



## Guideline

# Persons Liable to Pay Tax in Special Cases - Deemed Suppliers

**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



The Zakat, Tax and Customs Authority ("ZATCA", "Authority") has issued this Guide for the purpose of clarifying certain tax treatments concerning the implementation of the statutory provisions in force as of the Guide's issue date. The content of this Guide shall not be considered as an amendment to any of the provisions of the Laws and Regulations applicable in the Kingdom.

Furthermore, the Authority would like to highlight that the clarifications and indicative treatments prescribed in this Guide, where applicable, shall be implemented by the Authority in light of the relevant statutory texts. Where any clarification, interpretation or content provided in this Guide is modified - in relation to unchanged statutory text - the updated indicative treatment shall then be applicable prospectively, in respect of transactions made after the publication date of the updated version of the Guide on the Authority's website.



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## 1. Subject Matter of this Guide

This Guide clarifies the application of special VAT rules applying to Electronic Marketplaces in accordance with the tax provisions stipulated in Article 9 of the VAT Law and Article 47 of the VAT Implementing Regulations.

These rules specify the role and responsibilities applying to Electronic Marketplace operators, who, for VAT purposes, are deemed to act as suppliers when:

- facilitating the process of supplying electronically supplied services in the Kingdom by a non-resident supplier; or
- facilitating the process of supplying goods and/or services in the Kingdom by resident suppliers who are not registered in the VAT system.

The rules also specify the conditions and limitations where the deemed supplier rules do not apply to transactions made by certain private electronic markets for VAT purposes.

The rules have been provided in accordance with the Common VAT Agreement of the States of the Gulf Cooperation Council (GCC) approved by Royal Decree No. (M/51) dated 03/05/1438H, the VAT Law issued by Royal Decree No. (M/113) dated 02/11/1438H, as well as the Implementing Regulations of the Value Added Tax Law issued pursuant to ZATCA (previously GAZT) Board Decision No. (3839) dated 14/12/1438H as amended by the subsequent Board decision No. (01-06-24) dated 05/17/1446 AH corresponding to 11/19/2024 AD.



## 2. Definitions of Key terms

The following words and expressions, wherever they appear in the Guide, shall have the meanings set forth against each of them, unless the context otherwise requires:

**1. Electronic Marketplace:** For the purpose of the VAT Regulations, an electronic marketplace means an electronic or digital platform or similar platform whose main purpose or one of its main purposes is to enable suppliers to display their products - whether Goods or Services - or make them available or contract for them with the customers who benefit from them.<sup>(1)</sup> See section 4 of this guide for further explanation.

**2. Deemed Supplier:** Operators of the Electronic Marketplace, in cases where the Electronic Marketplace facilitates the supply of goods and services to customers within the Kingdom, through the Electronic Marketplace's platform, on behalf of the underlying suppliers and assume all tax reporting responsibilities as a supplier under the VAT Law and its Regulations.

**3. Facilitation of a Supply:** In the case of an Electronic Marketplace, acts which have a significant role in bringing together two or more parties or groups and enabling or assisting in initiation, execution, and/or completion of a Supply. See section 4.3 for a broader description of this concept and the manner in which the Electronic Marketplace has a significant role.

**4. Kingdom:** The territory of the Kingdom of Saudi Arabia, including areas beyond the territorial waters that the Kingdom exercises its sovereignty on its waters, seabed, sub-soil, and natural resources by virtue of its laws and the provisions of the international law.

**5. Authority:** The Zakat, Tax and Customs Authority (ZATCA).

**6. Agreement:** The Common VAT Agreement of the States of the Gulf Cooperation Council.

**7. Law:** The Value Added Tax (VAT) Law.

**8. Regulations:** The Implementing Regulations of the VAT Law.

**9. Tax:** Value Added Tax (VAT) imposed on the import and supply of Goods and Services at each stage of production and distribution, including "Deemed Supplies"<sup>(2)</sup>.

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(1) VAT Implementing Regulations, article 47(4)

(2) Article 1 of the Agreement.



**10. Person:** Any natural or legal person, public or private, or any other form of partnership<sup>(3)</sup>.

**11. Taxable Person:** A Person conducting an Economic Activity independently for the purpose of generating income, who is registered or obligated to register for VAT in accordance with the provisions of this Agreement<sup>(4)</sup>.

**12. Supply:** Any form of supply of goods and services for a consideration in accordance with the cases stipulated in the Agreement<sup>(5)</sup>. And the Implementing Regulations.

**13. Consideration:** Everything collected or to be collected by the taxable supplier from the customer or a third party for the Supply of goods or services inclusive of the VAT<sup>(6)</sup>.

**14. Supply of Goods:** All types of material property (material assets), including water and all forms of energy including electricity, gas, lighting, heating, cooling and air conditioning<sup>(7)</sup>.

**15. Supply of Services:** Any form of supply that does not constitute a Supply of Goods in accordance with the Agreement provisions<sup>(8)</sup>. Electronic services are defined separately below for the purpose of this guide.

**16. Place of Residence:** The location of Place of Business or any other type of Fixed Establishment. In the case of a natural person, if he does not have a Place of Business or Fixed Establishment, it will be his usual place of residence. If a Person has a Place of Residence in more than one State, the place of residence will be considered to be in the place most closely connected with the supply<sup>(9)</sup>.

**17. Resident:** A person will be resident in a State if he has a Place of Residence therein<sup>(10)</sup>.

**18. Non-Resident Person:** A person is not resident in a State if he has no Place of Residence therein<sup>(11)</sup>.

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(3) Article 1 of the Agreement.

(4) Article 1 of the Agreement.

(5) Article 1 of the Agreement.

(6) Article 1 of the Agreement.

(7) Article 1 of the Agreement.

(8) Article 7 of the Agreement.

(9) Article 1 of the Agreement.

(10) Article 1 of the Agreement.

(11) Article 1 of the Agreement.



### 3. Legislative background

Article 9 of the VAT Law states that where a Taxable Person acts in their own name while supplying or receiving goods or services on behalf of another Person, that Taxable Person is considered as supplying or receiving those goods or services for themselves.

Further, Article 47 of the VAT Implementing Regulations builds on the principles stipulated in Article 9 of the VAT Law and provides rules for persons liable to pay tax in special cases. The Article was recently amended by Board Decision No. (01-06-24) dated 05/17/1446 AH corresponding to 11/19/2024 AD.

Prior to the amendments in the Board Decision, and since the introduction of VAT in the Kingdom in 2018, Article 47(2) stated that where Electronically Supplied Services (ESS) are provided in the Kingdom through an online interface or portal (referred to as 'Electronic Marketplace' in this Guide), on behalf of a non-resident supplier, the operator of such Electronic Marketplace is presumed to purchase the services from the non-resident supplier and supply these services onwards in their own name. The Electronic Marketplace in this case is treated as the principal (or deemed) supplier and also assumes the tax reporting responsibilities on behalf of the original (or underlying) supplier, subject to limited exceptions.

The purpose of the updated Article 47(2) is to clarify the rules governing the reporting responsibilities of operators of Electronic Marketplaces that facilitate the supply of ESS for non-resident suppliers through their platform, which benefit KSA resident customers, and update them in accordance with the amendments made to Sub-clause (3) of the same article. The amendment to Sub-clause (2) also included further clarifications on the conditions under which, if applicable, the Electronic Marketplace shall not be required to apply the Deemed Supplier rules.



The updated Article 47(3) provides new rules for Electronic Marketplaces facilitating the supplies of goods and services through their platform by unregistered resident suppliers in the Kingdom to resident customers in the Kingdom. Therefore, the Electronic Marketplace's responsibilities will be largely similar to those applied to similar Electronic Marketplaces since 2018 in accordance with the provisions of Sub-clause (2), and the Electronic Marketplace will be deemed to have purchased the goods or services related to the supply from the original supplier and re-supplied them by the marketplace to the beneficiary customer. The Electronic Marketplace will assume the responsibility of reporting the tax due on that supply, subject to certain exceptions.

Finally, a new Article 47(4) explains the meaning and functions of Electronic Marketplaces for the application of the rules in the Article. The amended rules relating to the application of Article 47(3) of the Regulations will come into effect from 1 January 2026.



## 4. What is an Electronic Marketplace?

The term Electronic Marketplace is specifically defined in the VAT Implementing Regulations:

"an electronic or digital platform or similar platform whose main purpose or one of its main purposes is to enable suppliers to display their products - whether Goods or Services - or to provide, make them available or contract for them with the customers who benefit from them"<sup>(12)</sup>.

