هيئة الزكاة والضريبة والجمارك
Zakat, Tax and Customs Authority

Guideline

For the Investment Metals 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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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.

Amendments

#	Version Number	Date of Amendment	Section/ Item	Type of Amendment	Description of Amendment	Notes
1	2	February 2026G	2	Amendment	In accordance with the amendment dated 11th October 2024G to the Precious Metals and Gemstones Law.	
2	2	February 2026G	8.9	Amendment	Amended by Zakat, Tax and Customs Authority Board Resolution by Circulation No. (0124-06-) dated 17th Jumada al-Awwal 1446H/19th November 2024G.	
3	2	February 2026G	10	Amendment	Amended by Zakat, Tax and Customs Authority Board Resolution No. (1124-02-) dated 14th Ramadan 1446H/24th March 2024G .	

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1. Introduction

1.1 Application of the Value Added Tax Law in the Kingdom of Saudi Arabia

The Kingdom of Saudi Arabia ratified the Unified Agreement for Value Added Tax of the Cooperation Council for the Arab States of the Gulf (GCC) pursuant to Royal Decree No. (M/51) dated 5th Jumada Al-Awwal 1438H/2nd February 2017G (the "Unified VAT Agreement"). Based on the provisions of the Unified VAT Agreement, the Kingdom of Saudi Arabia issued the Value Added Tax Law pursuant to Royal Decree No. (M/113) dated 2nd Dhu Al-Qa'dah 1438H/26th July 2017G (the "VAT Law"), as well as the Implementing Regulations of the VAT Law pursuant to Resolution No. 3839 dated 14th Dhu Al-Hijjah 1438H/5th September 2017G issued by the Board of Directors of the General Authority of Zakat and Income Tax – formerly – and the Zakat, Tax and Customs Authority – currently – (the "Implementing Regulations"), as amended by subsequent Board Resolutions.

1.1.1 Zakat, Tax and Customs Authority

Pursuant to Cabinet Resolution No. 570 dated 22nd Ramadan 1442H / 4th May 2021, the General Authority of Zakat and Income and the General Customs Authority were merged into a single entity under the name of the Zakat, Tax and Customs Authority. The Authority is responsible for the collection of zakat, taxes, and customs duties, ensuring the highest level of compliance by taxpayers according to best practices and with high efficiency. It also seeks to enable the Kingdom to become a global logistics hub by facilitating trade, safeguarding national security, and regulating and managing all customs-related activities and ports to achieve maximum efficiency, productivity, and competitiveness. The Authority provides high-quality services with a strong focus on the customer and service excellence according to best practices.

1.1.2 What is Value Added Tax?

Value Added Tax is an indirect tax imposed on the import and supply of goods and services at each stage of production and distribution, subject to certain exceptions. VAT is applied in more than 160 countries worldwide. VAT is a consumption tax that is paid and collected at each stage of the supply chain, starting from the manufacturer's purchase of raw materials through to the retailer's sale of the final product to the consumer. Unlike other taxes, persons subject to VAT will:

- Collect VAT from their customers on each taxable sale in accordance with the applicable percentagerate.
- Pay VAT to their suppliers, where applicable, on each taxable purchase at the applicable percentagerate.

When a taxable person sells goods or provides services, they must charge VAT at the rate of 15% (assuming the standard rate applies to those supplies), in addition to the final selling price. Taxable persons must account separately for the 15% collected on taxable sales from their revenues and remit it to the Authority. The VAT collected on their sales is referred to as "Output Tax."

Similarly, VAT at the rate of 15% is added to purchases of goods and services made by taxable persons (assuming the standard rate applies to those supplies). The VAT paid to their suppliers is referred to as "Input Tax."

For more information on VAT, please refer to the VAT Guideline available on the website zatca.gov.sa.

1.2 This Guideline

This Guideline is directed to natural and legal persons engaged in the investment metals sector, including producers, processors, operators, wholesalers and retailers, and those using investment metals for industrial, commercial, and investment purposes.

2. Definitions Relating to Key Terms

Qualified Metals: For VAT purposes, the following:

- Gold
- Silver
- Platinum[1]

All Qualified Metals are considered precious metals pursuant to the regulations of the Ministry of Industry and Mineral Resources and the regulations of the Ministry of Commerce[2]. Those regulations set out provisions relating to the supervision and control of the trade and manufacture of precious metals and do not conflict with the VAT treatment of Qualified Metals.

Other metals are not considered Qualified Metals, even if they have characteristics or uses similar to Qualified Metals.

1 Article 36(3)(a), Investment Metal Supplies, Implementing Regulations
2 Implementing Regulations of the Precious Metals and Gemstones Law issued by Ministerial Resolution No. 1000 dated 8th Rabi' al-Thani 1406H/20th December 1985 and its amendments

A Qualified Metal is considered supplied for investment purposes if its purity level is not less than 99% and it is tradable on the international bullion market[3]. A metal supplied for investment purposes is referred to as an "Investment Metal."

- The following supplies are not considered supplies of Qualified Metals:
- Decorative plates, bars, or wafers, or collectible bars, plates, or wafers.
- Granules for industrial use.
- Non-qualified precious coins and jewellery.

Metal Producer: For VAT purposes, any person engaged in the mining and extraction of Qualified Metals[4].

Metal Processor: For VAT purposes, any person engaged in refining a commodity so that it becomes a Qualified Metal through any form of processing[5].

