration, billing, payment, complaints, offers, or terms <p>New paragraph (4) has been proposed to define "electronic marketplace" as a distribution service operated electronically - including through an internet intermediary, a website, an internet portal, a platform, a store, or a distribution portal - that enables suppliers to supply services electronically to customers through electronic means.</p> <p>Both the transferor and transferee are jointly liable for paying any tax and fines owed by the transferor before the transfer date if the Authority is not notified as required by Article 13(13) is proposed to be added as a new paragraph (5).</p>

In detail (Cont'd)

Article no.	Proposed changes and impact
<p>Article 50 - Goods and services deemed to be received outside economic activity</p>	<p>Paragraph (1) proposed amendments aim to provide clarity/ add further items on negative list of items on which input VAT is not admissible.</p> <p>Paragraph (2) amendments aim to refine restricted vehicles criteria and vehicles which should not be considered as restricted.</p>
<p>Article 54 - Credit and Debit Notes</p>	<p>New paragraph (6) proposed additions clarifies the timing for issuing credit and debit notes (no later than fifteen days after the end of the month following the date of any event requiring the issuance of the note).</p>
<p>Article 60 - Extension of time to pay tax</p>	<p>Proposed amendment in paragraph (5) allows the extension of due date for installment beyond twelve months if approved by the Board of Director.</p>
<p>Article 63 - Correction of Returns</p>	<p>Proposed amendment in paragraph (1) clarifies and limits the correction in the event of discovery of error only by using the prescribed criteria.</p> <p>Paragraph (2) proposed the adjustment of overpayment of VAT in error by way of reducing the amount of net tax due.</p> <p>Paragraph (3) proposed amendments further clarifies that an error resulting in a shortfall in net tax due of SAR 15,000 can be rectified by adding up to SAR 15,000 to the net tax due in the tax return for the period in which the error is discovered.</p> <p>Corrections for errors leading to an over reporting of net tax due cannot be made for tax periods older than five years from the end of the calendar year in which those periods fall, has been proposed to be amended in paragraph (4).</p>
<p>Article 64 - Examination and assessment procedures</p>	<p>New paragraph (10) is proposed to add which empowers ZATCA to conduct an examination and assessment of any tax return after the prescribed period after obtaining the taxable person's consent.</p>
<p>Article 68 - Appeals</p>	<p>Proposed amendment to update the basis for filing an appeal (Royal Order No. 25711) has been added.</p>

In detail (Cont'd)

Article no.	Proposed changes and impact
<p>Article 69 - Refund of overpaid Tax</p>	<p>Proposed amendment in paragraph (5) clarified that the Authority may offset refundable amounts against any tax, fines, or other dues under its supervision and may withhold the refund until any outstanding assessments are resolved.</p>
	<p>New paragraph (7) is proposed to be added which provides the Authority the right to examine any tax period related to a refund request within one calendar year from the request date subject to certain provisions.</p>
<p>Article 70 - Refund of Tax to Designated persons</p>	<p>Proposed amendments in paragraph (1) to (13) provide a comprehensive refund process, including registration requirements, eligible categories, and specific documentation needed.</p> <p>The proposed changes also set a higher minimum refundable amount of 5,000 riyals and include specific exceptions for non-deductible supplies, as well as details about international agreements and reciprocity.</p>
	<p>Proposed addition of new paragraphs (15) to (20) empowers the Authority to review refund requests and may request additional documentation, which must be provided within 20 working days.</p> <p>Approved refunds are paid within 30 working days but can be offset against any dues.</p> <p>If a refund is wrongly received, the individual must notify the Authority and repay the amount. Registration of an eligible individual may be canceled for various reasons, but obligations before cancellation remains.</p> <p>The Board of Directors of Authority may allow VAT refunds based on simplified invoices and establish other refund procedures not specified in the article.</p>
	<p>Highlights of proposed changes includes:</p> <p>Tax Refund for Tourists: ZATCA may refund VAT to tourists on eligible goods purchased in KSA, which they carry with them upon leaving, following decisions and controls issued by ZATCA Governor.</p> <p>Service Providers: ZATCA can delegate service providers to handle refunds, who must verify eligibility and process refunds. They can deduct a commission and must retain all related records.</p>
<p>Article 73 - Refund of tax to Tourists</p>	<p>Highlights of proposed changes includes:</p> <p>Tax Refund for Tourists: ZATCA may refund VAT to tourists on eligible goods purchased in KSA, which they carry with them upon leaving, following decisions and controls issued by ZATCA Governor.</p> <p>Service Providers: ZATCA can delegate service providers to handle refunds, who must verify eligibility and process refunds. They can deduct a commission and must retain all related records.</p>

In detail (Cont'd)

Article no.	Proposed changes and impact
Article 73 - Refund of tax to Tourists (Cont'd)	<p>Tourist Definition: A tourist is someone without permanent residence in KSA or VAT applying member states, not part of transport crews, and meeting other criteria set by ZATCA.</p> <p>Eligible Goods: Refunds apply to personal-use goods not consumed in KSA, excluding items like vehicles, tobacco, food, and certain other goods.</p> <p>Request Process: Refund requests are submitted through approved service providers while still in KSA. ZATCA may verify requests, reject them if necessary, and will pay the approved amount to the service provider.</p> <p>Record Keeping: Approved service providers must keep records for the specified period and are jointly responsible for any erroneous refunds.</p> <p>Member State Tourists: Tourists from Member States are treated as non-GCC tourists until a unified electronic system is in place.</p> <p>Regulations and Controls: ZATCA's Governor sets the procedures and conditions for refunds, including service provider authorization, eligible goods, and refund request requirements.</p>
Article 78 - Publication of Notifications	Proposed amendment in paragraph clarifies the copy of notices in accordance with Article 65 and 66 must be made electronically.

The takeaway

Taxpayers are highly recommended to cooperate with ZATCA and provide their feedback regarding the proposed amendments through Istitle portal within the due dates in order to support ZATCA in its positive endeavors to develop the tax environment in KSA in line with the Kingdoms Vision 2030.

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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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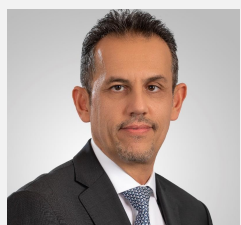
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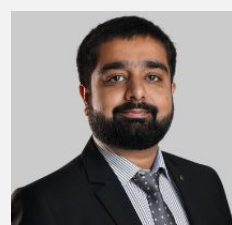
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