The characteristics of an Electronic Marketplace are distinguished by:

Firstly, the digital nature of the marketplace as a platform or network linking and enabling interactions between user groups through a technological infrastructure. In practical terms, the technological infrastructure could be any device or program or app, such as a website, portal, gateway, platform, or application program interface (API).

Common types of Electronic Marketplaces or platforms include the following:

| <br>General Electronic Commerce                                                                             | <br>Digital Content                                             | <br>Travel and Accommodation | <br>Transportation | <br>Personal Services | <br>Food Delivery |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------|
| Marketplaces offering products (goods or services) at a retail, wholesale or peer-to-peer level. May specialize in one type of product or facilitate transactions across a broad product range | Marketplaces offering digital media and content and other downloadable products, such as online courses, graphics packages, and digital app stores | Marketplaces facilitating leisure and business travel, flights and accommodation and associated services.       | Marketplaces which facilitate the transportation of a passenger                                       | Marketplaces which facilitate the provision of services based on the skills and labour of individuals.     | Marketplaces which arrange the delivery of ready-to-eat food and beverages to a consumer.              |

(12) VAT Implementing Regulations, article 47(4).



Secondly, the key function of the Electronic Marketplaces is the enabling of interactions and communications between users (typically, buyers and sellers of goods or services), and the facilitation of transactions between them. The previous function is achieved by verifying that one the marketplace's main purpose includes any of the following:

- Display products of goods or services for customers on the platform;
- Deliver or make products available to the customers through the platform; or
- Facilitate contract procedures for the provision of the products to the customers through the platform.

Users of the Electronic Marketplace could be either companies or entities (businesses) or consumers (individuals), as the Electronic Marketplace definition includes facilitation of Business-to-Business (B2B), Business-to-Consumer (B2C), or peer-to-peer (C2C) supplies.

The Electronic Marketplace may use different business model and varying contractual arrangements with underlying suppliers as noted below:

| Common business models | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Inventory-Based Model  | <p>The platform or Electronic Marketplace generates revenue by earning a profit margin through purchasing products from suppliers and reselling them to customers as a direct principal in the supply process. According to this model, the Electronic Marketplace may maintain an inventory of goods to be sold whenever a purchase order is received from the customer, or adopt the drop-shipping approach by sending a purchase request to the supplier as soon as the platform receives a request from the customer, and the platform then delivers the goods to the customer in its own name.</p> <p>An example of the model is Electronic Marketplaces that specialize in selling consumer goods directly to end consumers where the Electronic Marketplace acts as an official distributor for any brand, and buys goods from that brand at wholesale prices and then resells them in its name to retail customers.</p> <p>According to the previous model, a platform selling its own products would not be considered an "Electronic Marketplace" for the purpose of the deemed supplier rules under Article 47(4) of the Regulations, as it acts as a principal in the supply process, and is therefore responsible for VAT obligations as the supplier if it is taxable under normal circumstances.</p> |



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|------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Commission-Based Model | <p>According to this model, the Electronic Marketplace generates revenue by obtaining a fixed percentage or fee imposed on the determined price for each completed sale or booking by the customers of the underlying suppliers. The Electronic Marketplace may generate additional revenue by providing value-added services to the underlying suppliers within the package of services offered to them through the marketplace, and which may include marketing, storage, packaging, and delivery.</p> <p>The degree of control that the Electronic Marketplace has over sales made through the platform may vary depending on its business model, especially that Electronic Marketplaces are constantly developing different business models to facilitate the supply process between suppliers and customers.</p> <p>For example, the Electronic Marketplace may manage the end-to-end sales cycle which includes setting prices for products sold through the Electronic Marketplace on behalf of customers according to criteria or controls agreed upon in advance between them, and offering discounts or deals to customers according to specific criteria and timeframes, or the Electronic Marketplace may only list the products to customers according to the pricing policy set by the underlying suppliers and assist underlying supplier with (online or physical) delivery to customer as and when needed.</p> <p>A platform applying a commission-based model would have a main purpose of facilitating the supply process by facilitating communication and interaction between users (the underlying supplier and the customer benefiting from the supply). Therefore, it may be considered an "Electronic Marketplace" for the purposes of applying the provisions of Article 47, and thus the Deemed Supplier rules shall apply thereto whenever the provisions stipulated in that article apply to it.</p> |
| Agency Model           | <p>The platform generates revenue by receiving transaction processing fees, fees for listing the products on the platform, or success-based commissions. In this model, the Electronic Marketplace acts as an agent, enabling sellers to reach customers, while managing listings and payments.</p> <p>For example, a real estate rental website allows listing of available for rent properties in return for a fixed fee upon completion of the rental process from the lessor to the client. Higher fees may be charged for premium listing positions or other advertising or similar services.</p> <p>A platform applying an agency model would have a main purpose of facilitating the supply process by facilitating communication and interaction between the users (the underlying supplier and the customer benefiting from the supply), and therefore it may be considered as an "Electronic Marketplace" for the purposes of applying the provisions of Article 47, and therefore the Deemed Suppliers rules would apply to it whenever the provisions stipulated in that article apply thereto.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |



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|------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Hybrid or Multi-Sided Models | <p>The Electronic Marketplace generates revenue by combining all three of the above models together with integrating value-added services such as logistics, third-party fulfilment, payments, advertising.</p> <p>Under a hybrid model, the platform would have a main purpose of facilitating the supply process, which is carried out through facilitating communication and interaction between users (the underlying supplier and the customer benefiting from the supply). Therefore, it may be considered an "Electronic Marketplace" for the purposes of applying the provisions of Article 47, and thus the Deemed Supplier rules shall apply to it whenever the provisions stipulated in that article apply to it.</p> |
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#### 4.1. Who is a Deemed Supplier?

According to this Guide, the term 'Deemed Supplier' refers to operators of Electronic Marketplaces, that facilitate the supply of goods and/or services to customers within the Kingdom, through their platform, on behalf of the underlying suppliers and therefore assume all obligations arising from supplies made through them to customers, including the responsibility of reporting the tax due on the supply, issuing tax invoices, and paying the resulting tax to the Authority within the normal statutory periods.



## 5. How is the applicability of the term “facilitate” within the VAT Regulations verified in practice?

An Electronic Marketplace “facilitates” the supply of goods or services through their platform, if the supply process is concluded through the platform or if the Electronic Marketplace has a key role in enabling, organizing, or controlling such aspects of the transaction with the customer in the Kingdom.

In this context, “facilitation” involves more than merely providing a platform for advertising products for the benefit of underlying suppliers; it entails the Electronic Marketplace acting as an “intermediary” with a key role in the transaction’s initiation, or its completion through or via the Electronic Marketplace.

The operator of an Electronic Marketplace will be seen as “facilitating” a supply of goods and services through its platform if it undertakes any of the following activities, and which are considered to give it a key role in initiating or completing the transaction:

1. Involvement in the process for ordering goods or services made through the marketplace by customers and delivery thereof to them by the Electronic Marketplace.
2. Setting (or controlling) the terms and conditions of the supply, such as setting prices, payment terms, and establishing return/refund policies, or setting rules under which those terms are determined by the underlying suppliers.
3. Directly or indirectly controlling and supervising in terms of ensuring that the underlying supplier fulfills its obligation to deliver goods or provide services to the customer, or making arrangements that ensure the underlying supplier’s fulfillment of goods or services to customers.
4. Collecting payments from the customer in the name of the Electronic Marketplace or on behalf of the underlying supplier, or the Electronic Marketplace’s authorizing a



charge to the customer for the supply made through or via the Electronic Marketplace, therefore the Electronic Marketplace undertakes the management of the financial transactions related to the supply facilitated through the Electronic Marketplace (Note: this differs from a platform which solely provides payment processing services on the instruction of an underlying supplier without any interference or control over the other aspects of the supply).

5. Engaging with customers regarding the supply, which may include receiving and processing complaints, handling returns or making arrangements related thereto, offering guarantees or compensation, or otherwise influencing the provision of the service or delivery of goods to the customers.
6. Using the Electronic Marketplace's brand on the supplies that are made through it, which make the supply appear to be more than just a service for displaying products on the Electronic Marketplace for the benefit of the suppliers.

It should be noted that the Deemed Supplier will obtain an authorization to carry out such activities or any of them on behalf of the underlying supplier pursuant to the contractual relationship established between both parties, and under which the Electronic Marketplace will allow the underlying supplier to use the Electronic Marketplace to make its supplies to its customers through it.

