VAT

هيئة الزكاة والضريبة والجمارك
Zakat, Tax and Customs Authority

Guideline for

For the Digital Economy Sector under VAT Provisions

Note: The English version is for guidance purposes only. In case of any discrepancy between the Arabic and English versions, the Arabic version shall prevail

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Amendment Log

#	Edition .No	Amendment Date	Section/Item	Type	Amendment Description	Notes
1	2	May 2026	2 7.2 9.6	Amendment	The update is in accordance with the amendments to the Implementing Regulations of the Value Added Tax law issued pursuant to Board Resolution No. (01-06-24) dated 17 Jumada Al-Awwal 1446 H, corresponding to 19 November 2024	-

The Zakat, Tax and Customs Authority (henceforth 'ZATCA') has issued this Guideline to clarify certain treatments related to the implementation of the statutory provisions in force on the date of its issuance. The content of this Guideline shall not be deemed an amendment to any of the laws and regulations in force in the Kingdom of Saudi Arabia.

The Authority affirms that it shall apply the explanatory treatments set out in this Guideline, where applicable, considering the relevant statutory provisions. If any clarification or content contained in this Guideline is amended in relation to an unchanged statutory provision, the updated explanatory treatment shall apply to transactions carried out after the date of publication of the updated version of the Guideline on the Authority's official website.

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1. Introduction

1.1 Implementation of Value Added Tax in the Kingdom of Saudi Arabia

The Kingdom of Saudi Arabia ratified the Unified Agreement for VAT of the Gulf Cooperation Council (GCC) pursuant to Royal Decree No. (M/51) dated 3rd Jumada al-Awwal 1438H/31st January 2017. Based on the provisions of the Unified Agreement for VAT, the Kingdom issued the VAT Law pursuant to Royal Decree No. (M/113) dated 2nd Dhu al-Qa'dah 1438H/25th July 2017, and the Implementing Regulations to the VAT Law pursuant to the Resolution of the Board of Directors of the General Authority of Zakat and Tax (currently the Zakat, Tax and Customs Authority) No. 3839 dated 14th Dhu al-Hijjah 1438H/5th September 2017, as amended by subsequent Board resolutions.

1.2 Zakat, Tax and Customs Authority (ZATCA)

The Council of Ministers issued Resolution No. 570 dated 22nd Ramadan 1442H/4th May 2021G, mandating the merger of the General Authority of Zakat and Income and the General Customs Authority into a single entity under the name Zakat, Tax and Customs Authority (ZATCA). The Authority is responsible for Zakat collection, tax and customs duties administration, and ensuring the highest level of compliance by taxpayers in accordance with best practices and high efficiency. The Authority also aims to enable the Kingdom to become a global logistics hub by facilitating trade, safeguarding national security, regulating all activities related to customs operations and border ports, and managing them to raise their level to the maximum degree of efficiency, productivity, and competitiveness. This is achieved through the provision of high-quality services with a customer-centric focus and their service in accordance with best practices.

1.3 What is Value Added Tax?

Value Added Tax (VAT) is an indirect tax imposed on the import and supply of goods and services at each stage of production and distribution, with certain exceptions. VAT is applied in more than 160 countries worldwide. It is a consumption tax that is charged and collected at each stage of the supply chain, beginning with the manufacturer's purchase of raw materials and ending with the sale to the final consumer by the retailer. Unlike other taxes, VAT taxpayers will do the following:

- Collect VAT from their customers on each taxable sale at the prescribed rate.
- Pay VAT to suppliers from whom they have received goods or services-if any-on each taxable purchase at the prescribed rate.

When persons subject to VAT sell a good or provide a service, they must impose VAT at a rate of 15% (assuming the standard rate applies to those supplies), which shall be added to the final sale price. Persons Subject to VAT must account for the 15% collected from taxable sales separately from their revenues in order for it to be remitted subsequently to the Authority. The VAT collected by persons subject to VAT on their sales is referred to as Output Tax.
Similarly, purchases made by persons subject to VAT are treated such that VAT at a rate of 15% is added to purchases of goods and services made from persons subject to VAT (assuming the standard rate applies to those supplies). The VAT they pay to their suppliers is referred to as Input Tax.

1.4 This Guideline

This Guideline aims to provide further clarification regarding the application of Value Added Tax in the Digital Economy sector.

This Guideline is addressed to suppliers Resident in the Kingdom of Saudi Arabia and Non-Resident suppliers who supply goods or services to customers within the Kingdom of Saudi Arabia through electronic commerce or through electronic business activities. It is also addressed to Saudi customers whose activities relate to the Digital Economy.

In order to obtain guidance concerning specific transactions, a request may be submitted for an Interpretative Decision, or the official website zatca.gov.sa may be visited, which includes a wide range of tools and information specifically developed to assist persons subject to VAT, including visual guidance materials, all relevant publications, and Frequently Asked Questions.

2. Definitions of Key Terms

Digital Economy: The term "Digital Economy" is not defined for VAT purposes. For the purposes of this Guideline, the Digital Economy refers to Economic Activities carried out through electronic means where:

- Goods or services are sold through a website or through an Electronic platform.
- Services are provided through a digital or electronic or an Electronic Marketplace.

Electronic Services: These form part of the broader term defined for VAT purposes as "Telecommunications and Electronic Services". Telecommunications services are closely connected to Electronic Services, as both involve the transmission of information to one or more recipients. The Implementing Regulations of the Law provide a non-exhaustive list of examples falling within this definition[1]:

a. Any service relating to the broadcasting, transmission, emission, or reception of signals, writing, images, sounds, or information of any nature, whether by wire, radio, optical, or other electromagnetic systems.
b. The transfer or assignment of the right to use capacity for the purposes of broadcasting, transmission, or reception referred to above.
c. The provision of and access to global information networks.
d. The provision and making available of audio and audiovisual content for listening or viewing by the public based on scheduled programming by a person having editorial responsibility.
e. Live broadcasting and transmission over the internet.
f. Supplies of images or text delivered automatically, such as photographs, screen savers, electronic books, and other digital documents or files.
g. Supplies of music, films, games, and software on demand.
h. Online magazines.
i. Supplies of websites or website hosting services.
j. Remote maintenance of software and equipment.
k. Supplies of software and software updates.
l. Advertising space on websites and any rights associated with such advertising.

1. Article 24 1 - Telecommunications and Electronic Services - Implementing Regulations of the Law

For the purposes of this Guideline, all such services are referred to as "Electronic Services". Given that the Digital Economy sector is rapidly evolving, new types of Electronic Services provided via the internet or other electronic means will also fall within the scope of Electronic Services. The mere provision of a report by email does not in itself constitute an Electronic Service.

Example 1:
An architect agreed to provide certain illustrative plans for the expansion of a commercial building to a client. After visiting the site and following several weeks of design work, the architect sent the plans to the client by email. This does not in itself constitute an Electronic Service.

Accordingly, the provision of a service through electronic means does not in itself qualify as an Electronic Service.

Example 2:
A Resident Person in the Kingdom of Saudi Arabia requested a taxi through a mobile application. A driver provided the transportation service to that person. The driver is not considered to have supplied an Electronic Service to that person. However, the company operating the electronic application may charge a fee to the driver or to the person for the use of the application, which would constitute a separate Electronic Service.

Example 3:
A customer in the Kingdom of Saudi Arabia booked a hotel in the city of Riyadh through a price comparison website. In this case, the hotel is considered to have provided accommodation to the customer and not an Electronic Service. However, if the website charges a fee to the hotel or to the customer for the use of the website, such fee would constitute a separate Electronic Service.

Consumption and Enjoyment of Services: This is a term used in the Implementing Regulations of the Law[2] to determine the place where the customer receives the service and the actual use of the services supplied to it. The place of Consumption and Enjoyment is determined in the context of identifying the actual use and enjoyment in accordance with specific rules, which will be discussed in paragraph 6.2 of this Guideline.

2. Article 24 2 and 3 - Telecommunications and Electronic Services - Implementing Regulations of the Law

Resident Person: A term used to define a person (natural or legal) who has a place of residence in the Kingdom of Saudi Arabia for VAT purposes.

Non-Resident Person: A person who does not have a place of residence in the Kingdom of Saudi Arabia[3]. The rules determining the place of residence will be discussed in paragraph 3 of this Guideline.

Economic Activity: An activity carried out on a continuous and regular basis, including commercial, industrial, agricultural, professional, or service activities, or any use of tangible or intangible property, and any other similar activity[4].

Agent: A person who acts on behalf of a Principal (whether a supplier or a customer) in relation to a supply. The term Agent may be interpreted broadly in commercial practice; however, it is not specifically defined for VAT purposes. It is noteworthy that the VAT Law distinguishes between:

- An Agent acting on behalf of a person (the Principal) and in the name of that person.
- An Agent acting on behalf of a person but in the Agent's own name[5].