The Processor must be licensed in accordance with the relevant regulations of the Ministry of Commerce and Investment.

Economic Activity: An activity falling within the scope of VAT, including the activities of legal persons as well as activities carried out on a continuous basis by natural persons. For VAT purposes under the Unified VAT Agreement[6], Economic Activity is defined as:

"An activity conducted in a continuous and regular manner including commercial, industrial, agricultural, professional, or service activities or the use of tangible or intangible property and any similar activity."

Article 36(3)(b), Investment Metals Supplies, Implementing Regulations
Article 36(3)(c), Investment Metals Supplies, Implementing Regulations
Article 36(3)(d), Investment Metals Supplies, Implementing Regulations
Article 1, Definitions, Unified Agreement for VAT

3. Economic Activity and Registration for VAT Purposes

3.1 Who Conducts an Economic Activity?

An Economic Activity may be conducted by both natural and legal persons. Legal persons (such as companies) are considered to conduct an Economic Activity where they carry out regular activities involving supplies.

Natural persons may carry out certain activities as part of their Economic Activity or as part of their private activities. Special rules apply to determine whether a natural person falls within the scope of VAT.

Natural and legal persons conducting an Economic Activity must register for VAT if the registration requirements are met. They must also collect VAT applicable to their activities and remit it to the Authority along with their periodic returns.

3.2 Mandatory Registration

Registration is mandatory for all persons whose annual revenues exceed a specified threshold. Where a person's taxable supplies exceed SAR 375,000 over a period of 12 months ("Mandatory Registration Threshold"), that person must register for VAT purposes[7], subject to the transitional provisions set out in the Implementing Regulations relating to the Mandatory Registration Threshold during the transitional period.

- Supplies not to be included in the calculation of the registration threshold[8]:
- Exempt supplies, such as exempt financial services or exempt real estate supplies[9].
- Supplies falling outside the scope of VAT in any GCC Member State.
- Proceeds from the sale of Capital Assets, defined as long-term commercial assets[10].
- In certain cases, other criteria apply for Mandatory Registration:
- Non-resident persons making or receiving supplies in the Kingdom and liable to pay VAT in the Kingdom must register for VAT regardless of the value of their supplies[11].

Further information on Mandatory Registration is available at zatca.gov.sa.

7 Article 50, Mandatory Registration, Unified Agreement for VAT
8 Article 52, Calculation of the Value of Supplies, Unified Agreement for VAT
9 Articles 29 and 30, Implementing Regulations
10 Article 1, Unified Agreement for VAT
11 Article 5, Mandatory Registration of Non-Resident Persons Liable to Pay Tax in the Kingdom, Implementing Regulations

3.3 Voluntary Registration

A resident person whose taxable supplies or taxable expenses exceed SAR 187,500 ("Voluntary Registration Threshold") over a 12-month period may apply for voluntary VAT registration[12].

Further information on Voluntary Registration is available at zatca.gov.sa.

4. Investment Metals: Zero-Rated Supplies

Supplies of Investment Metals are supplies of goods where the supply includes the transfer of ownership or the right to dispose of specified ingots, bars, plates, wafers, or other Investment Metals.

Supplies of Investment Metals are treated in two ways[13]:

- Supply of Goods: A supply of Investment Metals is considered a supply of goods when it involves the transfer of ownership or the right to dispose of them, whether in the form of ingots, wafers, plates, or coins minted for investment purposes.
- Supply of Services: A supply of Investment Metals is considered a supply of services where the metals may be leased or sold on a general "non-specified" basis.

When Investment Metals are sold on an "unallocated" basis, the purchaser acquires the right to a specified quantity of metal, which remains in the possession of the supplier. The purchaser does not obtain ownership of specified tangible goods. Accordingly, sales of Investment Metals on an "unallocated" basis and leasing thereof constitute supplies of services for VAT purposes.

12 Article 7, Voluntary Registration, Implementing Regulations
13 Article 5 – Supply of Goods, Unified Agreement for VAT

Example (1):

A foreign bullion dealer (non-resident in the Kingdom) sold 10 ounces of gold to a resident investor in the Kingdom, registered for VAT purposes, on an "unallocated" basis for USD 12,500. Under the sale, the investor is issued a certificate evidencing their investment for the same amount, but ownership of a specific metal piece is not granted unless a certain conversion fee is paid to take possession. There is no physical location of the tangible goods; therefore, the supply is treated as a supply of services for VAT purposes.

For VAT purposes, the Saudi investor is required to self-account for VAT upon receiving the services related to the "unallocated" gold under the reverse charge mechanism, although this supply may be zero-rated as it constitutes a supply of investment gold rights.

Further sections of this Guideline address the VAT treatment of various supplies of Qualified Metals that are subject to the zero rate.

4.1 Supply of Qualified Investment Metals

The investment supply of gold, silver, and platinum in the Kingdom is subject to VAT at the rate of 0%[14]. The zero rate applies to the direct and outright sale of Investment Metals, as well as to any other form of: "grant, assignment, or surrender of any right, interest, or claim in respect of a supply of an Investment Metal where that right, interest, or claim constitutes a transfer of possession of the goods or confers a right to such possession."[15]

Accordingly, the zero rate applies to the following supplies:

- Leasing of Investment Metals, where the lessee acquires the right to possession of the goods (whether or not actual possession is obtained).