### Example (1)

RiyadhCar, a leading ride-hailing platform in the Kingdom, functions as an Electronic Marketplace, facilitating connections between drivers and passengers via its app. It enters into contractual relationships with drivers for the use of its platform. Under the terms of the contracts and the commercial practice, RiyadhCar exerts substantial control over the transportation services provided to passengers through it, including all of the following:

- Providing the platform to manage bookings and maintain an account.



- Setting the fare or setting conditions that are determined accordingly, without complete control by the drivers to set it individually.
- Assigning specific rides to drivers based on specific criteria.
- Managing all customer inquiries and complaints regarding the quality of service provided and addressing account issues.
- Conducting all transactions with the passengers, including receiving payments and issuing invoices to passengers confirming receipt of payment for the rides.

Due to the platform's large and extensive control over the ride-hailing services, RiyadhCar will be seen as 'facilitating' the supply of passenger transportation services on behalf of the underlying suppliers (resident drivers who are not registered in the VAT system). RiyadhCar will therefore be deemed to have purchase and re-supplied the passenger transportation services for each ride it facilitates as intermediary for unregistered drivers in the Kingdom. RiyadhCar must therefore fulfill all VAT compliance obligations for the purchase and supply of the transportation services, in its own name.

The role of an Electronic Marketplace in the context of facilitating the supply of goods or services is generally defined based on the relationship between the same and the underlying suppliers and the roles and responsibilities it carries on in accordance with that relationship. In practice, the platform should evidence the nature of the role it carries out with the suppliers according to contractual agreements in place, provided that these agreements should accurately reflect actual commercial practices. The relationship will not merely be considered in terms of what is written in the contract between the two parties, but also in terms of the substance and reality of the transaction as it is practiced.

Therefore, Electronic Marketplaces that facilitate supplies on behalf of underlying suppliers through its platform, shall assess the status of the underlying supplier to determine if the Deemed Supplier rules apply to supplies made through them to that underlying supplier based on a number of tests. These tests are outlined in sections 6 and 7 of this guidance.



### 5.1. Exclusions from being considered as 'facilitating' any supply of goods or services

In specific cases, operators of Electronic Marketplaces will not be considered to facilitate the supply of goods or services and hence are excluded from being deemed suppliers. These exclusions include situations where the marketplace acts in a limited capacity, such as:

- **Payment processing only:** Where the Electronic Marketplace is only engaged in the processing of payments for the supplier in relation to the supply of goods or services, without participating in any other procedure related to facilitating the supply.
- **Listing or advertising only:** The Electronic Marketplace provides listing or advertising services in relation to goods or services only, but the Electronic Marketplace is not a direct or indirect party in the process of supplying such goods or services that are advertised through it.
- **Customer redirection:** which means the cases where the Electronic Marketplace redirects or transfers customers to another Electronic Marketplace and the supply of goods or services is concluded by that latter Electronic Marketplace. If several Electronic Marketplaces are involved in the ordering process for a single supply of Goods or Services, only the operator of the Electronic Marketplace through which the order was received from the customer concerning the supply will be deemed to be the supplier for the supply process.

#### Example (2)

SafeRide is a platform based in the Kingdom that connects independent drivers with customers who are looking for chauffeurs to provide them with passenger transportation services. The platform only lists the drivers' contact details, star ratings, and reviews from other customers to potential customers.

The platform does not interfere in any way with the supply process from the driver to the customer, and does not charge a percentage of the consideration that the chauffeur receives from the passenger, but rather a fixed amount from the chauffeurs as a subscription in exchange



for listing their data on the platform monthly. The chauffeur sets the rates and lists them on the platform, without any intervention from the platform. The passenger can also negotiate prices directly with the chauffeur without this being visible to the platform.

The customers request a ride with a specific driver as needed using the contact information provided on the app by contacting the driver directly. The service is not requested through the app, and the agreement between the driver and the passenger is not made through the app. All terms and conditions, pricing, and schedules are determined between the driver and the customer directly at the time of booking, and SafeRide bears no responsibility for the drivers' services booked through the app and does not collect payment from the passenger. Essentially, SafeRide serves only as a platform to list driver information to passengers seeking driver services.

In this scenario, even though unregistered KSA resident suppliers (drivers) may provide services by listing their information on the SafeRide platform, SafeRide does not directly facilitate the provision of the services. Consequently, SafeRide is not subject to the Deemed Supplier rules and instead, individual drivers are responsible for their own VAT compliance obligations.

### Example (3)

The ConstructionSA.com platform enables suppliers to provide offers for building materials. The platform is highly valued by construction companies as it allows them to compare prices easily, and companies pay a fee to use the advanced features of the platform.

Once an offer has been selected, the interested construction company or supplier contacts the other party directly to negotiate the specific details of the offer (specific price including any discounts, quantity, delivery date, etc.). The invoice is paid directly to the supplier. The operator of the electronic interface has no knowledge of the quantity of goods delivered nor of the specific purchase price.

In this case as the criteria for facilitating the service is not met, the Deemed Supplier rules do not apply to ConstructionSA. It simply charges VAT on the fees charged to customers.



## **6. Electronic Marketplace facilitating electronically supplied services to a Customer in the Kingdom by a Non-Resident Supplier in the Kingdom**

Article 47(2) of the VAT Implementing Regulation deems the Electronic Marketplace to act in its name and on its own account (as a Deemed Supplier). i.e. they are considered as (the principal in the supply process) in certain circumstances as follows:

“where electronically supplied services are facilitated within the Kingdom through an electronic marketplace acting as an intermediary for non-resident suppliers, the electronic marketplace is deemed to have purchased the services from the non-resident suppliers for its own account and to have re-supplied them under its own name and for its own account to the customer who benefits from such services.”

This general deeming provision is subject to limitations which are discussed further below.

Consequently, the marketplace operator is considered to be making the supply to the customer who is benefiting from the underlying supplier's services as a 'Deemed Supplier' in cases where all of the following apply:

- a) The supply is of electronically supplied services,
- b) The Electronic Marketplace operator facilitates the supply which occurs within the Kingdom; and
- c) The process of facilitating the supply made through the Electronic Marketplace operator is for the benefit of a non-resident supplier in the Kingdom (whether or not registered in the Kingdom's VAT system) for the benefit of a resident end customer in the Kingdom.

Where these criteria are met, the Electronic Marketplace assumes the responsibility for collecting the tax from the customer, reporting, and paying it to the Authority for all taxable supplies facilitated through its platform.



## 6.1. Practical application of key concepts

How does the Marketplace determine if the services are Electronically Supplied Services?

Electronically Supplied Services refers to services that are electronically delivered over the internet or any electronic network, platform or intermediary.

These services include a wide range of services that can be provided electronically or through an electronic intermediary, including the services stipulated in Article (24) of the Regulations relating to telecommunication services, electronic services, and any other services to which the above description applies. Examples of electronically supplied services include the following:

- Website Hosting - Services that provide server space to store and host a website.
- Software as a Service (SaaS) - Access to software applications hosted online.
- Streaming Services - Access to internet television, film, or music services delivered digitally.
- Online Advertising - Ads served over the internet, including those targeting digital platforms.
- Online Gaming - Multiplayer games accessible over the internet, and associated digital assets, such as in-game virtual assets.
- Digital Product or Content Supply - Downloads for music, videos, e-books, and other media formats.
- Services provided via or through an electronic intermediary - these services include consulting, marketing, or engineering services that can be delivered electronically via email or online platforms.
- Providing remote technical support services - includes providing technical support platforms for customers, which facilitate the resolution of problems that customers may face or answer their inquiries through an electronic platform or intermediary.



For completeness, services that are facilitated through an electronic platform or marketplace but whose performance requires the physical presence of the service provider (such as services facilitated through shared transportation platforms or technical labor provision services at the customer's location) are not considered to be electronically supplied services.

How does the Marketplace determine if the services are supplied in the Kingdom?

Electronically Supplied Services are considered to be supplied within the Kingdom for VAT purposes - under normal circumstances at the location where the customer benefits from the services, and which can be determined through a set of elements, namely the following (the customer's usual place of residence is in the Kingdom, as evidenced pursuant to the Customer's invoicing address, bank account details from which payment for the service is made, and which may be through a financial institution in the Kingdom, IP address used by the customer to receive the services, or SIM card used to receive the services)<sup>(13)</sup>. In general, the actual place of benefit or use of the supplied services is determined based on the circumstances surrounding the supply at the time of supply.