Electronic Marketplace: An Electronic Marketplace refers to an electronic or digital platform, or its equivalent, whose main purpose-or one of its main purposes-is to enable suppliers to display, provide, make available, or contract for their products, whether goods or services, with the customers benefiting from them.

Business-to-Business (B2B): This term is used to refer to supplies from a person registered for VAT purposes to another person registered for VAT purposes.

Business-to-Customer (B2C): This term is used to refer to supplies from a person registered for VAT purposes to a person or entity not registered for VAT purposes.

3. Article 1 - Definitions - Unified Agreement for VAT
4. Article 1 - Definitions - Unified Agreement for VAT
5. Article 9 of the VAT Law specifies special conditions for considering an Agent acting in their own name as an Agent for VAT purposes. Conversely, an Agent acting in the name of the customer is deemed to be supplying or receiving goods or services on behalf of the customer.

3. Economic Activity and VAT Registration

3.1 Economic Activity

An Economic Activity may be carried out by both natural and legal persons. Legal persons (such as companies) are considered to be carrying out an Economic Activity if they engage in a regular activity involving the making of supplies (sale or lease). It should be noted that natural persons may conduct certain activities either as part of their Economic Activity or as part of their private activities. Therefore, specific rules apply to determine whether a natural person falls within the scope of VAT.

Natural and legal persons carrying out an Economic Activity must register for VAT purposes where required. Such persons must collect the VAT applicable to their activities and remit the VAT collected to the Authority.

3.2 Place of Residence of the Supplier and the Customer

The rules relating to the place of supply are, in many cases, determined based on the place of residence of the supplier and the customer. The term "Resident" includes a resident company established under the laws of the Kingdom of Saudi Arabia or whose effective place of management is in the Kingdom of Saudi Arabia. If a company or any other legal person is established outside the Kingdom of Saudi Arabia and has a place of business or any other form of fixed establishment in the Kingdom of Saudi Arabia, such company shall be considered a Resident in the Kingdom of Saudi Arabia[6].

6. Article 1 - Definitions - Unified Agreement for VAT

3.2.1 Dual Residence

A company or legal person may have more than one place of business or may have a place of residence different from its place of incorporation. Accordingly, such company may be considered resident in multiple jurisdictions (countries) for VAT purposes. For example, a legal person may have several branches in different countries. In such cases, for the purposes of determining the place of supply, the location most closely connected with the supply of goods or services shall be regarded as the place of residence of the legal person.

Example 4:
Union Bank is a bank established in the United Arab Emirates and also has a branch in the city of Riyadh. A software supplier entered into a contract with the bank to provide an electronic guarantee relating to the branch's operations. In this case, the bank branch located in the Kingdom of Saudi Arabia is the establishment most closely connected with the recipient of the services and is therefore considered the customer for VAT purposes.

3.3 Mandatory Registration: Resident Supplier

Registration is mandatory for all persons whose annual revenues exceed a specified registration threshold. Where the total value of a person's taxable supplies during 12 months exceeds SAR 375,000 (the "Mandatory Registration Threshold"), that person must register for VAT purposes [7].

Taxable supplies for VAT purposes do not include the following[8]:

- Exempt income, such as financial services or residential rent qualifying for exemption.
- Supplies made or performed outside the territory of the Gulf Cooperation Council States.
- Capital assets - defined as assets allocated for long-term business use.

In specific cases, other provisions apply to mandatory registration:

- Non-Resident persons in the Kingdom of Saudi Arabia who are obliged to pay VAT on supplies they make or receive in the Kingdom of Saudi Arabia must register for VAT purposes regardless of the value of the supplies on which they are required to collect and pay VAT[9].

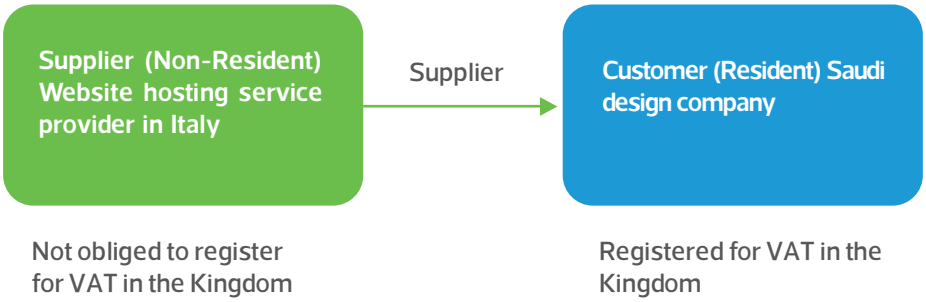
7. Article 50 - Mandatory Registration - Unified Agreement for VAT
8. Article 52 - Calculation of the Value of Supplies - Unified Agreement for VAT
9. Article 5 - Mandatory Registration of Non-Resident Persons Obliged to Pay Tax in the Kingdom - Implementing Regulations of the Law

3.4 Mandatory Registration: Non-Resident Supplier

Persons subject to VAT who are Non-Residents must register for VAT purposes regardless of the value of the supplies they make in the Kingdom of Saudi Arabia, on which they are required to collect and pay VAT[10]. With respect to supplies made to a customer registered for VAT who is required to self-account for VAT under the Reverse Charge Mechanism, the Non-Resident supplier is not required to register for VAT purposes in relation to such supply[11].

Example 5:
An Italian company providing electronic hosting services entered into a contract with a design company in the Kingdom of Saudi Arabia to host its international website. The Saudi design company is registered for VAT purposes and is able to self-account for the VAT due. Accordingly, the hosting company is not required to register in respect of this supply.

Business-to-Business (B2B) - The customer registered for VAT in the Kingdom has paid the tax under the Reverse Charge Mechanism.

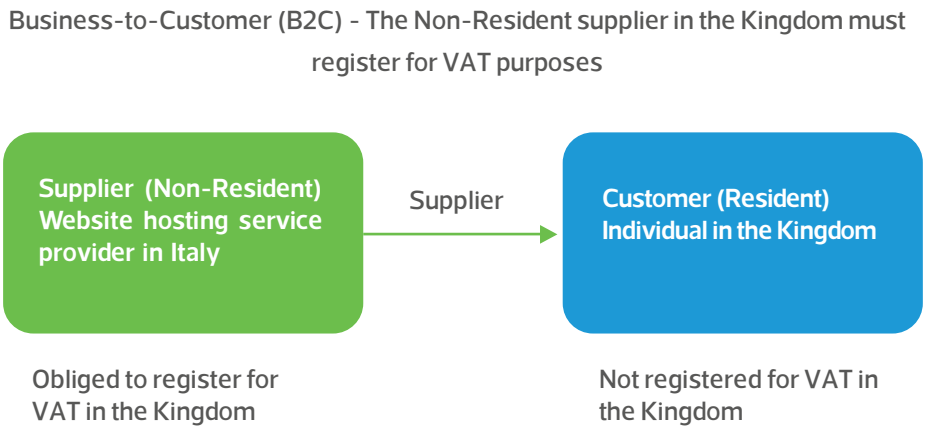


In practice, this means that a supplier making any supplies of goods or services provided in the Kingdom of Saudi Arabia to a customer not registered for VAT must register for VAT purposes. The Digital Economy is one of the sectors where supplies are frequently made by Non-Resident VAT-registered persons to end consumers (i.e., Business-to-Customer).

10. Article 5 1 - Mandatory Registration of Non-Resident Persons Obliged to Pay Tax in the Kingdom - Implementing Regulations of the Law
11. Article 47 - Persons Obliged to Pay the Tax - Implementing Regulations of the Law

Example 6:

A consumer not registered for VAT and Resident in the Kingdom of Saudi Arabia used the electronic hosting service from the Italian company in Example 5 above to display images of their personal trips. The hosting company will be required to register for VAT purposes and apply VAT on the supply.



3.5 Mandatory Registration: Customer Receiving Goods and Services

A Resident customer in the Kingdom of Saudi Arabia who carries out an Economic Activity may exceed the mandatory registration threshold with respect to goods or services received from a Non-Resident supplier in the Kingdom of Saudi Arabia. Any supplies that require the customer to self-account for VAT under the Reverse Charge Mechanism shall be included in the customer's VAT registration threshold. However, imported goods from outside the GCC territory, for which VAT is paid to the Authority at the time of importation, shall not be included in the customer's registration threshold.

Example 7:

A financial services group in the Kingdom of Saudi Arabia established a separate company for technology procurement to acquire hardware and software for use by the group. In 2018, the company made supplies only for the group, valued at SAR 30,000, but purchased electronic software valued at SAR 2,500,000 from a U.S. software developer for later use.

The company is considered to be carrying out an Economic Activity. Upon receiving the services from the U.S. developer, it is deemed to have supplied those services to itself for VAT purposes. Since the value of the received supplies exceeds the mandatory registration threshold, the company is required to register for VAT and account for VAT on the services received from the Non-Resident supplier in the Kingdom of Saudi Arabia.