14 Article 36(2)(3), Investment Supply of Gold, Silver and Platinum, Implementing Regulations
15 Article 36(2), Supply of Investment Metals, Implementing Regulations

Example (2):

A silver processor in the Kingdom enters into a contract with a metals trader to borrow a specified quantity of silver classified as Investment Metal under a six-month lease agreement. The processor undertakes to return the same quantity of silver to the trader at the end of the lease term. The trader charges SAR 100,000 for the entire lease term. This supply constitutes a supply of a Qualified Metal subject to VAT at the rate of 0%.

- Transfer of rights relating to an unallocated portion of a Qualified Metal in investment form, where the customer is able to obtain the right to possession of the metal (whether or not actual possession is obtained), as illustrated in Example (1) above.

- Assignment of possession of Qualified Metals for the purpose of performing work.

Example (3):

An Investment Metals trader in the Kingdom, registered for VAT, holds excess stock of gold classified as Investment Metal. The trader assigns possession of the gold to a jewellery manufacturer in the Kingdom for three months in consideration of SAR 50,000, on the condition that the manufacturer uses the stock and returns the same quantity of gold to the trader at the end of the period. In this case, the jewellery manufacturer acquires the metal and is required to return an equivalent quantity of the same gold classified as Investment Metal at the end of the term. The fee charged for the assignment of possession constitutes consideration for a supply of a Qualified Metal subject to VAT at the rate of 0%.

- Assignment of any of the above-mentioned rights for consideration.

4.2 Import of Qualified Investment Metals

The import of Qualified Investment Metals is exempt from VAT on the basis that the supply of such metals in the Kingdom is subject to the zero rate[16].

Accordingly, VAT is not payable upon the importation of Qualified Investment Metals at the time of customs clearance by the Zakat, Tax and Customs Authority.

Although the import is exempt from VAT at the point of entry, it is not treated as an exempt import for purposes of Input Tax deduction. Rather, the importer is treated as making a zero-rated taxable import and is entitled to deduct Input Tax, where applicable.

16 Article 38(1), Exemption upon Import, Unified Agreement for VAT

Example (4):

A jewellery manufacturer in the Kingdom imports platinum from a processor in South Africa and declares upon import that the platinum is classified as Investment Metal. In this case, the Zakat, Tax and Customs Authority does not impose VAT on the import.

Under this example, the importer does not include the value of the exempt import in the VAT return submitted to the Authority. Accordingly, there is no impact on the importer's Input Tax deduction position when calculating deductible Input Tax in accordance with Section 7.3 of this Guideline.

The importer of Qualified Investment Metals must comply with the provisions of the Ministry of Commerce relating to the import of precious metals and must ensure that the correct VAT treatment is determined and applied to the import of goods in the customs declaration.

4.3 First Supply of Qualified Metals by the Producer or Processor

The first supply in the Kingdom of Qualified Metals extracted or processed for the first time is subject to VAT at the rate of 0%[17]. This applies to all Qualified Metals (whether in investment form or not).

Supplies made by Producers or Processors generally constitute transfers of ownership of goods. However, in certain cases, the first supply may take the form of a lease or the grant of a right permitting the lessee to possess the goods.

Subsequent supplies made within the supply chain will not qualify for the zero rate on the basis of being the first supply of Qualified Metals. However, they may qualify for the zero rate in other circumstances, such as where they meet the definition of Qualified Investment Metals or where they are exported from the Kingdom (see Section 4.4 below).

17 Article 35(3), Investment Supply of Gold, Silver and Platinum, Unified Agreement for VAT, and Article 36(1), Supply of Investment Metals, Implementing Regulations

Example (5):

Al-Ikhlas Mining Company (a Producer in the Kingdom and registered for VAT) extracts gold and sells it to Al-Salam Trading Company in the Kingdom. Al-Salam Trading Company sells the newly produced gold to Al-Nasr Processing Company to convert it into gold bars classified as Investment Metals and bearing an approved hallmark. The Processor then sells the bars to Al-Dana Trading Company in the Kingdom, which subsequently sells them to a bank for investment purposes.

Treatment	Tax Treatment
Extraction of raw gold – Al-Ikhlas Mining Company	Not a supply VAT does not apply
Sale of raw gold from Al-Ikhlas to Al-Salam Trading Company in the Kingdom	Zero-rated supply First supply of Qualified Metals by the Producer
Sale of raw gold from Al-Salam to Al-Nasr Processing Company in the Kingdom	Supply subject to the standard rate Not a first supply of Qualified Metals and not classified as Investment Metal
Conversion of raw metal into bars classified as Investment Metals – Al-Nasr Processing Company	Not a supply VAT does not apply
Sale of gold bars from Al-Nasr to Al-Dana in the Kingdom	Zero-rated supply First supply of a Qualified Metal by the Processor Supply of an Investment Metal
Sale of gold bars from Al-Dana to the bank	Zero-rated supply Supply of a Qualified Metal

In many cases, the Producer does not purchase and sell precious metals but instead provides services related to Qualified Investment Metals.

The VAT treatment of services related to qualifying investment metals will be discussed in Section 5 of this Guideline.

4.4 Exports

Where Investment Metals are exported outside the Kingdom, this constitutes an export of goods to a destination outside the territory of the GCC and is subject to VAT at the rate of 0%[18]. The supplier must obtain export documentation, commercial documents, and transport documentation evidencing that the goods have been transported outside the territory of the GCC[19], taking into account the specific transitional provisions set out in the Implementing Regulations.