Further detail on determining the place of supply and using these indicators in the context of online transactions is provided in the Guide issued on the Digital Economy.

How does the Marketplace determine if it is facilitating supplies for a Non-resident supplier?

Underlying suppliers of electronically supplied services are non-residents in the Kingdom if they do not have a Place of Business or Fixed Establishment in the Kingdom. ZATCA expects that an Electronic Marketplace will confirm the country of residence during the onboarding a new supplier so that its service can be supplied from the Electronic Marketplace through its electronic platform. The residence status disclosed by the underlying supplier should be consistent with commercial information, such as the country of the bank account in which the underlying supplier receives consideration for the supply facilitated through the platform.

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(13) VAT Implementing Regulations, article 24.



Electronic Marketplaces must conduct a reasonable verification process to ensure that the status of suppliers is clearly documented both at the onboarding stage and throughout subsequent transactions.

#### Example (4)

ArtistHub is an Electronic Marketplace headquartered in the Kingdom, specializing in supplying downloadable digital content such as graphic designs and pre-set presentation templates. They partner with a diverse array of artists and designers from around the globe, including ArtisticVisions Ltd., a non-resident supplier based in the UK. ArtisticVisions Ltd. features its downloadable graphic designs on the ArtistHub platform. Under the standard terms and conditions, ArtistHub authorizes the charge to the supplier from the customer benefiting from the supply and is therefore facilitating the supply of the content on behalf of ArtisticVisions Ltd.

Given that the content is fully downloadable after purchase and is electronically supplied via the electronic platform of the Electronic Marketplace, these services are classified as electronically supplied services. ArtistHub's onboarding process requires each supplier to provide its address and commercial registration number and legally established place of business. The details for ArtisticVisions Ltd, and the bank account held for payments, are consistent with the supplier being a non-resident.

Therefore, ArtistHub concludes that where it facilitates supplies of digital content from ArtisticVisions Ltd to consumers in the Kingdom, it will be considered to act as a Deemed Supplier for the transactions conducted on the platform on behalf of ArtisticVisions Ltd.

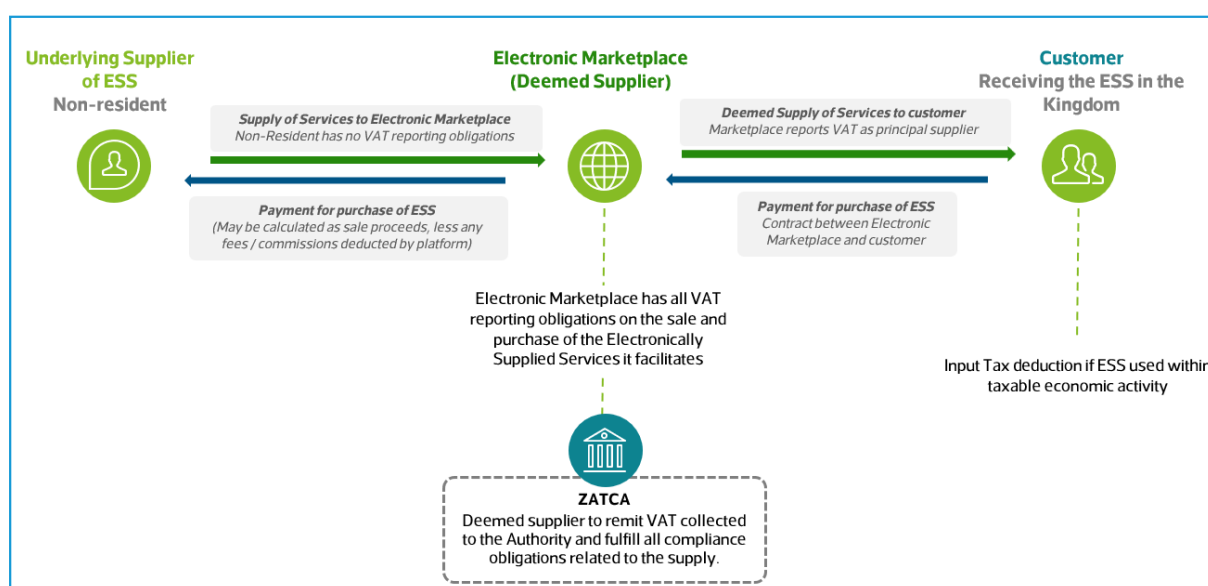


## 6.2. Summary of VAT Treatment if Electronic Marketplace is considered to act as a Deemed Supplier for electronically supplied services provided through it on behalf of a non-resident underlying supplier

Table - Summary of VAT treatment

| Summary of VAT treatment if the Electronic Marketplace is a Deemed Supplier |                             |                                                                                                                                     |                                                                                                                                                                                                                                                                                                                                                                        |
|-----------------------------------------------------------------------------|-----------------------------|-------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Underlying Supplier                                                         | Electronic Marketplace      | VAT treatment of deemed purchase by Marketplace                                                                                     | VAT treatment of deemed supply by the Electronic Marketplace to the Customer in the Kingdom                                                                                                                                                                                                                                                                            |
| Non-Resident                                                                | KSA Resident                | Electronic Marketplace self-accounts for Saudi VAT using the reverse charge, based on the net amount paid to non-resident supplier. | Electronic Marketplace charges Saudi VAT on the full value paid by the Customer.                                                                                                                                                                                                                                                                                       |
| Non-Resident                                                                | Non-Resident in the Kingdom | No VAT applies (the deemed purchase took place outside the Kingdom, i.e., outside the scope of tax).                                | <p>If the Customer is not a Taxable Person and is not registered with ZATCA for VAT purposes, the Electronic Marketplace charges Saudi VAT on the full value paid by the Customer.</p> <p>If the customer is a Taxable Person in the Kingdom and is registered with ZATCA for VAT purposes, the Customer self-accounts for VAT under the Reverse Charge Mechanism.</p> |

Diagram - Representing the flow of transactions between all parties when Deemed Supplier rules apply If the customer is not subject to VAT and registered for VAT purposes





### 6.3. Exceptions to Electronic Marketplaces being Deemed Supplier of Electronically Supplied Services provided through them on behalf of a non-resident underlying supplier

It is possible that an Electronic Marketplace, which plays a limited role in the communication process between the parties involved in the supply, may not be subject to the Deemed Supplier rules.

For completeness and certainty on this matter, the VAT Regulations set out specific criteria identifying cases where the Electronic Marketplace or platform is considered to be carrying on a limited role in the transactions that take place through it and therefore is not considered a Deemed Supplier. According to such criteria and rules, the Electronic Marketplace will not be considered to act as the Deemed Supplier for electronically supplied services which are made through it if all of the following conditions are met (collectively):

- A. The underlying supplier shall be clearly identified as the supplier of services during the supply process that takes place in the Kingdom by the non-resident supplier through the Electronic Marketplace and this arrangement is documented through all of the following:
  - i. The data that appear to the customer during the supply process that takes place through the platform.
  - ii. The data included in the contractual arrangements made between all parties to the transaction (the underlying supplier, the Electronic Marketplace and the customer); and
  - iii. The tax invoice and receipt issued to the customer regarding payment of the consideration for the specific supply, and which shall be issued by the underlying supplier and in his name, without the platform being involved therein.
- B. The Electronic Marketplace shall have a limited role in the supply process that takes place through it, and which is achieved by meeting all the following conditions (collectively):
  - i. The Electronic Marketplace shall not set the terms and conditions related to the supply of services provided through it or have indirect control over them by setting rules that are binding on the parties to the transaction when concluding an agreement between them,



- ii. The Electronic Marketplace shall not determine the consideration for the supply of such services or set rules that are binding on the parties to the transaction, in order to determine the mechanism for determining the consideration indirectly,
- iii. The Electronic Marketplace shall not claim the consideration from customers for the supply made through it, whether directly or indirectly.
- iv. The Electronic Marketplace shall not collect consideration for the supply from customers,
- v. The Electronic Marketplace shall not handle customer complaints related to the supply.
- vi. The Electronic Marketplace shall not provide any offers or discounts to customers or provide any compensations to customers concerning the supply.

For completeness, the Electronic Marketplace qualifies for the exception in respect of transactions where it can document the supplier's direct relationship (in A(i) and A(ii)), and meets all of the criteria in B(i) - B(vi) in respect of proving the limited scope of its role in the supply process.