4. E-Commerce: Sale of Goods from and to the Kingdom of Saudi Arabia

Description	From Supplier ⟶ to Customer	Tax Treatment	Obligation to Register in the Kingdom of Saudi Arabia
Electronic Goods Supplied To/From the Kingdom of Saudi Arabia	Registered for VAT Purposes in the Kingdom of Saudi Arabia (Business) → Registered for VAT Purposes in the Kingdom of Saudi Arabia (Business)	VAT is applied by the supplier Resident in the Kingdom of Saudi Arabia	x (Supplier Already Registered in the Tax System)
	Registered for VAT Purposes in the Kingdom of Saudi Arabia (Business) → Resident in the Kingdom of Saudi Arabia and Not Registered for VAT Purposes in the Kingdom of Saudi Arabia (Customer)	VAT is applied by the supplier Resident in the Kingdom of Saudi Arabia	x (Supplier Already Registered in the Tax System)
	Registered for VAT Purposes in the Kingdom of Saudi Arabia (Business) → Non-Resident in the Kingdom of Saudi Arabia (whether Business or Customer)	VAT is applied at a rate of 0% on the export transaction	x (Supplier Already Registered in the Tax System)
	Not Registered for VAT Purposes in the Kingdom of Saudi Arabia → Resident in the Kingdom (Business or Customer)	If carrying out an Economic Activity and the value of its supplies in the Kingdom exceeds the registration threshold	The supplier must register for VAT purposes

Electronic Goods Supplied by a Non-Resident Person in the GCC Region	Non-Resident in the Kingdom of Saudi Arabia (Business) → Resident in the Kingdom of Saudi Arabia - Registered for VAT Purposes	. In the case of import, VAT is applied on the importation of goods. . If not an import and the goods are already present within the Kingdom of Saudi Arabia, VAT shall be accounted for by persons subject to VAT and Resident in the Kingdom of Saudi Arabia using the Reverse Charge Mechanism.	x
	Non-Resident in the Kingdom of Saudi Arabia (Business) → Resident in the Kingdom of Saudi Arabia and Not Registered for VAT (Customer)	. In the case of import: VAT is applied on the importation of goods. . If not an import and the goods are already present within the Kingdom of Saudi Arabia, VAT shall be applied by the Non-Resident supplier. . VAT is accounted for by persons Resident in the Kingdom of Saudi Arabia and registered for VAT purposes in the Kingdom of Saudi Arabia using the Reverse Charge Mechanism.	x Non-Resident Persons must register for VAT purposes in the Kingdom of Saudi Arabia and appoint a tax representative.

Electronic Goods Supplied To/From a GCC Member State	Person Resident in a GCC Member State - General Provisions (after the implementation of an electronic service system in the GCC) (Business)	Resident and Registered for VAT Purposes in the Kingdom of Saudi Arabia (Business)	VAT is accounted for by persons Resident in the Kingdom of Saudi Arabia and registered for VAT purposes in the Kingdom of Saudi Arabia using the Reverse Charge Mechanism.	x
		Resident in the Kingdom and Not Registered for VAT Purposes in the Kingdom of Saudi Arabia (Customer)	VAT is applied only by the supplier Resident in the Member State.	x
	Person Resident in a GCC Member State (Transitional provisions apply until the electronic service system is implemented) (Business	Resident in the Kingdom of Saudi Arabia and Registered for VAT Purposes (Business)	VAT is applied on the importation of goods into the Kingdom of Saudi Arabia	x
		Resident in the Kingdom of Saudi Arabia and Not Registered for VAT Purposes (Customer)	VAT is applied on the importation of goods into the Kingdom of Saudi Arabia	x

4.1 Place of Supply - Online Purchase of Goods

In cases where goods are purchased online, such supply is considered a sale and delivery of goods to the customer in the Kingdom of Saudi Arabia, with delivery typically arranged by the supplier or the Electronic Marketplace through which the purchase was made. The rules for applying VAT depend on the place of fulfillment of the order.
Under the general rules, the supply will be treated as taking place within the Kingdom of Saudi Arabia only if the goods are located in the Kingdom at the time the delivery to the customer begins. If the goods are outside the Kingdom of Saudi Arabia at the time the delivery begins, the supplier is not required to apply VAT on the goods[12].
Importation will be discussed in more detail in item 5 of this Guideline.

4.2 Orders Fulfilled from the Kingdom of Saudi Arabia

If an order is fulfilled from the Kingdom of Saudi Arabia, meaning the goods are located within the Kingdom at the time shipping begins, the supplier must apply VAT in the Kingdom of Saudi Arabia.

4.3 Date of Supply

The actual date of supply is:

- For goods supplied without transport or dispatch: the date the goods are made available to the customer.
- For goods supplied with transport or dispatch: the date transport or dispatch of the goods commences.
- For services: the date the service performance is completed.

The VAT due date is the date of supply of the goods or services. However, if an invoice is issued in advance or payment is made in advance, VAT becomes due on the actual payment date or the invoice issuance date, whichever occurs first[13].

12. Article 11 - Supply of Services with Transport - Unified Agreement for VAT
13. Article 23 - VAT Due Date on Goods and Services - Unified Agreement for VAT

Accordingly, the supplier must declare VAT within the tax period in which the date of supply falls. Similarly, the customer may reclaim VAT (where applicable) in the tax period in which the date of supply falls.

4.4 Charging VAT

The Resident supplier is obliged, in all cases, to charge VAT to the customer and to include its value on the invoice issued to the customer (invoice requirements are addressed in item 9 of this Guideline). Where the agreed price excludes VAT, VAT at 15% must be added to the agreed price.

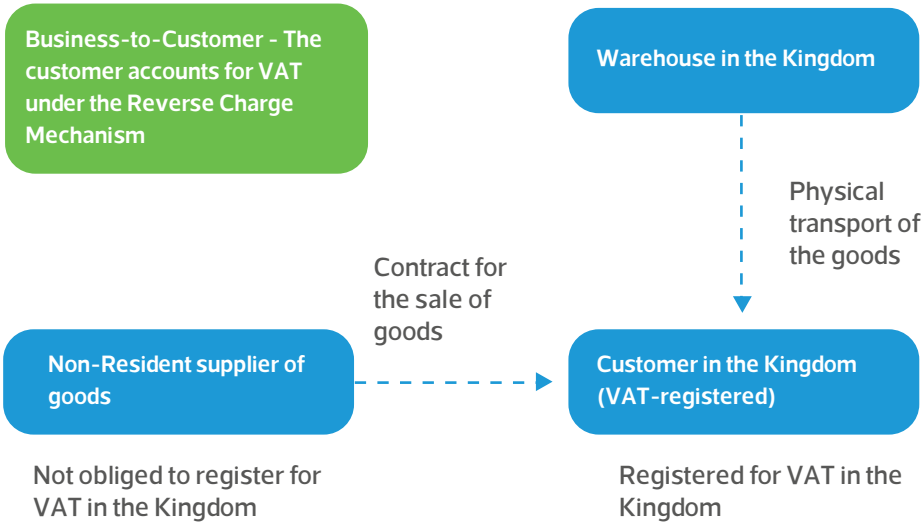
Final prices advertised to end consumers in the market must be VAT-inclusive[14]. Where the price is stated as VAT-inclusive (or where no reference to VAT is made), VAT is calculated on the basis of 15/115 of the total inclusive price.

Example 8:
An office supplies supplier provides a quotation excluding VAT to a customer. The supplier offers a discounted price of SAR 45 for a box of paper, excluding VAT. VAT is calculated and added to the price as follows: 45 × 15% = SAR 6.75.
A retailer sells the same box of paper in their store to customers for SAR 60. This price must be VAT-inclusive. VAT within the inclusive price is calculated as follows: 60 × 15/115 = SAR 7.82.

The Non-Resident supplier may also be the party selling goods fulfilled from the Kingdom of Saudi Arabia (for example, where the Non-Resident supplier holds stock in a third-party warehouse located in the Kingdom). In such cases, the VAT charging mechanism depends on whether the customer is registered for VAT in the Kingdom of Saudi Arabia:

- If the supply is made to a customer (B2C) who is a natural or legal person not obliged to register for VAT, the Non-Resident supplier must register for VAT and charge VAT on invoices as if they were a Resident supplier.
- If the supply is made to a customer registered for VAT (B2B), the customer must self-account for VAT using the Reverse Charge Mechanism[15]. Accordingly, the Non-Resident supplier is not permitted to declare VAT on the sales or to include VAT on the invoice issued to the customer.