5. Supplies of Qualified Metals Subject to the Standard Rate

Any supplies of Investment Metals other than Qualified Metals, or supplies of Qualified Metals not subject to the zero rate under the provisions of Section 4 of this Guideline, made in the Kingdom, shall be subject to VAT at the standard rate of 15%.

5.1 Supplies of Qualified Metals for Industrial Purposes

Qualified Metals (gold, silver, platinum) may be used for industrial purposes. They are often supplied in granule form or in a similar form that is not classified as Investment Metal. In such cases, VAT at the standard rate of 15% applies to the supply of those metals in the Kingdom where the definition of Qualified Investment Metals is not met.

Example (6):

A trader in the Kingdom supplies platinum for industrial purposes to an oil refinery for use in the refining process. The platinum supplied does not meet the requirements of Qualified Investment Metals and is therefore subject to VAT at the standard rate of 15%.

5.2 Production and Supply of Jewellery

Not all jewellery and precious articles are considered Qualified Investment Metals, even if they contain Qualified Metals (gold, silver, platinum) as a principal component. The sale of jewellery and precious articles in the Kingdom is subject to VAT at the standard rate of 15%.

18 Article 34(1), Supplies Outside the Territory of the Cooperation Council States, Unified Agreement for VAT
19 Article 32(3), Exports of Goods from the Kingdom, Implementing Regulations

Example (7):

A gold processing company in the Kingdom, registered for VAT, sells Investment Gold bars to a trading company in the Kingdom. The trading company sells the bars to a jewellery manufacturer, which uses them to produce gold jewellery and sells the jewellery to retailers for sale to consumers in their stores.

Treatment	Tax Treatment
Sale of Investment Gold bars from the Processing Company to the Trading Company	Zero-rated supply First supply of a Qualified Metal by the Processor Supply of an Investment Metal
Sale of gold bars from the Trading Company to the Manufacturer in the Kingdom	Zero-rated supply Supply of an Investment Metal
Use of gold bars together with other materials to manufacture jewellery – Manufacturer	Not a supply VAT does not apply
Sale of jewellery from the Manufacturer to a Retailer in the Kingdom	VAT applies at 15% on the sale price
Sale of jewellery by the Retailer to consumers in its stores in the Kingdom	VAT applies at 15% on the sale price

5.3 Services Related to Investment Metals

Processors and other service providers commonly provide services related to Qualified Metals, such as processing, refining, purification, granulation, casting, and recasting. In such cases, possession of the metal may be temporarily assigned to the Processor during the performance of the service. The assignment of possession by the owner, without consideration, does not constitute a supply of goods, provided that the metals are returned to the owner.

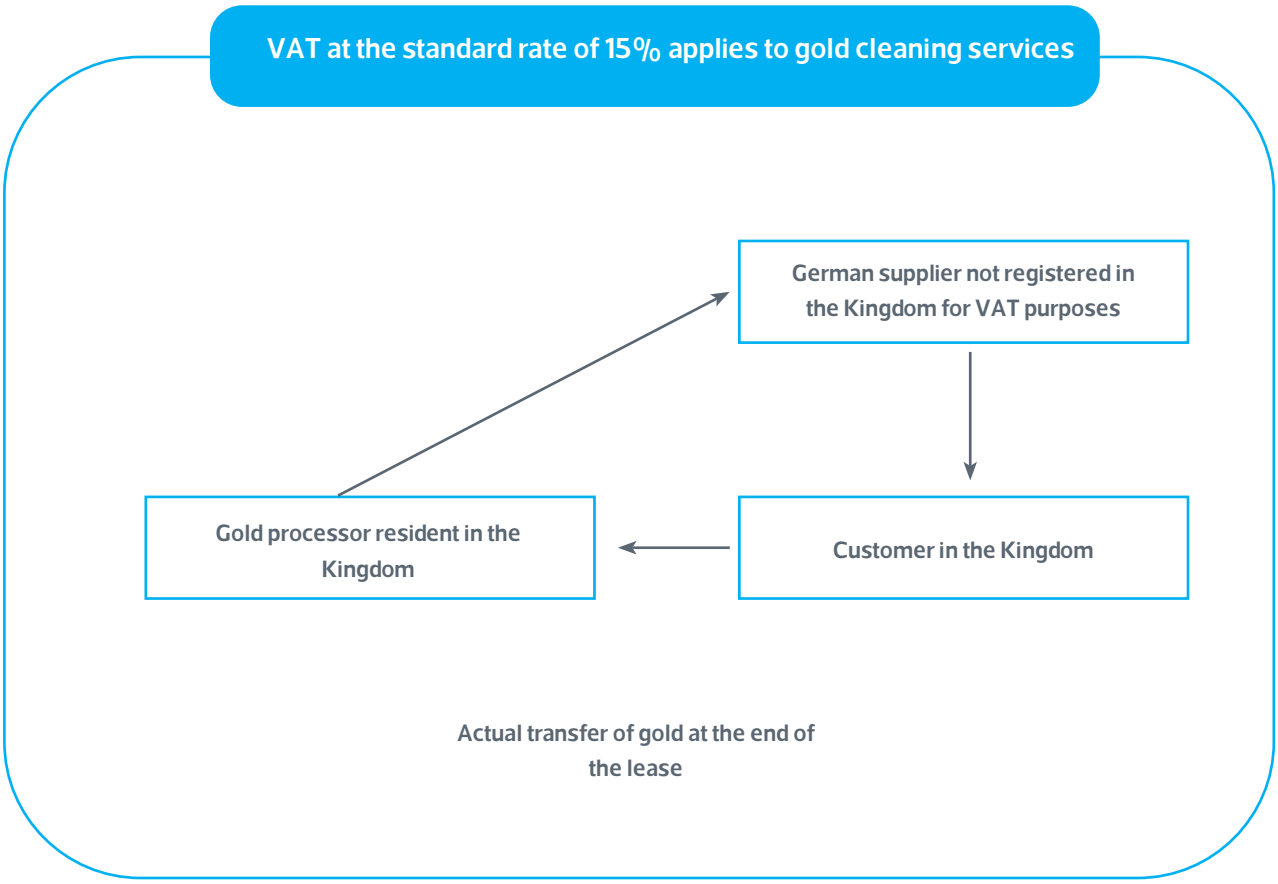
Services provided in relation to Qualified Metals do not constitute supplies of those metals. Accordingly, related services are subject to VAT at the standard rate of 15%.