It is expected that in most cases, an Electronic Marketplace playing a limited role would clearly be able to confirm it meets all of the criteria. The marketplace should be able to produce relevant terms and conditions from its contracts with underlying suppliers to evidence that it is not responsible for the items listed in B(i) - B(vi). The contractual position should also be reflected, and the previous conditions should be met within the context of the actual commercial practice - practices that take place on the ground - and that are carried out through the Electronic Marketplace that claims to fulfill them in terms of form.

In respect of condition B(v), the Authority accepts that if an Electronic Marketplace provides an electronic mailbox or platform to receive customer complaints and forward them to the underlying supplier only, these complaints shall be then substantively handled by the underlying supplier who is responsible for decisions on how they are resolved, this would not constitute the Electronic Marketplace being viewed to handle customer complaints.



#### **6.4. Summary of VAT Treatment if Electronic Marketplace is not considered to act as a Deemed Supplier of electronically supplied services provided through it on behalf of a non-resident underlying supplier**

Where the provisions related to considering the electronic market as a Deemed Supplier do not apply in accordance with the provisions of paragraph 47(2) of the Regulations, the Non-resident supplier must register in the VAT system in the Kingdom (in cases where the reverse charge mechanism is not applied to imported services) and issue a tax invoice in its own name for the taxable supply it makes to the customer.

The supply of electronically supplied services from a non-resident supplier to an end consumer (individual) residing in the Kingdom or to any other person residing in the Kingdom who is not taxable and is not registered with the Authority in the Value Added Tax Law, shall be subject to VAT according to the usual rules. The non-resident supplier shall register with the Authority for VAT purposes regardless of the value of his supplies made in the Kingdom, and he shall collect VAT on these supplies and report it to the Authority as part of his periodic returns.

If the customer residing in the Kingdom is subject to VAT and registered for VAT purposes, then the customer must self-account for the VAT according to the reverse charge mechanism on services supplied to him from the non-resident supplier. The non-resident supplier shall not be liable for the tax due on that supply. The invoice issued by the Non-resident supplier (if already registered with the Authority) to the customer must denote that the supply is subject to the reverse charge.

In all cases, the commission received by the Electronic Marketplace - which is not subject to the Deemed Supplier rules - in return for its services in arranging the supply process shall be subject to VAT according to the usual rules. The Electronic Marketplace shall be required to charge the correct tax rate on the supply and report it to the Authority in its periodic returns in accordance with the tax rules applicable in the Kingdom. The following table details all the treatments of commissions due to the Electronic Marketplace for its services in arranging the supply process.



| VAT treatment of commissions due to the Electronic Marketplace where the Deemed Supplier rules do not apply thereon |                        |                                             |                                                                                                                                                                                                                                                                                                                                                                     |
|---------------------------------------------------------------------------------------------------------------------|------------------------|---------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Underlying Supplier                                                                                                 | Electronic Marketplace | Customer                                    | VAT treatment of commission charged by Marketplace                                                                                                                                                                                                                                                                                                                  |
| Non-Resident                                                                                                        | Resident               | Individual or Person Not Registered for VAT | <p>Commission charged by the Electronic Marketplace to Non-Resident underlying supplier is subject to 0% VAT as it is considered among the exported services in accordance with the provisions of Article 33 of the Regulations.</p> <p>Commission charged by the Electronic Marketplace to the KSA resident customer is subject to 15% VAT.</p>                    |
| Non-Resident                                                                                                        | Non-Resident           | Individual or Person Not Registered for VAT | <p>Commission charged by the non-resident Electronic Marketplace to the Non-Resident underlying supplier is not subject to Saudi VAT (outside the scope of tax).</p> <p>Commission charged by the non-resident Electronic Marketplace to the KSA resident Customer will be subject to VAT at 15%.</p>                                                               |
| Non-Resident                                                                                                        | Non-Resident           | Registered for VAT in the Kingdom           | <p>Commission charged by the non-resident Electronic Marketplace to the non-resident underlying supplier is not subject to VAT in the Kingdom (outside the scope of tax).</p> <p>The customer registered in the VAT system must self-account for tax on commissions due to the non-resident Electronic Marketplace (according to the reverse charge mechanism).</p> |



## **7. Electronic Marketplace facilitating supplies of goods and/or services to a client in the Kingdom from KSA resident suppliers who are not registered in the VAT System**

With effect from 1 January 2026, and pursuant to the provisions of Article 47(3) of the Regulations, the scope of application of the Deemed Supplier rules currently applied under Article 47(2) has been expanded to include additional cases. Under the provisions introduced in Sub-clause (3), operators of Electronic Marketplaces that facilitate the supply of goods and/or services in the Kingdom by non-registered resident suppliers are liable to report those supplies as Deemed Suppliers (they are considered as the principal in the supply process) pursuant to the following text.

“where the supply of goods or services is facilitated in the Kingdom through an electronic marketplace acting as intermediary for resident suppliers who are not registered for tax purposes, the electronic marketplace is deemed to have purchased the goods or services from the non-registered resident suppliers for its own account and to have re-supplied them under its own name and for its own account to the customer who benefits from such goods or services.”

Consequently, the Electronic Marketplace operator is considered to be acting as the ‘Deemed Supplier’ whenever it undertakes the following:

- a) It facilitates a supply of Goods or Services which occurs within the Kingdom; and
- b) It acts as intermediary for a supplier or suppliers who are resident in the Kingdom but are not registered for VAT.

Again, the deeming rules in Article 47(3) are subject to specific exceptions, which are explored in section 7.4 below.



## 7.1. Practical application of key concepts

Does the Electronic Marketplace facilitate a supply of goods or services in the Kingdom?

Consider if the Electronic Marketplace plays a sufficient role to be considered as facilitating the supply made through it, considering the discussion in chapter 5 of this Guide.

It will typically be evident from the nature of the supply if the Goods or Services are supplied in the Kingdom, based on the parameters of the supply, and the general rules for how the place of supply is determined according to the relevant statutory provisions (for example, all hotel services performed within serviced units located in the Kingdom are considered to have been performed in the Kingdom for VAT purposes as the actual place of performance of services requires that they are performed on the property located in the Kingdom).

The platform or Electronic Marketplace that works on facilitating the supplies of goods or services for customers in the Kingdom should implement a number of specific processes to verify its compliance with its tax obligations, appropriate to the nature of the goods and services the supply of which is typically facilitated through the platform. The processes include taking a number of steps to ensure that the Electronic Marketplace obtains the information it needs from the underlying supplier to ensure compliance with tax provisions correctly, as well as to ensure that the accuracy of such information can be verified by comparing them with any additional information that can be obtained from third parties as necessary.



Examples of commonly provided Goods and Services through an Electronic Marketplace, and the determination of the place of supply, are:

| Service type                                                                                                                  | Place of Supply                                                                                                                                                                                                                                                                                                                                                                                                              |
|-------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Transportation of passengers within the Kingdom (starting and ending within the Kingdom)                                      | Supply takes place within the Kingdom for VAT purposes.                                                                                                                                                                                                                                                                                                                                                                      |
| Supply of delivered food to a person in the Kingdom (from a restaurant in the Kingdom to a client in the Kingdom)             | Supply takes place within the Kingdom for VAT purposes.                                                                                                                                                                                                                                                                                                                                                                      |
| Supply of short-term accommodation services in a real estate units in the Kingdom                                             | Supply takes place within the Kingdom for VAT purposes.                                                                                                                                                                                                                                                                                                                                                                      |
| Supply of tangible goods delivered to a customer in the Kingdom                                                               | Supply is within the Kingdom for VAT purposes, (unless the goods are shipped from outside the Kingdom or from a customs suspension zone prior to their import into the Kingdom, and the Customer is responsible for importing the goods into the Kingdom).                                                                                                                                                                   |
| Supply of personal services (cleaning, repairs, other home or garden labour) in the Kingdom                                   | Supply takes place within the Kingdom for VAT purposes.                                                                                                                                                                                                                                                                                                                                                                      |
| Supply of remotely delivered services of a professional nature (for example, marketing, website design or business strategy). | <p>Supplied in the Kingdom if the Electronic Marketplace is resident in the Kingdom.</p> <p>Supplied in the Kingdom if the Electronic Marketplace is a Non-resident but the Customer is a Taxable Person in the Kingdom.</p> <p>If the Electronic Marketplace is not resident in the Kingdom and the Customer is not a Taxable Person, confirm based on the nature of the services and the place where they are enjoyed.</p> |

How does the Marketplace determine if it is acting for a resident non-registered underlying supplier?