14. Article 25 2 - VAT Rate - Unified Agreement for VAT
15. Article 41 - Customer Liable to Pay Tax under the Reverse Charge Mechanism - Unified Agreement for VAT



4.5 Orders Fulfilled from Outside the Kingdom of Saudi Arabia

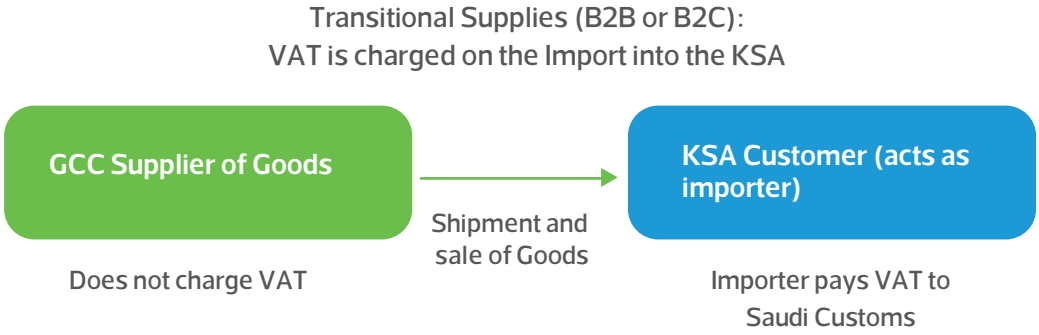
The place of supply of orders fulfilled from outside the GCC States is not within the Kingdom of Saudi Arabia. Any supply of goods that takes place prior to their importation is therefore not subject to VAT on that supply. However, VAT must be applied at the time of importation into the Kingdom of Saudi Arabia[16]. Accordingly, VAT is effectively applied in the external market in the same manner as it is applied in the domestic market.

In certain jurisdictions, the local supplier may charge local VAT or sales tax on the sale transaction. The imposition of any tax on the goods in the country of origin does not affect the VAT treatment applicable upon importation into the Kingdom of Saudi Arabia.

16. Article 27 3 - Goods Supplied with Transport - Implementing Regulations of the Law

4.6 Orders Fulfilled from GCC States - Transitional Provisions Relating to Intra-GCC Trade

The movement of goods from GCC States to the Kingdom of Saudi Arabia shall be treated in the same manner as transactions involving non-GCC countries, until the Electronic Services System is implemented. Accordingly, where the dispatch or transport of goods commences in another GCC State, VAT shall not be charged in the Kingdom of Saudi Arabia[17] on that supply. However, VAT shall be imposed upon the importation of those goods into the Kingdom of Saudi Arabia . Import procedures will be addressed in detail in paragraph 5 of this Guideline.



4.7 Sales from the Kingdom Suppliers to an Overseas Recipient

A supplier in the Kingdom of Saudi Arabia may supply goods to a recipient in another country through the Digital Economy. If the order is fulfilled from within the Kingdom of Saudi Arabia, such supplies shall, in principle, be subject to VAT in the Kingdom. However, if the supplier exports those goods from the Kingdom of Saudi Arabia to a location outside the territory of the GCC States as part of the transaction, VAT shall be applied at a rate of 0% (zero percent) on the export[18]. To substantiate the application of the zero rate, the supplier must retain documentation proving that the goods have left the territory of the GCC States within 90 days from the date of sale[19].

17. Article 79 7 - Transitional Provisions - Implementing Regulations of the Law
18. Article 34 - Supply Outside the Territory of the GCC States - Unified Agreement for VAT
19. Article 32 - Export of Goods from the Kingdom - Implementing Regulations of the Law

As a temporary transitional measure, exports to any other GCC State shall also be subject to the zero rate[20].

5. Goods Imported from Outside the Territory of the GCC States

5.1 Import VAT on Entry of Goods

VAT shall be charged on all goods imported into the Kingdom of Saudi Arabia (KSA) from outside the territory of the GCC States. Such importation constitutes a separate taxable supply for VAT purposes. As a transitional measure, VAT shall also be charged on goods imported from GCC States into the KSA.

The Authority shall collect VAT on importation at the point of entry of the goods into the Kingdom. VAT shall be calculated based on the total declared value of the goods for customs purposes, inclusive of all costs imposed by the supplier, including freight and insurance (equivalent to the Cost, Insurance, and Freight - CIF value), any customs or excise duties, and any incidental handling or storage charges, but excluding VAT itself.

Example 9:

An importer imports electronic goods, with a CIF value declared as SAR 2,500 on the customs entry. A customs duty of 20% is applied, resulting in SAR 500 collected by the Authority. No additional charges are imposed by the Authority.
VAT shall be calculated at 15% of the import value (CIF plus customs duties and any incidental charges), resulting in SAR 450 (15% × (SAR 2,500 + SAR 500)), payable by the importer.
VAT is generally charged at the standard rate of 15% on importation, except as provided in paragraph 5.4 of this Guideline.

20. Article 79 7 - Transitional Provisions - Implementing Regulations of the Law

The importer of record, as shown on the import entry, is the person liable to pay VAT upon import. A representative of the importer (such as a freight forwarder or customs broker) may carry out the customs clearance procedures on behalf of the importer, but does not have the right to act as the importer. If goods are imported by a business registered for VAT, the Tax Identification Number (TIN) must be provided to the Authority at the time of importation. This allows the Authority to issue evidence of VAT payment for input VAT deduction purposes.

5.2 Obligations of Shipping Providers

With respect to importation in the context of the Digital Economy, importation is generally carried out on behalf of either the seller (consignor) or the recipient (consignee). The freight forwarder often pays VAT on importation to the Authority on behalf of the importer and seeks reimbursement (including customs duties or other incidental fees incurred) from the importer. If the importer is VAT-registered, the import data and VAT paid shall be reported in item 8 of the VAT return. This allows the importer to deduct input VAT (subject to meeting the input VAT deduction requirements, as discussed in paragraph 8 of this Guideline).

If the seller is a Non-Resident and cannot act as the importer, the shipping company may act as the importer and pay VAT on importation to the Authority, to be recovered from the seller or from the customer upon delivery.

These arrangements are commercial matters agreed in the terms and conditions of sale between the seller and the customer, in coordination with the shipping service providers.

VAT on importation paid by an import representative shall constitute an additional cost (without entitlement to deduction), unless the import is carried out on behalf of a VAT-registered person and the TIN of that person is provided at the time of import.

Local freight forwarding companies providing customs clearance and local delivery services to international shipping companies must determine the appropriate VAT treatment to apply to their services provided to the international shipping company. Further guidance on this matter is provided in the Transportation Guideline.

5.3 Returned Goods

If imported goods are subsequently returned to the supplier, this shall not affect the original taxable treatment arising from importation. The Authority shall not refund VAT paid on goods that are returned at a later time.
The importer shall bear the cost of VAT on the importation of the returned goods. The recovery of VAT on returned goods shall be treated as a commercial matter between the Non-Resident supplier and the customer.

5.4 Special Cases

In certain cases, the importation of specific goods may be exempt from VAT or subject to VAT at a zero percent (0%) rate, including:

- Goods subject to zero-rated or exempt VAT treatment in the Kingdom of Saudi Arabia, which primarily include qualified medicines, medical devices, and certain eligible means of transport[21].
- Goods exempt from customs duties under specific exemptions provided in the Unified Customs Law, including[22]:

a. Diplomatic exemptions
b. Military exemptions
c. Importation of personal luggage and household items brought by residents returning from abroad or foreigners arriving for the first time
d. Importation of returned goods

- Personal belongings and gifts brought by visitors in their personal luggage and exempt from VAT under the Unified Customs Law, provided their value does not exceed SAR 3,000[23].

21. Article 38 1 - Import Exemptions - Unified Agreement for VAT
22. Article 38 2 - Import Exemptions - Unified Agreement for VAT and Article 42 - Import Exemptions - Implementing Regulations of the System
23. Article 42 - Import Exemptions - Implementing Regulations of the System

Importation of goods under a customs suspension regime (customs warehouse) shall result in the deferral of VAT on importation (due to suspension of customs duties) until such goods are released[24]. The storage of goods in a customs warehouse is subject to the procedures and conditions of the Authority.

In the context of the Digital Economy, suppliers may choose to maintain stock in customs warehouses in the Kingdom of Saudi Arabia, allowing local fulfilment of orders while deferring VAT on importation until the time of sale.

Example 10:
A supplier of electronic goods imports a large shipment and stores it in a customs warehouse in the Kingdom of Saudi Arabia for later release to fulfill local orders. The importer is not required to pay customs duties on these goods until release from the customs suspension. Upon release, both customs duties and VAT shall become payable on the released goods.

6. Electronic Services

6.1 Application of VAT to Electronic Services

Special provisions apply to determine the place of supply for Electronic Services. Primarily, VAT is charged in the jurisdiction where the services are actually used or enjoyed[25]. The rules for determining this jurisdiction with respect to specific services are discussed in paragraph 6.2 of this guideline.

VAT is chargeable at 15% on all supplies of Electronic Services which take place in the Kingdom of Saudi Arabia under the place of supply rules.

For services that are not inherently electronic but are booked or coordinated through electronic means (for example: hotel reservations, transportation bookings via the Internet, or ride-hailing app services), the place-of-supply rules are based on the actual location of service provision.