Services related to metals located in the Kingdom are generally subject to VAT at the standard rate of 15%, even if supplied to a non-resident recipient in a GCC Member State. This is because such services relate to goods located in the Kingdom at the time of performance, and therefore the zero rate applicable to services supplied to non-residents in the GCC cannot be applied.

Example (8):

A non-resident company (a German supplier) specializing in the production of industrial gold granules leases gold granules to a customer in the Kingdom for industrial use. At the end of the lease term, the German supplier coordinates with a Processor in the Kingdom to perform cleaning services on the granules to enable their reuse by another customer.

In this case, the resident Processor in the Kingdom provides services relating to Qualified Metals. These services are subject to VAT at the standard rate of 15% because the metals are located in the Kingdom. The German supplier incurs VAT in the Kingdom on the supply of cleaning services.



6. Other Supplies

The transfer of Investment Metals within the Kingdom does not give rise to a supply in the Kingdom in the following cases:

6.1 Use of Investment Metals in Islamic Finance Transactions

Investment Metals may be used as part of Islamic finance products; whereby nominal ownership of such metals is transferred temporarily to the customer. However, such transfer is not intended to transfer absolute possession of the metals to the customer, as the metals are used as a mechanism for providing Islamic finance products. Nominal ownership of the Investment Metals is returned after the financing period to the financier or to a third party.

In such cases, the transfer of ownership of goods (metals) without the intention of transferring possession of those goods to the customer does not constitute a separate supply for VAT purposes[20].

For further information regarding the specific rules applicable to Islamic financial products and Shariah-compliant financing, reference may be made to the Guideline on Islamic Finance Services.

Example (9):

An Islamic financial services provider registered in the Kingdom arranges a purchase for a customer (a natural person), whereby the provider purchases platinum from a related supplier for SAR 100,000 and then sells it to the customer for SAR 120,000, payable over one year. The customer, who does not obtain possession of the platinum, resells it to the supplier (through the bank acting as agent) for SAR 100,000.

20 Article 29(4), Financial Services, Implementing Regulations

Treatment	Tax Treatment
The bank purchases platinum from the supplier for SAR 100,000	VAT does not apply Islamic financial product
The bank sells platinum to the customer for SAR 120,000 payable in installments over one year	VAT does not apply SAR 100,000 corresponds to a conventional financial product SAR 20,000 is exempt from VAT
The customer sells the platinum to the supplier through the bank for SAR 100,000 and the bank deposits the amount into (the customer's account (loan value	Exempt supply corresponding to conventional financial products (as set out in the (Guideline on Financial Services
The underlying platinum is returned to the platinum supplier	VAT does not apply Islamic financial product

6.2 Metals Located Outside the Kingdom of Saudi Arabia

Investment Metals may be stored in vaults in international locations by their owners for safekeeping and to facilitate later sale.

The supply of goods located outside the Kingdom is not subject to VAT in the Kingdom[21].

As stated in Section 4 of this Guideline, the supply of metals on an unallocated basis constitutes a supply of services and is subject to VAT at the standard rate when the service is received by a recipient registered for VAT purposes in the Kingdom (regardless of the location of the metals)[22]. The VAT is accounted for by the customer under the Reverse Charge Mechanism.

Under the Reverse Charge Mechanism, the corresponding Input Tax may be deducted by the customer in the same VAT return, provided that:

The metal is acquired with the intention of making a subsequent taxable supply[23], and such metal can be attributed to that subsequent supply; or

21 Article 2, Scope of Tax, Unified Agreement for VAT
22 Article 41, Customer Liable to Pay Tax under Reverse Charge, Unified Agreement for VAT
23 It includes the supply that would have been subject to tax if it had taken place in the Kingdom. Article 49(1)(c), Input Tax Deduction, Implementing Regulations

The metals constitute general expenses of taxable business activities with a full right to deduct Input Tax on non-attributable expenses.

Section 7 of this Guideline provides further information on the deduction of Input Tax.

7. Deduction of Input Tax

7.1 General Conditions

A person registered for VAT may deduct Input Tax charged on goods and services purchased or received in the course of conducting an Economic Activity. Input Tax may be deducted in respect of:

- VAT charged by a supplier registered in the Kingdom;
- VAT self-accounted by a VAT-registered person under the Reverse Charge Mechanism;
- VAT on imports paid to the Zakat, Tax and Customs Authority upon importation of goods into the Kingdom.