The Electronic Marketplace must identify if the underlying supplier is resident in the Kingdom, but is not registered for VAT in the Kingdom, and such in order to verify whether or not the Deemed Supplier rules apply thereto.



## Residency status

In many cases, it is evident from the nature of the services that the underlying supplier is resident in the Kingdom. For example, in practice any individual or establishment providing transportation services in the Kingdom will almost certainly be a Saudi resident.

The procedures that an Electronic Marketplace goes through to collect the underlying supplier information will differ, based on the nature of the goods or services the supply of which is facilitated through the Electronic Marketplace. The Electronic Marketplaces should hold documentary evidence which it considers appropriate to support the place of residence of the underlying supplier. If the Electronic Marketplace does not hold evidence of the underlying supplier's place of residence, it can make a prudent assumption that underlying suppliers are residents in the Kingdom if they provide information - during their registration process with the Electronic Marketplace as sellers - indicating that their address or bank account address is located in the Kingdom.

If an Electronic Marketplace facilitates a supply of goods in the Kingdom or a supply of services that are not electronically supplied services, the Electronic Marketplace should carry out verification and hold some official evidence from the underlying supplier or third-party evidence proving the underlying supplier is a non-resident. This evidence should indicate a permanent address in another country (in the case of an individual), or indicate an incorporation, business registration or licence in another country (in the case of an entity).

The Electronic Marketplace should also verify the availability of any records for sellers indicating that they are residents of the Kingdom. The onus is on the Marketplace to carry out checks it considers to be sufficient to avoid incurring any future burdens in the event that the information it obtained from the underlying suppliers proves to be incorrect.



## VAT System Registration status

Non-registered resident suppliers are underlying suppliers that do not hold a valid and active Tax Identification Number in the VAT System, issued by the Authority at the time of the supply of Goods or Services through the Electronic Marketplace.

If the underlying supplier is registered for Tax purposes, it should provide a valid and active TIN to the Electronic Marketplace for verification. Electronic Marketplaces must conduct a reasonable verification process to ensure that the status of suppliers is clearly documented both at the onboarding stage with the Electronic Marketplace or at the time of subsequent transactions, including supplies made within different days. The verification process by the Electronic Marketplace shall include ensuring that the information and documents provided by the underlying supplier are correctly attributed to them. This can be achieved by requesting additional documents that will allow the Electronic Marketplace to obtain sufficient confirmation. This includes requesting a copy of the commercial records associated with the Tax Identification Number submitted to the Electronic Marketplace, in addition to the bank data belonging to the underlying supplier and which are also linked to his commercial records.

The registration status of the underlying supplier in the VAT system can be verified by the Electronic Marketplaces through the use of the lookup tool for taxpayers registered with ZATCA provided on the Authority's website, which allows for entering the underlying supplier's commercial registration number, tax registration number, or any other identifier to check if they have a valid and active Tax Identification Number. Electronic Marketplaces can also verify Tax registration status using the application programming interface (API) tool provided by ZATCA upon prior request from taxable persons, and which can save a lot of effort to conduct verifications instantly and immediately.

The Electronic Marketplace will also be responsible for determining that the registration status of an underlying supplier remains valid at the time of each supply. If the VAT registration of the underlying supplier is not valid and active, the responsibility to collect VAT on the supply will revert to the Electronic Marketplace.



### In summary

Where the underlying supplier is a KSA resident and unregistered for VAT, an electronic marketplace that facilitates the supply of any goods or services on behalf of such supplier, assumes the role of the Deemed Supplier. This previous designation underscores the Electronic Marketplace's requirement to comply with KSA VAT rules as if he were the principal in the supply process, for all supplies made as a Deemed Supplier.

### Example (5)

RedStays is an Electronic Marketplace facilitating hotel and furnished apartment bookings across KSA. It connects underlying suppliers (property owners) with consumers seeking short-term accommodation in the Kingdom. Yasser, an individual residing in the Kingdom, owns a furnished apartment in Jeddah which he rents out to tourists for short-term stays through RedStays platform.

"RedStays" facilitates the provision of accommodation services by (Yasser) and manages the process of displaying his apartment on his application and website. The Electronic Marketplace also sets the relevant terms and conditions, according to which the apartment is made available to tourists wishing to rent it, including setting prices and payment terms and manages the end-to-end customer relationship. The Electronic Marketplace collects payments directly from customers under its own name and also enables customers to pay directly to the hotel or apartment upon check-in.

RedStays considers its role in the booking process and establishes that it facilitates the supply of accommodation booked through its platform.

RedStays then considers the residency and registration status to determine if it must collect VAT on the transaction. Yasser has advised that he is a resident of the Kingdom, and provides his Saudi address as part of his registration information on the Electronic Marketplace's platform, which serves as the contractual agreement between him and the Electronic Marketplace. Yasser has



advised that he is not registered for VAT and does not hold a Tax Identification Number (TIN) in KSA. Based on this information, RedStays determines that Yasir is a resident and non-registered supplier. It must assume the role of purchasing short-term accommodation services for itself (from Yasser) and then re-supplying such services to customers who book Yasser's apartment through the platform.

## 7.2. Summary of VAT Treatment if Electronic Marketplace is considered to act as the Deemed Supplier

Where the Deemed Supplier rules are found to apply to supplies made through the Electronic Marketplace, the Electronic Marketplace shall be treated as the principal in the process of purchasing or obtaining services (the buyer), and as the principal in the process of re-supplying goods or services (the seller) to the customer who is benefiting from the supply:

Table - Summary of VAT treatment

| Summary of VAT treatment if the Electronic Marketplace is considered a Deemed Supplier |                        |                                                                                             |                                                                                                                                                                                                                                                                                                          |
|----------------------------------------------------------------------------------------|------------------------|---------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Underlying Supplier                                                                    | Electronic Marketplace | VAT treatment of deemed purchase from the underlying supplier to the Electronic Marketplace | VAT treatment of the deemed supply made to the Customer by the Marketplace                                                                                                                                                                                                                               |
| Resident, non-registered                                                               | Resident               | No VAT applies (outside the scope of tax)                                                   | Marketplace charges KSA VAT on the full value of the consideration paid by the Customer.                                                                                                                                                                                                                 |
| Resident, non-registered                                                               | Non-Resident           | No VAT applies (outside the scope of tax)                                                   | Marketplace charges KSA VAT on the full value of the consideration paid by the Customer, unless the Customer is VAT registered and is obligated to self-account for the VAT in accordance with the reverse charge mechanism.<br><br>The Electronic Marketplace shall register for VAT as a non-Resident. |



### Example (6)

Fatima is a Saudi resident who collects distinctive works of traditional Saudi weaving and pottery from artisans in the Kingdom, and lists these for sale through the global online marketplace, "Crafty". A buyer can purchase the goods directly through the electronic portal, which in turn authorises payment from customers and passes this to Fatima, after the Electronic Marketplace's sales commission of 10% is deducted on the sale price. For VAT purposes, the "Crafty" marketplace facilitates the supply of goods ordered through its online platform in accordance with its standard terms and conditions. Fatima does not have a high annual turnover, not does her turnover reach the voluntary registration threshold, therefore she is not required to be registered for VAT and has not voluntarily registered in the tax system and confirmed that she is a resident seller and is not registered in the tax system during her registration as a seller on the Crafty platform.

During the process of browsing the products sold through the Electronic Marketplace "Crafty", a Saudi purchaser chose an item of Fatima's pottery collection and ordered it through the marketplace at the specified price of SAR1,800 (excluding VAT), to be delivered to his residence in Jeddah. Fatima arranges the pottery to be shipped by express courier to the Customer, using his delivery details specified by the buyer on the Electronic Marketplace, Crafty.

The Electronic Marketplace "Crafty" is considered to be facilitating a supply of goods in the Kingdom, for a resident and non-registered supplier, and is therefore subject to the deemed supplier rules as stipulated in Article 47(3). For VAT purposes, the Electronic Marketplace "Crafty" is therefore deemed to have purchased the pottery from Fatima in its own name and on its own account, and re-supplied the same pottery in its own name and on its own account to the final customer.

The Electronic Marketplace "Crafty" issued a tax invoice in its own name to the Customer for SAR 2,070 (including VAT of 15% on the sales price advertised on the platform), and remits the VAT



collected to ZATCA. The Electronic Marketplace "Crafty" remits SAR1,620 to Fatima, after deduction of the 10% commission. The value transferred to Fatima is considered to be the deemed purchase of the goods made by the Electronic Marketplace. Crafty will not charge VAT on its commission due from Fatima, because it acts as deemed supplier and the "commission" in that case is considered to be the marketplace's profit resulting from the difference between the purchase price and the selling price and has already been included in the selling price to the final customer and therefore has already been subject to tax.