24. Article 39 - Suspension of VAT - Unified Agreement for VAT
25. Article 20 - Supply of Telecommunications and Electronically Supplied Services - Unified Agreement for VAT

Returning to example 2: A Resident person in the Kingdom of Saudi Arabia books a taxi through a mobile app. The driver provides the transportation service to the Resident. The driver is not considered to have supplied an electronic service to the person. However, the transportation service is subject to VAT in the jurisdiction where the transportation begins (i.e., the Kingdom of Saudi Arabia). For more details, see the Transportation VAT Guideline.

Returning to example 3: A customer in the Kingdom of Saudi Arabia books a hotel in Riyadh through a hotel price comparison website. The hotel provides accommodation services to the customer, not an electronic service. Accordingly, VAT is charged in the jurisdiction where the property is located (i.e., the Kingdom of Saudi Arabia).

Description	From Supplier - to Customer	Tax Treatment	VAT Registration Obligation in the Kingdom of Saudi Arabia
Electronic Goods Supplied To/From the Kingdom of Saudi Arabia	From a VAT-Registered Supplier in the Kingdom of Saudi Arabia → to a VAT-Registered Customer in the Kingdom of Saudi Arabia	VAT is charged by the supplier Resident in the Kingdom of Saudi Arabia	x (The supplier is already registered for VAT purposes)
Place of supply not determined (see Section 6.2.1)	From a tax-registered supplier in the Kingdom of Saudi Arabia (Business) → to a customer Resident in the Kingdom of Saudi Arabia and not registered for VAT (Customer)	VAT is charged by the supplier Resident in the Kingdom of Saudi Arabia	x (The supplier is already registered for VAT purposes)
	From a tax-registered supplier in the Kingdom of Saudi Arabia (business) → to a Non-Resident in the Kingdom of Saudi Arabia (Customer)	VAT is charged at 0% on export sale	x (The supplier is already registered for VAT purposes)
	From a supplier Resident in the Kingdom of Saudi Arabia and not registered for VAT → to a customer Resident in the Kingdom of Saudi Arabia subject to VAT (Business or Customer)	If performing an Economic Activity and the value of the supplies exceeds the registration threshold over 12 months	The supplier Resident in the Kingdom shall be required to register for VAT purposes
Electronic goods supplied by a Non-Resident (outside the territory of the GCC States)	From a Non-Resident supplier (business) → to a customer Resident in the Kingdom of Saudi Arabia and registered for VAT (business)	VAT shall be accounted for by the Resident Person registered for VAT in the Kingdom of Saudi Arabia under the Reverse Charge Mechanism	x (The recipient is already registered for VAT purposes)

Place of supply not determined (see Section 6.2.1)	From a Non-Resident supplier (Business) → to a customer Resident in the Kingdom of Saudi Arabia and not registered for VAT (Customer)	The Non-Resident supplier shall be required to charge VAT	x Non-Resident taxable suppliers (Businesses) shall be required to register for VAT purposes in the Kingdom of Saudi Arabia and appoint a tax representative
Electronic goods supplied to a specified location in the Kingdom	From a taxable supplier registered for VAT in the Kingdom of Saudi Arabia (Business) → to a VAT-registered taxable customer in the Kingdom of Saudi Arabia (Business)	VAT shall be charged by the supplier in the Kingdom of Saudi Arabia	x (The supplier is already registered for VAT purposes)
	From a VAT-registered supplier in the Kingdom of Saudi Arabia (Business) → to a customer Resident in the Kingdom of Saudi Arabia and not registered for VAT	VAT shall be charged by the supplier in the Kingdom of Saudi Arabia	x (The supplier is already registered for VAT purposes)

6.2 Determining the Actual Place of Use and Enjoyment of the Service

In practice, it can be difficult to determine the place where Electronic Services are used. However, the VAT Law and its Implementing Regulations contain provisions aimed at establishing the actual place of use and enjoyment of the service.

6.2.1 Services Supplied at a Specific Location

In certain cases, the individual customer must be physically present at a specific location in order to receive the service. This applies to services that can only be accessed at that location. In such cases, the customer consumes and enjoys the services at that location, and therefore, that location is considered the actual place of use and enjoyment of the service[26].

26. Article 24 3 - Telecommunications and Electronically Supplied Services - Implementing Regulations of the System

Example 11:
A business lounge in Dammam charges customers for using high-speed internet within the lounge. Since the internet service is available only inside the lounge, the actual place of use of the internet service is in the Kingdom of Saudi Arabia, regardless of the customer's residence or VAT registration status.

6.2.2 Services not Supplied at a Specific Location

In many cases, the customer is not required to be physically present at a specific location to access Electronic Services. The nature of technological means allows most Electronic Services to be accessed from multiple locations, including mobile devices. To determine the actual place of use for these types of services in the context of the Digital Economy, the customer's usual place of residence is used as the place where the service is used and enjoyed.

Example 12:
A business consultant Resident in the Kingdom of Saudi Arabia pays an annual fee of SAR 1,000 for cloud storage (Digital Cloud) online in order to upload and download work files from anywhere, including while traveling to other countries for business. Although access to the service sometimes occurs in other countries, the Kingdom of Saudi Arabia is considered the actual place of use and enjoyment of the service. VAT is charged in the Kingdom of Saudi Arabia on the full annual fee.

6.3 Determining the Customer's Usual Place of Residence

If Electronic Services are not supplied at a specific location (see item 6.2.1), the supplier of Electronic Services must determine the customer's usual place of residence. If it is difficult for the supplier to determine the customer's residence accurately-particularly if the customer is an individual without a registered office or place of business-the supplier may use the following information as an indication to determine the customer's usual place of residence[27]:

- Customer Invoice Address
- Customer Bank Account Details
- Internet Protocol (IP) Address Used by the Customer to Receive Telecommunications and Electronic Services
- Country Code on the SIM card used by the Customer to Receive Telecommunications and Electronic Services

The determination of the customer's usual place of residence should be based on the information held at the time of supply. Whenever commercially feasible, the supplier must obtain information relating to at least 2 of the indicators mentioned above to determine the customer's residence. If there is a discrepancy between the information obtained, the supplier must acquire additional data to establish the customer's residence with respect to that supply. In cases where information for 2 indicators cannot be obtained, the supplier shall rely on the information it generally holds and uses for commercial purposes.

In all cases, the supplier must use the same indicators to determine the usual place of residence of each customer.

27. Article 24 4 - Telecommunications and Electronically Supplied Services - Implementing Regulations of the System

Example 13:

An individual in the Kingdom of Saudi Arabia downloads an application on their mobile phone from a content provider using a Saudi SIM Card while traveling in Europe. The application can be downloaded from any location and subsequently used in different countries. The individual provides the supplier with their billing address and the mobile phone number associated with the SIM Card. Since the supplier has verified information through the customer's SIM Card, the supplier's regular procedure is to use that information to determine the customer's usual place of residence and to compare it with the billing address for verification purposes, conducting further investigations if the information does not match.

In this case, the supplier charges VAT in the Kingdom of Saudi Arabia on the mobile application based on the customer's Consumption and Enjoyment of Services at their usual place of residence.

6.4 Application of VAT on Electronic Services

In all cases, a Resident supplier of Electronic Services must charge VAT to the customer and include it in the tax invoice issued to the customer (invoice requirements are discussed in item 9). If the agreed sale price does not include VAT, VAT at 15% must be added to the agreed price.

The final prices announced to the end consumer in the local market must include VAT[28]. If the price is stated as inclusive of tax (or no reference to VAT is made), VAT shall be calculated based on 15/115 of the tax-inclusive price.

If a Non-Resident supplier supplies Electronic Services, the mechanism for charging VAT depends on whether the customer is registered for VAT in the Kingdom of Saudi Arabia, as follows:

- If supplied to a customer (whether a natural or legal person) not registered for VAT in the Kingdom of Saudi Arabia, the Non-Resident supplier must register for VAT[29] and charge VAT on the invoice as if they were a Resident supplier.
- If supplied to a customer registered for VAT, the customer must account for the VAT themselves using the Reverse Charge Mechanism[30]. If the Non-Resident supplier is unable to estimate the VAT on sales, they must not include the VAT amount on the invoice issued to the customer.

28. Article 25 2 - VAT Rate - Unified Agreement for VAT
29. Article 50 3 - Mandatory Registration - Unified Agreement for VAT
30. Article 41 - Customer Liable to Pay Tax under the Reverse Charge Mechanism - Unified Agreement for VAT

7. Supply Through an Agent or Intermediary

7.1 VAT on Supply Through an Agent

An Agent may provide a wide range of services on behalf of the Principal, including acting on behalf of the Principal (whether on behalf of the seller or the buyer) in relation to the supply of goods and services.

In some cases, the Agent acts in the name of the Principal, and in other cases in their own name (but on behalf of the Principal).

7.1.1 Agent Acting in the Name of the Principal

If the Agent acts in the name of the Principal, VAT must be applied to the transaction between the supplier and the service recipient according to the normal rules.