As a general rule, Input Tax relating to VAT-exempt supplies may not be deducted. In addition, Input Tax may not be deducted on expenses not related to the Economic Activity of the taxable person (including certain restricted expenses such as entertainment services and motor vehicles)[24], or on costs relating to exempt supplies.

Input Tax constitutes a credit to be reported in the VAT return and offset against VAT charged on supplies (Output Tax) made during the relevant period. Input Tax may only be deducted where the taxable person holds a tax invoice or customs documentation evidencing the VAT due (or any alternative document evidencing the amount of Input Tax paid or payable, subject to the approval of the Authority).

24 A detailed list of restricted expenses is included under Article 50, Goods and Services Deemed to be Received Outside the Scope of Economic Activity, Implementing Regulations

7.2 Conditions Specific to the Investment Metals Sector

The right to deduct Input Tax arises from activities involving taxable supplies (including zero-rated supplies), intra-group supplies, or supplies made outside the Kingdom which would have been considered taxable supplies if made in the Kingdom. However, Input Tax may not be deducted on costs relating to personal purposes or incurred as part of exempt activities. Traders and Processors of precious metals are not generally expected to undertake exempt or private (personal) activities. Where participants in the Investment Metals sector do not carry out exempt or private activities, they will be entitled to full deduction of Input Tax on costs incurred in the course of their activities.

7.3 Proportional Deduction of Input Tax

Input Tax relating to the Taxable Person's exempt supplies from VAT may not be deducted, such as exempt financial services or exempt residential rent. Where the Taxable Person's supplies include both supplies subject to VAT and supplies exempt from VAT, the Taxable Person may deduct the Input Tax relating to the portion subject to VAT, and if the Taxable Person incurs general expenses or costs in making both supplies subject to VAT and exempt supplies, the Taxable Person must accurately apportion the expenses and costs in order to determine the costs relating to the portion subject to VAT. Input Tax shall be determined in accordance with the following provisions:[25]

Input Tax directly attributable to taxable sales transactions	Full deduction
Input Tax directly attributable to exempt sales transactions	No deduction permitted
General expenses and Input Tax that cannot be directly attributed	Partial deduction based on direct apportionment

General expenses/costs incurred by a Person subject to VAT in making both taxable supplies and exempt supplies must be apportioned to properly reflect the use of such costs in the taxable portion of the Taxable Person's activities.

25Article 51, Proportional Deduction of Input Tax, Implementing Regulations

The proportional deduction shall be calculated based on the value of taxable supplies made during a specified year using the following default method:

"Value of taxable supplies made by the taxable Person during the previous Gregorian year"

"Total Value of taxable supplies and exempt supplies made by the Taxable Person during the previous Gregorian year "

The abovementioned method does not include supplies of capital assets made by the Taxable Person, as their inclusion would distort the use of Input Tax.

The Authority may approve alternative methods for calculating the default proportional deduction other than the value of supplies, in cases where such methods better reflect the actual use of the VAT incurred.

For further information regarding VAT deduction and partial recovery of VAT, please refer to the VAT Deduction Guideline available on the Authority's website.

8. Value Added Tax Return

8.1 Date of Supply

VAT is due on the supply of investment metals on the date on which the metals are placed at the disposal of the customer [26]. With respect to precious metals held within a warehouse or other location, the Date of Supply shall be the date of transfer of ownership and the purchaser's ability to access the goods. However, VAT may become due prior to that date if:

- A Tax Invoice is issued by the supplier before the transfer date;
- or the recipient pays a deposit or any other amount to the supplier.

The tax shall be due on the date of supply of goods or services, the date of issuance of the Tax Invoice, or the date of receipt of consideration in whole or in part, to the extent of the amount received, whichever occurs first.[27]

26 Article 23 (2), Date of Tax Due on the Spply of Goods and Services, Unified VAT Agreement
27 Article 23(1), Date of Tax Due on the Supply of Goods and Services, Unified VAT Agreement

Certain services are regarded as continuous supplies, such as warehouse fees, storage fees, or leasing of metals for industrial use. In such cases, VAT shall be due on continuous supplies throughout the period of supply of goods and services in accordance with the date of issuance of invoices and payment arrangements.

Lease Contract with Installments: If the lease contract requires payment of consideration in periodic installments and the amount and due date of each installment are agreed in advance, each installment shall be treated as a separate supply, and VAT shall become due on the due date of each installment or the actual payment date, whichever occurs first.[28]

Other Continuous Contracts: Where periodic installments are not specified in the agreement, a separate invoice must be issued for the goods supplied during that period. Each subsequent amount invoiced or paid shall be treated as a separate supply, and VAT shall become due on the invoice date or the actual payment date, whichever occurs first.[29]

8.2 Supplier Residence

The application of VAT is based on whether the supplier is resident in the Kingdom. A resident includes a company established under the laws of the Kingdom or whose central management is located in the Kingdom. If a company or other legal person is established outside the Kingdom and has a branch, a headquarters, or any other form of Permanent Establishment in the Kingdom, such company shall be considered resident in the Kingdom.[30]

8.3 Imposition of Value Added Tax

If a resident supplier makes a supply, that supplier shall be responsible for registration under the VAT system (where applicable) and for charging VAT at the applicable rate. The supplier must issue a Tax Invoice for supplies on which VAT is applied.