### Example (7)

Hamza has established a new company in the Kingdom which creates and sells reusable drinking cups in modern designs. Hamza is not registered for VAT.

Hamza decides to place his products on the Bazaar Electronic Marketplace. Hamza elects to use Bazaar's direct fulfilment model, where the "Bazaar" Electronic Marketplace offers an additional business model for an extra fee called "Fulfilled by Bazaar FBB," where the Electronic Marketplace maintains an inventory of goods that customers wish to sell through the Electronic Marketplace.

When customers place an order on the Bazaar website, the order is directly fulfilled through the Electronic Marketplace using that inventory, and the marketplace handles the packaging and delivery of the products directly to customers.

Hamza decides to list a new coffee cup design at a list price of SAR150 (excluding VAT) which will be sold according to the FBB business model. Bazaar charges Hamza both a 10% commission, and a SAR 20 fee for orders' deliveries to customers in the Kingdom, where the customer does not bear an additional delivery cost other than the selling price of the product, and the Electronic Marketplace also charges Hamza a monthly fee for his additional services related to inventory management, packaging, and other value-added services for customers.



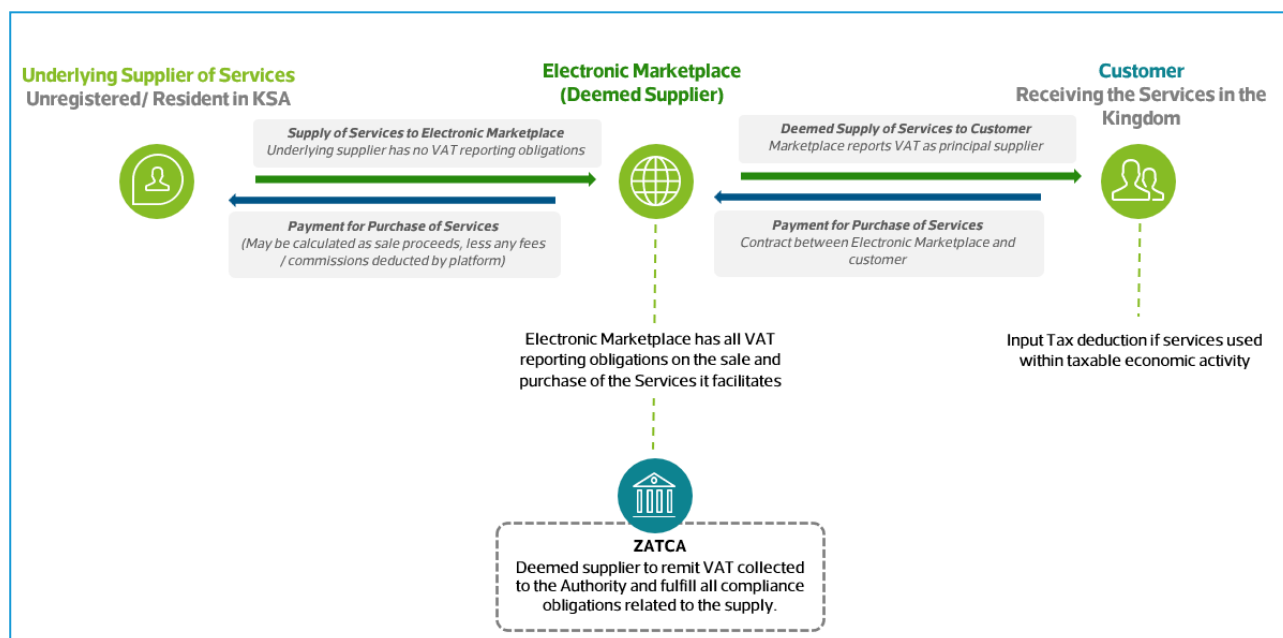
The Bazaar Electronic Marketplace is considered to be facilitating the supply of Hamza's products in the Kingdom, and the deemed supplier rules apply thereto according to the text of Article 47(3) of the Regulations. For VAT purposes, the Electronic Marketplace is considered to be buying the goods in its name and on its account from Hamza, and reselling them in its name and on its account for the end customer.

Bazaar pays Hamza a net amount of SAR 115 (after deducting SAR 15 as commission, and a SAR 20 delivery fee). The value transferred to Hamza, after deducting the commission, is considered to be value of Bazaar's deemed purchase. Bazaar must then apply VAT at 15% on the total sale price of SAR 150, which includes delivery of the product to the customer's address, for the re-supply made in its own name to the customer. Bazaar does not charge VAT on its commission or delivery fees to Hamza, as these are both direct transactional costs relating to the goods it is deemed to have been purchased and resold, and the final selling price to the customer includes the same and the tax is calculated based thereon. The Electronic Marketplace shall be responsible for issuing a separate tax invoice to Hamza for its additional services not included in the selling price of the products to customers.

A year later, Hamza's business has grown, and he is required to register for VAT. Hamza provides his VAT registration number to the Bazaar marketplace, which results in the order process changing, and the Electronic Marketplace will no longer be considered to be working with Hamza as a deemed supplier. Hamza is required to issue tax invoices directly to customers, charging VAT on the full sale price of SAR 150 in his own name. The Electronic Marketplace shall issue tax invoices to Hamza for its commission, delivery services, and any additional services provided to Hamza separately.



Diagram - Supply of Services - Representing the flow of transactions when Deemed Supplier rules apply, and underlying supplier is a non-registered resident of KSA



### 7.3. Exceptions to Electronic Marketplaces being Deemed Supplier where underlying suppliers are resident non-registered for VAT in KSA

As within article 47(2) for supplies of electronically supplied services, article 47(3) of the VAT Regulations set out specific exclusion criteria. For completeness and certainty on this matter, the VAT Regulations set out specific criteria identifying cases where the Electronic Marketplace or platform is considered to be carrying on a limited role in the transactions that take place through it and therefore is not considered a Deemed Supplier.

According to such criteria and rules, the Electronic Marketplace will be considered to act as the Deemed Supplier if all of the following conditions are met (collectively):

- A. The underlying supplier shall be clearly identified as the supplier of goods and services during the supply process that takes place in the Kingdom by the non-registered resident supplier through the Electronic Marketplace and this arrangement is documented through all of the following:
  - i. The data that appear to the customer during the supply process that takes place through the platform.



- ii. The data included in the contractual arrangements made between all parties to the transaction (the underlying supplier, the Electronic Marketplace and the customer); and
- iii. The tax invoice and receipt issued to the customer regarding payment of the consideration for the specific supply, and which shall be issued by the underlying supplier and in his name, without the platform being involved therein.

**B.** An independent and direct contractual relationship exists between the non-registered resident supplier(s) and the customer benefiting from the supply and the non-registered resident supplier(s) shall set all the terms and conditions related to the supply to the customer.

**C.** The Electronic Marketplace shall have a limited role in the supply process that takes place through it, and which is achieved by meeting all the following conditions (collectively):

- i. The Electronic Marketplace shall not set the terms and conditions related to the supply of goods and/or services provided through it or have indirect control over them by setting rules that are binding on the parties to the transaction when concluding an agreement between them,
- ii. The Electronic Marketplace shall not determine the consideration for the supply of goods and/or services or set rules that are binding on the parties to the transaction, in order to determine the mechanism for determining the consideration indirectly,
- iii. The Electronic Marketplace shall not claim the consideration from customers for the supply made through it, whether directly or indirectly.
- iv. The Electronic Marketplace shall not collect consideration for the supply from customers,
- v. The Electronic Marketplace shall not handle customer complaints related to the supply.
- vi. The Electronic Marketplace shall not provide any offers or discounts to customers or provide any compensations to customers concerning the supply.

It is expected that in most cases, an Electronic Marketplace playing a limited role would clearly be able to confirm it meets all of the criteria. The marketplace should be able to produce



relevant terms and conditions from its contracts with underlying suppliers to evidence that it is not responsible for the items listed in C(i) - C(vi). The contractual position should also be reflected and the previous conditions should be met within the context of the actual commercial practice - practices that take place on the ground - and that are carried out through the Electronic Marketplace that claims to fulfill them in terms of form.

