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# *VAT on the Gulf Cooperation Council*

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# *Latest VAT Developments*

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## ***Unified GCC VAT framework***

- The six GCC Member states have agreed and ratified during January 2017 the Unified Agreement for the introduction of a VAT system in the GCC.
- Each Member State will issue its own VAT legislation in accordance with the common principles outlined in the Unified Agreement.

## ***VAT in KSA***

- VAT will be governed and administered by General Authority of Zakat & Tax (GAZT), which was known as Department of Zakat and Income Tax (DZIT) previously.
- KSA VAT Law has been approved and finalized.
- GAZT has released KSA VAT draft law on 29 May 2017 (bilingual) [Final law has been released on 27 July 2017 (in Arabic)].
- GAZT has implemented end of August the bilingual (Arabic/English) KSA VAT implementing regulations

## ***VAT registration***

- VAT online registration has been opened to all eligible companies and businesses starting 28 August 2017
- Some large companies, in which have already registered for other forms of tax in KSA, will be auto-registered for VAT by GAZT

# ***Latest VAT Developments***

## ***VAT in UAE***

- VAT will be governed and administered by Federal Tax Authority (FTA).
- The Federal National Council (FNC) of UAE approved the “Tax Procedures Law” in March 2017
- The President of UAE has issued Tax Procedures law on 1 August 2017
- FTA website was launched on 22 August 2017.
- UAE VAT law was issued on 27 August 2017.

## ***VAT Registration***

- VAT registration is available in the UAE beginning October 2017.

## ***Go live***

- Introduction of VAT in the GCC is expected to take effect from 1 January 2018
- The GCC countries that are not ready by that date will have until the end of 2018 and, until then, will be treated as outside GCC with regards to this rules

# VAT Registration

## KSA

**Mandatory Registration Threshold – SAR 375,000**  
**Voluntary Registration Threshold- SAR 187,500**

### *GAZT website:*

- *The businesses which fall under mandatory registration are required to register for VAT by 20 December 2017.*
- *However, all taxable persons whose annual taxable supplies exceed the mandatory Registration threshold but do not exceed SAR 1,000,000 will be exempted from the requirement to register until 20th December 2018.*

## UAE

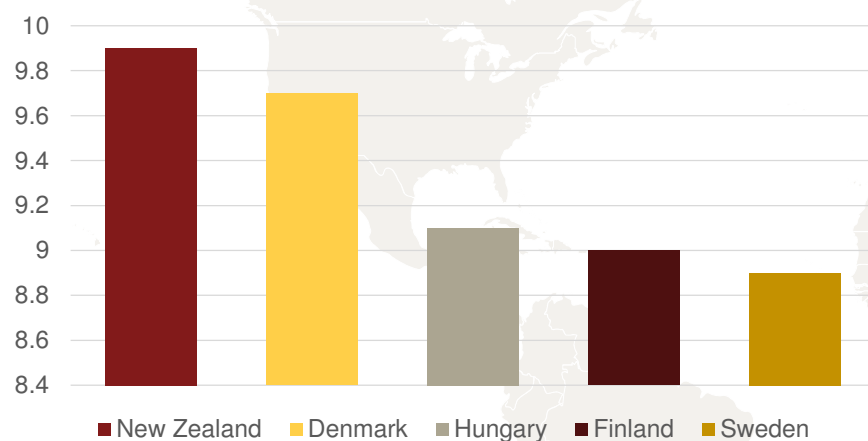
**Mandatory Registration Threshold – AED 375,000**  
**Voluntary Registration Threshold- AED 187,500**

### *FTA website:*

- *The registrations are open on a compulsory basis during Q4 2017.*

## Expected VAT revenues

VAT as a percentage of GDP in OECD member countries (top 5)

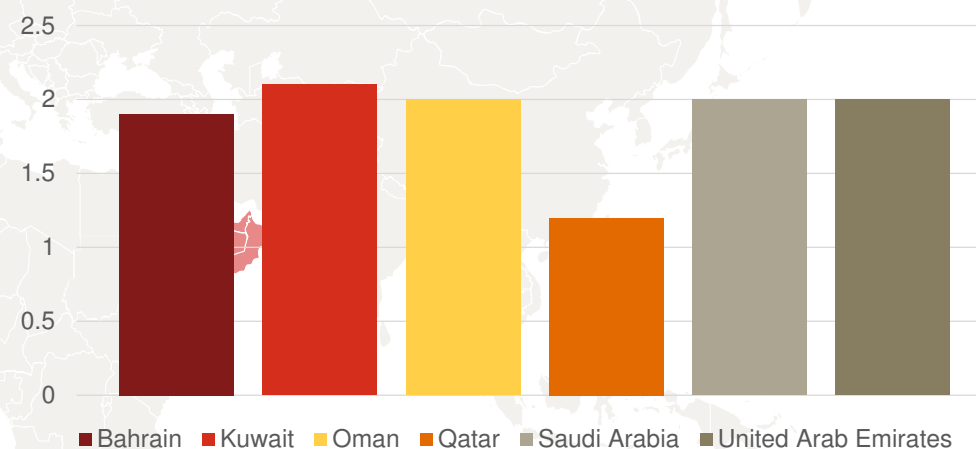


**VAT average percentage of GDP in all OECD countries**

**6.6%**

Source: Consumption Tax Trends 2014 – OECD

Expected revenue yield as a percentage of 2015 GDP (%)



**Average VAT revenues as a percentage of 2015 GDP**

**1.87%**

Source: Diversifying Government Revenue in the GCC: Next Steps - IMF

# Our understanding of the GCC VAT system



- **Transition period around 4 months**
- **Envisaged system is a standard fully-fledged VAT system with VAT applying on most supplies of goods and services with some exemptions /exceptions**

VAT on goods & services

VAT at Import

Reverse charge mechanism

Standard rate 5%

Exports subject to 0%

5 years retention period

Possible VAT exemptions

Mandatory threshold \$100k

Intra-GCC supplies special treatment

Deduction of input VAT

Periodical filing and reporting

Self-assessment system