If a non-resident supplier makes a supply to a recipient resident in the Kingdom and registered for VAT, the non-resident supplier shall not charge VAT, and in such case, the recipient of the supply shall be responsible for accounting for the VAT at the applicable rate in the VAT Return through the Reverse Charge Mechanism.

For further information regarding the Reverse Charge Mechanism, please refer to the VAT Guideline available on the Authority's website at zatca.gov.sa.

28 Article 20(1), Date of Supply in Specific Cases, Implementing Regulations
29 Article 23(2), Date of Tax Due on the Supply of Goods and Services, Unified VAT Agreement
30 Article 1, Definitions, Implementing Regulations

8.4 Issuance of Invoices

A Taxable Supplier must issue a Tax Invoice for each supply subject to VAT made to another person registered for VAT purposes or to any other legal person, or a Simplified Tax Invoice where the value of the supply is less than SAR 1,000, or a Simplified Tax Invoice made to a final consumer no later than 15 days after the end of the month in which the supply is made. The Tax Invoice must clearly include certain data and information, including the invoice date, the supplier's Tax Identification Number, the taxable amount, the applicable tax rate, and the VAT charged.[31]

Where different rates apply to supplies, the value of each item must be specified separately, as well as the VAT applicable to each item.

A Tax Invoice may be issued in the form of a commercial document, provided that such document includes all the Tax Invoice requirements set out in the Implementing Regulations of the Law.

For further information regarding Tax Invoice requirements, please refer to the VAT Guideline available on the Authority's website at zatca.gov.sa.

8.5 Submission of Value Added Tax Returns

Every person registered for VAT purposes, 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 Tax Return constitutes a self-assessment by the Taxable Person of the tax due for that period.

Monthly Tax Periods are mandatory for Taxable Persons whose annual revenues exceed SAR 40,000,000, while the standard Tax Period for other Taxable Persons is 3 months.

The VAT Return must be completed and the 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 VAT Return relates.

31 Article 53, Tax Invoices, Implementing Regulations

Where the Tax Return results in an amount of tax refundable to the Taxable Person, or where the Taxable Person has a credit balance relating to VAT, the Taxable Person may claim a refund of such amount after submitting the Tax Return or at any time within the following 5 years by submitting a refund request to the Authority. The Authority shall review such requests and may approve the request in whole or in part or reject it, and if approved, the Authority shall refund the amount within 60 days from the date of approval by bank transfer to the Taxable Person's account.[32]

For further details, please refer to the Simplified Guideline on Submitting the VAT Return available on the Authority's website at zatca.gov.sa.

8.6 Record Keeping

All Taxable Persons under the Law must retain appropriate tax records for audit purposes relating to the calculation of VAT. This includes any documents used to determine the VAT due on each transaction and in the VAT Return. This generally includes the following:

- Issued and received Tax Invoices
- Accounting books and records
- Contracts or agreements relating to significant 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 and, in certain cases, electronically; however, they must be made available to the Authority upon request. All records must be retained for at least the statutory retention period of 6 years, and the minimum retention period shall be extended to 16 years in respect of invoices and records relating to capital assets.[33]

32 Article 69, Refund of Overpaid Tax, Implementing Regulations
33 Article 66, Records, Implementing Regulations

8.7. Tax Obligations

Every Taxable Person must assess their tax obligations and comply with the conditions and obligations of VAT, which includes registering for VAT purposes where applicable, accurately calculating the net tax payable, paying the tax on its due date, retaining all required records, and cooperating with the Authority's officials upon request.

If you are uncertain about your tax obligations, you must contact the Authority through its website at zatca.gov.sa, or through other available communication channels.

8.8 Request for an Interpretive Decision

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 Interpretative Decision Requests.

8.9 Correction of Previous Errors

If a Taxable Person becomes aware of an error or inaccuracy in the amount reported in a submitted Tax Return, or a failure to comply with any tax obligation, the Authority must be notified and the error must be corrected by amending the Tax Return. Where the submitted Tax Return results in an overstatement of the tax due, the error must be corrected within 20 days from the date of its discovery by deducting the amount from the net tax due in a subsequent Tax Return, provided that this does not exceed 5 years from the end of the calendar year of the relevant Tax Period. Where the error results in an understatement of the tax due that has been reported, and the net amount is less than SAR 15,000, the correction shall be made by adding the amount to the net tax due in the Tax Return for the Tax Period in which the error was discovered.

For further information, please refer to the Guideline on Audit, Assessment, Correction, and Objection to the Authority's Decisions relating to VAT, available on the Authority's website at zatca.gov.sa.

9. Transitional Provisions Applicable to Investment Metals

VAT shall, in principle, apply to all transactions carried out on or after 14th Rabi' al-Thani 1439H /1st January 2018G, in accordance with the Date of Supply rules set out in Section 8.1 of this Guideline. By way of exception, transitional provisions shall apply to ensure the fair application of VAT to transactions taking place around 14th Rabi' al-Thani 1439H/ 1st January 2018G. For further information on the transitional provisions, please refer to the Guideline on Transitional Provisions for VAT. Set out below are 3 rules that are particularly relevant to the investment metals sector:

9.1 Actual Date of Supply

For any supplier who issued an invoice or received consideration for a supply before 14th Rabi' al-Thani 1439H/ 1st January 2018G, while the actual supply of goods or services occurred on or after 14th Rabi' al-Thani 1439H/ 1st January 2018G, VAT shall be applied based on the actual date of supply.[34]

This overrides the rules relating to shifting the Date of Supply to a later date for the purposes of issuing a Tax Invoice or prepayment, and prevents tax evasion through prepayment or invoicing.