Example 14:
Noor, a natural person registered for VAT purposes, was appointed to find a buyer for a new software product developed by Al-Ofoq Ltd., a software developer in the Kingdom of Saudi Arabia. After searching for a buyer, Noor reached an agreement with Al-Omala Ltd., and the company agreed to sign a contract to download the software from Al-Ofoq Ltd. for SAR 1,000,000.

The sale was made directly from Al-Ofoq Ltd. to Al-Omala Ltd., with VAT applied on the invoice issued by Al-Ofoq Ltd. to Al-Omala Ltd. for the software price of SAR 1,000,000. Noor issued a separate invoice to Al-Ofoq Ltd. for her fees, which amounted to 2% of the sale price. Noor's fees constitute a separate taxable supply. Tax invoices to be issued:

1. **Invoice issued by Al-Ofoq Ltd. to Al-Omala Ltd. for the software.**

Supply of Software	1,000,000	Value of the supply
VAT at 15%	150,000	VAT = Value × 15%
Total Amount Due	**1,150,000**	**Total Amount Due for Payment**

2. **Invoice Issued by Noor to Al-Ofoq Ltd.**

Sales Commission: SAR 1,000,000 × 2% (With reference to the invoice number and details on which the commission was collected)	20,000	Value of the supply
VAT at 15%	3,000	VAT = Value × 15%
Total Amount Due	**23,000**	**Total Amount Due for Payment**

7.1.2 Agent Acting in Their Own Name

If the Agent deals with third parties in their own name, for VAT purposes, they are considered to act in their own capacity (as Principal) in their transactions with third parties (i.e., they receive the supply or make the supply themselves)[31].

The commission charged by an Agent acting in their own name does not constitute a separate supply, as for VAT purposes it represents a profit margin on the sale value.

31. Article 19 - VAT Law

Example 15:

Referring to Example 14, Noor was appointed to find a buyer for a new software product developed by Al-Ofoq Ltd. (a software developer in the Kingdom of Saudi Arabia). After a period of communicating with other companies in her own name, Noor reached an agreement with Al-Omala Ltd., which agreed to purchase the software and sign a contract with Noor (in her own name) for the supply of the software from Al-Ofoq Ltd. for SAR 1,000,000.

Although the sale was effectively made on behalf of Al-Ofoq Ltd., Noor deals with third parties in her own name and is considered to act as a Principal for VAT purposes. She purchases the software from Al-Ofoq Ltd. for SAR 980,000 (effectively the total sale price minus the 2% commission). Al-Ofoq Ltd. applies VAT on this supply and issues a tax invoice as follows:

Supply of Software (SAR 1,000,000 less 2% commission)	980,000	Value of the supply
VAT at 15%	147,000	VAT = Value × 15%
Total Amount Due	**1,127,000**	**Total Amount Due for Payment**

Noor issues a separate invoice in her own name to Al-Omala Ltd. for the sale of the software. This is considered a separate taxable supply as follows:

Supply of Software	1,000,000	Value of the supply
VAT at 15%	150,000	VAT = Value × 15%
Total Amount Due	**1,150,000**	**Total Amount Due for Payment**

7.2 Electronic Marketplace

An Electronic Marketplace refers to any electronic or digital platform, or its equivalent, whose primary purpose-or one of its primary purposes-is to enable suppliers to display, provide, make available, or contract their products, whether goods or services, to the customers benefiting from them[32].

Accordingly, in cases where the supply of Electronic Services in the Kingdom is facilitated through an Electronic Marketplace acting as an intermediary for a Non-Resident supplier or suppliers, the Electronic Marketplace is deemed to have purchased the services from the Non-Resident supplier(s) on its own account and to have re-supplied them in its own name and on its own account to the customer receiving those services. The Electronic Marketplace is responsible for collecting and remitting VAT on taxable supplies made in the Kingdom through the marketplace. This provision does not apply if all of the following conditions are met:

a. It is explicitly stated that the Non-Resident supplier(s) themselves supply the services in the Kingdom during the transaction facilitated via the Electronic Marketplace, as reflected in the contractual arrangements between all parties and in the tax invoice or receipt issued to the customer for payment.
b. This applies when the Electronic Marketplace does not set the terms and conditions for the supply of services made through it, does not determine the consideration for those services, does not charge or collect payment from the customer, and does not handle customer complaints, provide offers, or provide compensation related to the supply[33].

Similarly, in cases where the supply of goods or services in the Kingdom is facilitated through an Electronic Marketplace acting as an intermediary for a Resident supplier or suppliers who are not registered for VAT, the Electronic Marketplace is deemed to have purchased the goods or services from the unregistered Resident supplier(s) on its own account and to have re-supplied them in its own name and on its own account to the customer receiving those goods or services. The Electronic Marketplace is responsible for collecting and remitting VAT on taxable supplies made in the Kingdom through the marketplace. This provision does not apply if all of the following conditions are met:

32. Paragraph 4 of Article 47 of the Implementing Regulations of the VAT Law
33. Paragraph 2 of Article 47 of the Implementing Regulations of the VAT Law

a. It is explicitly stated that the Resident supplier(s) not registered for VAT themselves supply the goods or services in the Kingdom during the transaction facilitated via the Electronic Marketplace, as reflected in the contractual arrangements between all parties and in the invoice or receipt issued to the customer for payment.
b. An independent and direct contractual relationship exists between the unregistered Resident supplier(s) and the customer receiving the supply, under the applicable laws in the Kingdom, and the unregistered Resident supplier(s) set all terms and conditions related to the supply to the customer.
c. The Electronic Marketplace does not set the terms and conditions for the supply of goods or services made through it, does not determine the consideration for the supply, does not charge or collect payment from the customer, and does not handle customer complaints, provide offers, or provide compensation related to the supply[34].

If the role of the Electronic Marketplace is limited to processing payments for the purchase of goods or services on behalf of suppliers, marketing or advertising the goods or services offered through it without facilitating the supply, or redirecting customers to another marketplace that facilitates the supply, the marketplace is not considered to be facilitating the supply of goods or services[35].

Example 16:
Saad (the customer) purchased goods through an online marketplace that facilitates the supply of goods or services within the Kingdom and acts as an intermediary for resident suppliers who are not registered for tax purposes.

In this case, the online marketplace considers that it purchased the goods or services from the resident suppliers who are not registered for tax purposes and that it resupplied them in its own name and on its own account to the customer benefiting from those goods or services.

The marketplace also sets the terms and conditions for supplying games to customers and collecting payments, and it is responsible for receiving and responding to customer complaints.

34. Paragraph 3 of Article 47 of the Implementing Regulations of the VAT Law
35. Paragraph 4 of Article 47 of the Implementing Regulations of the VAT Law

7.3 Telecommunications Providers

Telecommunications service providers may also act as an Agent in relation to the supply of Electronic Services and facilitating payments through prepaid recharge cards. Accordingly, the telecommunications provider must determine whether it is acting in its own name as a Principal or as an Agent to apply the appropriate VAT treatment. However, merely collecting payments on behalf of the supplier does not by itself mean that the telecommunications provider is acting in its own name.

Example 17:
A telecommunications provider in the Kingdom of Saudi Arabia allows customers to pay for downloading mobile applications using credit cards. The company sold one of the applications for SAR 50, inclusive of VAT. The application content was supplied by a Non-Resident third-party, but the customers did not enter into terms and conditions with the third-party content provider. The telecommunications provider collected the payments and remitted them to the third-party content provider under its own terms and conditions (deducting SAR 5 as a commission from the pre-tax collected amount).

In this case, the telecommunications provider acts in its own name as a Principal and is considered the supplier for VAT purposes. The telecommunications provider is responsible for reporting VAT on the sale of the application to the customer in its tax return.

Supply of Mobile Application	43.48	Value of the supply
VAT at 15%	6.52	VAT = 15/115 × Consideration
Total Amount Due	**50**	**Total Amount Due for Payment**

The content provider is considered to have sold the content to the telecommunications provider in a separate supply, valued at the pre-tax price less the commission. Since the content provider is a Non-Resident Person in the Kingdom of Saudi Arabia, the telecommunications provider must account for VAT using the Reverse Charge Mechanism.

Supply of Mobile Application (SAR 47.62 less SAR 5 commission)	42.62	Value of the supply
VAT is not applied by the content provider - the recipient accounts for VAT using the Reverse Charge Mechanism	0.00	VAT = Value × 15%
Total Amount Due	**42.62**	**Total Amount Due for Payment**

In Box 9 of the tax return, the telecommunications provider will enter the following:

		Amount (SAR)	VAT Amount (SAR)
9	Imports subject to VAT accounted for using the Reverse Charge Mechanism	42.62	6.39

8. Input VAT Deduction

8.1 Businesses Registered for VAT in the Kingdom of Saudi Arabia

A person registered for VAT may deduct Input VAT charged on goods and services purchased or received in the course of carrying out their Economic Activity. Input VAT may be deducted on:

- VAT charged by a supplier registered for VAT in the Kingdom of Saudi Arabia
- VAT self-accounted by a person registered for VAT using the Reverse Charge Mechanism
- VAT on imports paid to the Authority in respect of imported goods

As a general rule, Input VAT relating to the activities of a taxable person that are exempt from VAT (e.g., residential property rental) cannot be deducted. In addition, Input VAT on costs not incurred in the course of an Economic Activity, including certain restricted expenses such as entertainment services and vehicles[36], or other costs relating to making exempt supplies, is not deductible.