9.2 Application of Transitional Provisions for Zero-Rating Existing Contracts

The transitional provisions concerning existing contracts allow supplies made under long-term existing contracts to be subject to a zero rate during the transitional period, until contract's expiry, renewal, or 24th Rabi' al-Thani 1440H/ 31st December 2018G, whichever occursfirst.[35]

This provides suppliers and customers who entered into long-term contractual commitments without considering VAT, additional time to review contracts and agree on appropriate pricing, and these transitional provisions shall not be applied except on supplies that would originally have been subject to VAT, such as metals used for industrial purposes. However, the transitional zero-rate provisions do not apply to Qualifying Metals, as explained in Section 4 of this Guideline, where such supplies are subject to VAT at the zero rate.

34 Article 79, Implementing Regulations
35 Article 79, Implementing Regulations

9.2.1 Eligible Contracts for Zero-Rating under the Transitional Provisions

Transitional provisions allowing for the application of the zero rate may be applied to binding contracts between the parties where VAT was not expected to apply, provided that the contract text, terms, and conditions do not include the following:

- Any reference to whether the contract price includes or excludes VAT or other taxes;
- Any provisions relating to adjustment of the contract value in case of VAT or other taxes are applied to the goods and services supplied under the contract.

The transitional zero-rate provisions apply only to contracts where VAT was not anticipated, and a supplier may apply the zero rate to supplies made under contracts where VAT was not expected to apply until the contract's expiry, renewal, or 24th Rabi' al-Thani 1440H/ 31st December 2018G, provided all the following conditions are met:

1. Contract concluded before 4th Ramadan 1438H/30th May 2017G: The contract conclusion date is the date the Contract was signed or became binding on both parties. Contracts concluded before this date but renewed or updated after 4th Ramadan 1438H/30th May 2017G shall be considered concluded on the date of renewal or update.
2. The customer must be entitled to fully deduct Input Tax in relation to the supply, or be a Government Entity or a "Qualified Person" entitled to recover VAT. It is not required that the customer be fully Taxable or capable of fully deducting Input Tax on all activities to benefit from the transitional zero-rate provisions for this supply. The transitional zero-rate provisions do not apply to supplies made to a non-registered final consumer or a person not registered as a Qualified Person with the Authority.
3. The customer must provide the supplier with a written certificate confirming their ability to fully deduct or recover Input Tax in relation to that supply. Further details regarding such certificates are provided below.[36]

36 Article 79 (3), Transitional Provisions, Implementing Regulations

9.2.2 Certificate

The customer must respond to the supplier's request to be provided with the certificate in a timely manner in accordance with their agreement. Such response should be based on all facts known to the customer at the time of providing the response and must relate to the customer's ability to deduct VAT on that specific supply (or those specific supplies).

The customer must either:

- Confirm his entitlement to fully deduct Input Tax in respect of the supplies subject to the request; or
- Indicate that he is not able to fully deduct Input Tax in respect of the supplies subject to the request, or that he is not able to provide such confirmation.

The customer may issue this certificate by any means (including electronic means); both the customer and the supplier must retain such certificate in their records, provided that the customer confirms his entitlement to deduct the Input Tax relating to that supply or those supplies.

For further details, please refer to the Guideline on Transitional Provisions available on the Authority's website at zatca.gov.sa.

9.3 Supplies of Goods to and from the Gulf Cooperation Council States Implementing VAT

The transitional provisions relating to supplies of goods to and from the Kingdom of Saudi Arabia and all other Gulf Cooperation Council States shall apply until the Electronic Services System is fully implemented. These provisions shall be applied regardless of whether other Gulf Cooperation Council States have implemented a domestic VAT system.

- The transitional provisions shall apply from 14th Rabi' al-Thani 1439H /1st January 2018G, until the Authority issues a decision approving the commencement of the Electronic Services System. Until such time, the following transitional provisions shall apply[37]:
- Investment metals and other goods transported from the Kingdom to another Gulf Cooperation Council State shall be treated as exports from the Kingdom for VAT purposes where the zero rate may be applied to such supplies as if they were exports to a country outside the Gulf Cooperation Council territory, provided that they meet the requirement regarding zero-rating of exports. A separate Guideline on VAT on exports shall be issued.

37 Article 79 (3), Transitional Provisions, Implementing Regulations

- Investment metals and other goods transported to the Kingdom from another Gulf Cooperation Council State shall be treated as imports into the Kingdom. VAT shall be applied on importation in the same manner as goods imported from outside the Gulf Cooperation Council territory. This shall not affect the customs status of the goods. A separate Guideline on VAT on imports shall be issued.

Example (11):

A metals trader in the Kingdom (not a producer or processor) sold silver to an industrial manufacturer of pharmaceutical products in Kuwait on 3rd Rajab 1439H/ 20th March 2018G and shipped the goods to the customer on the same day. If the Electronic Services System had not yet been implemented, this would be treated as an export of goods, and the zero rate would be applied in the same manner as non-GCC exports.

10. Penalties

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.

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 down 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.

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, in the event that 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.

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

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.

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%.

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