Input VAT represents a credit balance to be entered in the VAT return and deducted from the VAT charged on supplies (Output VAT) made during the period. Input VAT may only be deducted if the taxable person holds a VAT invoice (or any alternative document proving the amount of VAT paid or due, if agreed with the Authority).

8.2 Non-Resident Supplier

A Non-Resident supplier may not deduct Input VAT as described above unless the supplier is registered for VAT purposes. A Non-Resident supplier registered for VAT (for example, for the supply of Electronic Services to a consumer in the Kingdom of Saudi Arabia) may deduct Input VAT incurred in the Kingdom of Saudi Arabia on its purchases through its VAT return.
In other cases, a Non-Resident supplier may not deduct Input VAT on purchases or imports into the Kingdom of Saudi Arabia. However, a Non-Resident Person may apply for a refund of input tax incurred in the Kingdom of Saudi Arabia through a special refund scheme[37] , once implemented.

Example 18:
An Italian equipment supplier (with no place of residence or establishment in the Kingdom of Saudi Arabia) stores display stock in a warehouse in Riyadh owned by a third party. All sales are executed by the Italian team and shipped from Italy. The customers act as importers and pay import VAT to the Authority. Accordingly, the Italian supplier is not able to register for VAT in the Kingdom of Saudi Arabia. The third party charged a monthly storage fee of SAR 3,000 plus VAT of SAR 450. The Italian supplier is not entitled to deduct this VAT as input tax.

36. Detailed List of Restricted Expenses Included in Article 50 of the Implementing Regulations
37. Article 71 - Refund of Tax to Taxable Persons in Other Member States - Implementing Regulations of the VAT Law

8.3 Deduction of VAT on Imports

A registered importer may deduct VAT paid on imports where the imported goods are used in the course of carrying out an Economic Activity. For the purpose of deducting VAT, the importer (or its representative) must provide its Tax Identification Number (TIN) to the Authority at the time the goods enter the Kingdom. The Authority will issue monthly import statements to be used as supporting evidence when claiming a refund of VAT[38].

Example 19:
A digital services provider in the Kingdom of Saudi Arabia, registered for VAT in the Kingdom, imports computer equipment for use in its business. The company does not intend to resell the equipment but will use it in the course of its Economic Activity. The company requests the Authority's intermediary to provide its Tax Identification Number (TIN) to the Authority. The VAT paid will appear in the monthly summary submitted to the Authority. The company must include the input tax under item 8 of its tax return, which will be deducted from the Output tax declared for that period.

A delivery company issued an invoice to a Non-Resident supplier for SAR 1,000 plus SAR 50 in respect of local delivery and handover services and VAT. The invoice was addressed "care of" the Authority's intermediary, who made the advance payment. Since the Authority's intermediary is not the recipient of the supply, it may not deduct the VAT charged on the invoice.
If the freight forwarder or customs broker fails to provide the importer's Tax Identification Number (TIN), or provides its own Tax Identification Number instead, neither the importer nor the broker may deduct the VAT paid as input tax.

8.4 Supplies Made by Agents

An Agent acting in the name of the Principal is not considered the recipient of purchases made by its Principal. An Agent acting in this capacity may not recover VAT charged to the Principal.

38. Article 43 - Collection of Tax on Imports upon Entry into the Kingdom - Implementing Regulations of the VAT Laws

Example 20:
A customs broker in the Kingdom of Saudi Arabia acts on behalf of a Non-Resident supplier. The customs broker clears imported goods, and the Non-Resident supplier requests the broker to appoint a local delivery company to collect the goods from the port in Jeddah and deliver them to the customer. The customs broker appoints the delivery company and informs it that it is acting in the name of the Non-Resident supplier. Accordingly, for VAT purposes, the delivery services are supplied directly by the delivery company to the Non-Resident supplier.

An Agent acting in its own name, however, is considered the recipient of such supplies for VAT purposes[39]. The Agent is therefore entitled to deduct input tax on purchases received in that capacity, provided that a tax invoice is issued in its name and the other input tax deduction requirements are met.

In Example 19, if the customs broker had acted in its own name, it would be considered the recipient of the supply for VAT purposes (even if the purchase was made on behalf of its Principal). The delivery company would issue the invoice in the name of the customs broker, and consequently, the Authority's intermediary would be able to deduct the tax incurred in the course of his economic activities.

39. Article 9 - VAT Law

9. VAT Reporting

9.1 Issuing Invoices

A taxable supplier must issue a tax invoice for each taxable supply made to another person registered for VAT or to any other legal person. A simplified tax invoice may be issued where the value of the supply is less than SAR 1,000, or for supplies made to a final consumer. The invoice must be issued no later than 15 days following the end of the month in which the supply takes place. The tax invoice must clearly include specific details and information, such as the invoice date, the supplier's Tax Identification Number (TIN), the taxable amount, the applicable tax rate, and the amount of VAT charged. Where different rates apply to supplies, the value of each item must be shown separately, along with the VAT applicable to each item. A tax invoice may be issued in the form of a commercial document, provided that it contains all the tax invoice requirements set out in the Implementing Regulations of the Law.

9.2 Submission of VAT Returns

Every person registered for VAT, or a person authorized to act on their behalf, must submit a VAT return to the Authority for each monthly or quarterly tax period. The VAT return constitutes a self-assessment by the taxable person of the VAT due for that period.
Monthly tax periods are mandatory for taxable persons whose annual revenues exceed SAR 40 million, while the standard tax period for other taxable persons is 3 months.
The VAT return must be completed, and any net VAT due must be paid no later than the last day of the month following the end of the tax period to which the return relates.

If the VAT return results in VAT refundable to the taxable person, or if the taxable person has a credit balance for any reason, the taxable person may request a refund when submitting the VAT return or at any time within the following 5 years. The Authority will review such requests and pay the approved refund amount directly to the taxable person[40].

9.3 Record Keeping

All persons subject to VAT under the VAT Law must maintain appropriate tax records relating to the calculation of VAT for audit purposes. This includes any documents used to determine the VAT due on each transaction and in the VAT return. Generally, this includes the following:

- Tax invoices issued and received
- Accounting books and records
- Contracts or agreements relating to high-value sales and purchase transactions
- Bank statements and other financial records
- Import, export, and shipping documents
- Other documents relating to the calculation of VAT

Records may be retained in paper form. In certain cases, records may be retained electronically, subject to meeting the conditions specified in the Implementing Regulations of the Law[41]. In all cases, records must be made available to the Authority upon request.

All records must be retained for at least the basic retention period of 6 years. The minimum retention period is extended to 16 years for invoices and records relating to capital assets[42].

9.4 Tax Obligations

Every person subject to VAT must assess their tax obligations and ensure compliance with VAT requirements and conditions. This includes registering for VAT where required, accurately calculating the net VAT payable, paying the tax by the due date, maintaining all necessary records, and cooperating with the Authority's officials upon request.

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40. Article 69 - Refund of Overpaid Tax - Implementing Regulations of the VAT Law
41. For further information, please refer to Article 66 (Records) - Implementing Regulations of the VAT Law
42. Article 66 - Records - Implementing Regulations of the VAT Law

If you are unsure about your obligations, you should contact the Authority through the website zatca.gov.sa or through other available communication channels.

9.5 Correction of Previous Errors

If a person subject to VAT identifies an error or an incorrect amount in their submitted VAT return, or fails to comply with any tax obligation, they must notify the Authority and correct the error by amending the VAT return. If the error results in a tax difference exceeding SAR 15,000, the person subject to VAT must notify the Authority within 20 days of becoming aware of the error or incorrect amount and amend the previous return. For minor errors resulting in a tax difference of less than SAR 15,000, the error may be corrected by including that amount, as an increase, in the net tax due that must be reported in the tax return submitted to the Authority for the tax period in which the error was discovered[43].

10. Penalties

43. Article 63 - Correction of Returns - Implementing Regulations of the VAT Law

The Authority may impose penalties or sanctions on taxpayers in relation to violations of the provisions and conditions of the VAT Law and its Implementing Regulations[44].

Non-Field Violations

Description of the Violation	Associated Penalty
Submission of incorrect documents with the intent to evade payment of the due tax or to pay an amount less than the due tax.	. Not less than the amount of the due tax. . Not exceeding 3 times the value of the goods or services.
Transporting goods from or to the Kingdom without payment of the due tax.	. Not less than the amount of the due tax. . Not exceeding 3 times the value of the goods or services.
Failure to register for VAT purposes within the specified registration period.	SAR 10,000.
Submission of an incorrect tax return, amendment of a tax return after submission, or submission of any document to the Authority relating to the due tax, resulting in an error in calculating the tax amount at less than the amount due.	25% of the difference between the calculated tax and the due tax. The Authority may increase the penalty rate up to a maximum of 50% or reduce it to 0%.
Failure to submit the tax return within the specified time.	5-25% of the tax for which the return should have been submitted.
Failure to pay VAT within the specified time.	5% of the due tax for each month or part thereof.
Collection of VAT without registration for tax purposes.	A penalty of up to SAR 100,000.

44. Chapter 16, Articles 41, 42, 43, 44, and 47: Tax Evasion and Penalties - Value Added Tax Law

In the above cases, if the violation is repeated within 3 years from the date of issuance of the final decision regarding the penalty, the Authority may double the penalty in the event of recurrence of the violation.

The Authority determines the level of the penalty or sanction imposed on the taxable person, taking into consideration the conduct of the taxable person and their VAT compliance record, including the taxable person's fulfillment of the obligation to notify the Authority of any errors and cooperation with the Authority to correct such errors.
The penalty associated with the violation of "submission of an incorrect tax return, amendment of a tax return after submission, or submission of any document to the Authority relating to the due tax resulting in an error in calculating the tax amount at less than the amount due" shall be calculated as shown in the table above, in accordance with the following rules.

First: Increase of the Penalty

The Authority has the right to increase the penalty rate associated with the violation of "submission of an incorrect tax return, amendment of a tax return after submission, or submission of any document to the Authority relating to the due tax resulting in an error in calculating the tax amount at less than the amount due" by up to a maximum of 50% of the difference between the calculated tax and the due tax, if one or more aggravating factors apply, as follows:

1. The penalty shall be increased by 10% where the error in the return is associated with a case of tax evasion for which a decision has been issued by the Authority, in accordance with Article 39 of the VAT Law.
2. The penalty shall be increased by 10% where the taxable person's compliance record is classified as very poor.
3. The penalty shall be increased by 5% where the taxable person's compliance record is classified as poor.
4. The penalty shall be increased by 5% where the percentage of the difference between the calculated tax and the due tax, payable or refundable, relating to the total periods subject to amendment, exceeds 20% for returns relating to monthly tax periods, or exceeds 40% for returns relating to quarterly tax periods.

Second: Reduction of the Penalty

The Authority may reduce the penalty rate associated with the violation of "submission of an incorrect tax return, amendment of a tax return after submission, or submission of any document to the Authority relating to the due tax resulting in an error in calculating the tax amount at less than the amount due" down to 0%, where one or more mitigating factors apply, as follows:

1. The penalty shall be reduced by 5% where the taxable person's compliance record is classified as good.
2. The penalty shall be reduced by 5% where the percentage of the difference between the calculated tax and the due tax, payable or refundable, relating to the total periods subject to amendment, is less than 5% for returns relating to monthly tax periods, or less than 15% for returns relating to quarterly tax periods.
3. The penalty shall be reduced by 10% where the taxable person pays the amount of the difference between the calculated tax and the due tax payable within 30 days from the assessment decision issued by the Authority.
4. The penalty shall be reduced by 15% where the taxable person is classified as a micro-enterprise. For the purposes of these rules, a micro-enterprise is deemed to exist where the value of its annual taxable revenues does not exceed SAR 3,000,000 during the 12 months preceding the tax period subject to audit and assessment.
5. More than one mitigating factor shall not be combined in relation to the mitigating factors stated above, except for the factors relating to payment of the due tax set out in these rules.
6. As an exception to the provisions of this item (Second), the penalty rate shall not be reduced if the error in the return is associated with a case of tax evasion for which a decision has been issued by the Authority.

Third: Rules for Determining Taxable Person Compliance

The Authority determines the level of compliance of the taxable person based on the number of errors in their previous tax returns in relation to submitting returns by their due dates or paying the due tax by its due date, as follows.

1. The taxable person's compliance shall be deemed good where there are no violations during a period of 12 months.

2. The taxable person's compliance shall be deemed poor for a taxable person submitting monthly returns where more than 2 and up to 6 violations are committed during the last 12 months, and for a taxable person submitting quarterly returns where 1 or 2 violations are committed during the last 12 months.

3. The taxable person's compliance shall be deemed very poor for a taxable person submitting monthly returns where more than 6 violations are committed during the last 12 months, and for a taxable person submitting quarterly returns where more than 2 violations are committed during the last 12 months.

Fourth: No Penalty for Incorrect Tax Return in the Following Cases

1. Where the taxable person corrects the return in accordance with the provisions of Article 63 of the Implementing Regulations of the VAT Law, provided that such correction takes place before notification of the commencement of audit and inspection procedures by the Authority.
2. Where the difference between the calculated tax and the due tax is less than SAR 5,000.

Fifth

Where the taxable person corrects the return through the voluntary disclosure form after being notified of the commencement of audit and inspection procedures, and such correction exceeds 50% of the calculated and due tax differences resulting from the audit and assessment, the penalty shall be reduced to 10%. Where the taxable person pays the due tax payable within 30 days from the date of the assessment notification, the penalty shall be reduced to 0%.

Field Violations

All field violations commence, upon commission, with notifying the violator and providing awareness thereof, and granting an appropriate time period ranging from 30 to 60 days to rectify them, except for the violation relating to preventing or obstructing Authority employees from performing their duties and tasks. In such case, the violator shall be granted a period not exceeding 10 days from the date of imposition of the last penalty to rectify the violation, which shall be imposed consecutively in the event of repeated commission by the violator.

For the classification table of general VAT violations and the violations and penalties specifically related to the provisions of the Electronic Invoicing Regulations, reference shall be made to the guideline issued on the classification of general VAT violations.

11. Request for an Interpretive Decision (Tax Ruling)

If you are uncertain of how Tax applies to a specific activity or a specific transaction that you are conducting or intend to conduct, after reviewing the relevant statutory provisions and the related guideline, you may submit a request to the Authority to obtain an Interpretative Decision in accordance with the provisions outlined in the Guideline for Tax Ruling Requests.

12. Questions and Answers

1. How can a Non-Resident supplier register for VAT in the Kingdom of Saudi Arabia?

Non-Resident suppliers who do not have any place of establishment or fixed establishment in the Kingdom of Saudi Arabia must register when they collect the value of any sales (regardless of amount), as they are considered liable to collect and remit VAT within 30 days from the date of supply that gives rise to the liability. They must appoint an authorized tax representative (tax agent). For more information, see item 3.4 of this guidance.

2. A US-based online fashion website charges local sales tax on a customer in the Kingdom of Saudi Arabia for an online order. Can the Saudi customer deduct the sales tax charged by the US supplier from their Saudi VAT return upon import?

No. Any tax charged in the country of origin does not affect the VAT treatment on imports into the Kingdom of Saudi Arabia.

3. A customer in the Kingdom of Saudi Arabia returns goods sold to a Saudi supplier and receives a refund. Can the Saudi supplier recover the VAT paid on those goods?

For domestic sales, the VAT must be adjusted. The supplier must issue a VAT credit note reflecting the original sale price and the corresponding VAT.

4. A customer in the Kingdom of Saudi Arabia returns goods sold to a Non-Resident supplier in the GCC and receives a refund. Can the supplier recover the VAT incurred?

No. If the goods were imported, the VAT paid on import is non-recoverable, even if the goods are subsequently returned.

5. Will a "low-value threshold" be applied for importing goods through commercial shipping companies?

No low-value threshold applies under the VAT system. The Authority will collect VAT on imported goods (including goods purchased from a supplier via an online platform) according to the applicable procedures.

6. Should Non-Resident suppliers charge the Saudi customer VAT on imports?

The party acting as the importer is responsible for paying the VAT due at the time of import. This may be the customer himself or the Agent of the Non-Resident supplier. It is for the Non-Resident supplier to determine, as a commercial matter, whether they will bear the import VAT cost, pass it to the customer, or require the customer to act as the importer. Since VAT on imports is imposed on importation (rather than sale), the Non-Resident supplier is not required to charge VAT via invoices.

7. Do prices visible to consumers on websites in the Kingdom of Saudi Arabia include VAT?

Prices set by suppliers in the Kingdom of Saudi Arabia for the local market must include VAT. In practice, Non-Resident suppliers may set prices that do not include VAT.

8. A customer in the Kingdom of Saudi Arabia has a monthly subscription with a content provider and can access on-demand movies while traveling in the United States. Is the customer liable to pay VAT?

If the customer's usual place of residence is in the Kingdom of Saudi Arabia, the supplier must charge VAT on the full subscription. No adjustment is made if the account is accessed from other countries.

9. How can an online supplier determine if a customer is VAT-registered in the Kingdom of Saudi Arabia or in any other member state of the Gulf Cooperation Council?

To determine whether a customer is registered for VAT, the supplier must obtain and record proof that the customer has a valid tax identification number. In cases where the customer is required to self-account for VAT on the supply, the tax invoice must also include the customer's Tax Identification Number and a statement that the customer is required to account for the tax.



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