The requirement in (B) within Article 47(3) - for an independent and direct contractual relationship between the underlying supplier and the customer - is additional to the requirements in 47(2). This requirement reflects that a resident supplier is able to engage in direct contractual negotiations with a resident customer (for example, a supply of transportation, or short-term accommodation, and other services typically provided by residents through an Electronic Marketplace, and who will be considered as the principal in the supply process, provided that all the above conditions are met.)

ZATCA expects that a genuine commercial transaction directly between two KSA resident parties will be governed by the general law in force in the Kingdom, which requires a genuine and direct contractual relationship between the parties. Accordingly, the non-registered resident supplier may choose to use standard terms and conditions that may be suggested by the Electronic Marketplace, but it must have the ability and authority to change those terms or not comply with them and impose its own terms and conditions on the parties to the supply if it wishes.



#### 7.4. Summary of VAT Treatment if Electronic Marketplace is not considered to act as the Deemed Supplier of goods and services supplied through it on behalf of a non-registered resident underlying supplier

Where the provisions related to considering the electronic market as a Deemed Supplier do not apply in accordance with the provisions of paragraph 47(2) of the Regulations, the non-registered resident supplier shall monitor his registration status and submit a registration application for VAT purposes if his revenues exceed the mandatory registration threshold.

In that case, the Electronic Marketplace shall comply with its obligations regarding the reporting of the VAT due according to the commercial arrangements agreed upon with the underlying supplier, which include, for example, collecting its commission or fees from the underlying supplier for the services provided to it by the Electronic Marketplace.

The following table details all the treatments of commissions due to the Electronic Marketplace for services related to arranging the supply process:

| VAT treatment of commissions due to the Electronic Marketplace where the Deemed Supplier rules do not apply |                        |                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|-------------------------------------------------------------------------------------------------------------|------------------------|-------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Underlying Supplier                                                                                         | Electronic Marketplace | Customer                            | VAT treatment of commission charged by Marketplace                                                                                                                                                                                                                                                                                                                                                                                                                     |
| Resident / Not Registered                                                                                   | Resident               | Individual / Not Registered for VAT | Commission charged by the resident Electronic Marketplace to the non-registered resident underlying supplier is subject to a 15% VAT.                                                                                                                                                                                                                                                                                                                                  |
| Resident / Not Registered                                                                                   | Non-Resident           | Registered for VAT in the Kingdom   | Commission charged by the non-resident Electronic Marketplace to the non-registered resident underlying supplier is subject to a 15% VAT as long as the place of supply is considered to be in the Kingdom.<br><br>Furthermore, commission charged by the non-resident Electronic Marketplace to the customer who is registered for tax in KSA is also subject to tax, and the customer is required to self-account for tax according to the reverse charge mechanism. |



## 7.5. Determination of VAT Treatment for each transaction

Depending on the commercial agreements, practices and the status of the underlying suppliers, the operator of the Electronic Marketplace might be considered to be making the supply as a Deemed Supplier in respect of some supplies which it facilitates in the Kingdom, while the same status does not apply to other supplies.

ZATCA understands that many Electronic Marketplaces may apply standard operational practices or models, such that the same terms and conditions of their business model are applied across large groups of suppliers or consumers, and therefore will be able to identify their role in terms of facilitating the supply of goods or services through them based on these standard practices and models.

To determine the correct VAT treatment to be applied to the supplies that are facilitated through it, the Electronic Marketplace must also identify and verify the registration and residence status of the underlying supplier at the time of the underlying supplier's onboarding process in the Electronic Marketplace's system to allow him to make his supplies through it, and then when each supply transaction is carried out by the underlying supplier, whenever necessary.

In all cases, the onus remains on the operator of Electronic Marketplace to implement reasonable verification processes to ensure that the status of the underlying supplier is verified at the time of supply in terms of residency and registration in the VAT system, and verifying that the Electronic Marketplace meets all the statutory requirements applicable to it in the event that the Deemed Supplier rules apply to it, and keeping the documents related to the transactions that take place through it. The Electronic Marketplace must also ensure that the assessment of the nature of the role it plays in relation to the parties to the transaction (underlying suppliers and customers) is based on actual practice and operations, and is not assessed solely in light of contractual agreements that may be merely formal and do not reflect the reality of the transaction, particularly given that tax laws look at the transaction substance and reality regardless of how it is described within contractual agreements, while emphasizing that the transactions' substance must be correctly reflected in the contractual agreements concluded with all parties to the transaction.



## 8. Tax Reporting

### 8.1. What are the tax reporting responsibilities of the Deemed Supplier?

An operator of an Electronic Marketplace, who facilitates the supply of goods and services through their platform, assumes VAT compliance obligations before ZATCA for each transaction where they act as the Deemed Supplier, including all the following:

- the purchase of the goods or services from the underlying supplier,
- the re-supply of those goods or services to the customer.

The responsibility for compliance with the VAT provisions rests with all Electronic Marketplaces to which the Deemed Supplier rules apply, regardless of whether they are resident or non-resident in the Kingdom, noting that the residence status associated with the Electronic Marketplace may affect the VAT treatment of supplies and the nature of the resulting VAT obligations.

The following is a brief overview of the responsibilities of Electronic Marketplaces that may be subject to the Deemed Supplier rules under VAT provisions:

#### a) Register for VAT:

- A Resident Electronic Marketplace is required to register for VAT if its turnover exceeds the Mandatory Registration Threshold.
- A Non-Resident Electronic Marketplace is required to register for VAT if it makes supplies of any value for which it is required to pay tax (any supplies to Saudi customers where the customer does not self-account for the VAT under the reverse charge).

#### b) Collect VAT and remit to the Authority:

- Collect VAT on taxable supplies made through the Electronic Marketplace within the Kingdom, where the operator has acted as a Deemed Supplier (and provided that the Customer is not a Taxable Person who are required to self-account for VAT under the Reverse Charge Mechanism). The Electronic Marketplace must also collect VAT on



any supplies of additional goods or services provided by it directly to its Customers other than supplies made through it, such as administration fees for subscribing to the platform or delivery charges, or fees for packaging, storage, processing, shopping or other services.

- If the Electronic Marketplace is considered to be a Deemed Supplier, it is required to collect the VAT and remit this to the Authority even in cases where it does not directly collect the consideration for supplies made through it from customers.

**c) Issue tax invoices to customers:**

- Electronic Marketplaces must issue a tax invoice that meets the requirements and conditions for tax invoices for all supplies of goods or services they are considered to have supplied to the customer.
- In cases where the value of the supply is less than SAR 1,000, or if the supply is made to a non-taxable natural person, an Electronic Marketplaces may issue a simplified tax invoice for that supply to the customer<sup>(14)</sup>. In general, if an Electronic Marketplace facilitated supplies of goods or services made through it to individual consumers in their own names, ZATCA accepts the validity of considering such customers as non-taxable natural persons (and therefore the possibility of issuing simplified tax invoices to them by the Electronic Marketplace) unless the Electronic Marketplace has reason to believe the customer is a taxable person or legal person.
- If the Electronic Marketplace is a KSA resident, it shall be required to issue tax Invoices electronically, and the tax invoices must be issued electronically in accordance with the electronic invoicing regulations and the instructions and controls issued accordingly. It should be noted that Electronic Marketplaces which are not KSA resident are not currently subject to e-invoicing requirements and therefore, they will not be required to issue e-invoices at this time.

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(14) VAT Implementing Regulations, Article 53.



**d) Submit Tax Returns reporting all supplies and purchases**

- The tax returns submitted by the Electronic Marketplaces to the Authority shall include all transactions made as a Deemed Supplier and any other Transactions made by the Electronic Marketplace in its capacity as a principal in accordance with the usual rules, in addition to Transactions related to its costs and purchases in accordance with the data that must be included in the tax returns.
- See the descriptions in section 8.2 for the VAT treatment of the supplies.

**e) Record Keeping:**

- The (resident or non-resident) Electronic Marketplace shall retain books and records relating to all supplies which it considered to have purchased or re-supplied by the Electronic Marketplace as a Deemed Supplier
- Taxpayers are required to keep records that support the VAT reported to the Authority, for a minimum of 6 years from the end of the Tax Period to which they relate. Records required to be maintained in accordance with Article 66 of the VAT Implementing Regulations include:
  1. Tax invoices issued from or received by the Electronic Marketplace.
  2. Accounting books and documents
  3. Contracts and agreements for sales and purchases - For Marketplaces acting as Deemed Suppliers, the contractual arrangements made by the Electronic Marketplace with the underlying suppliers and customers are expected to contain sufficient information to assess whether or not the Deemed Supplier rules apply to the Electronic Marketplace.
  4. Financial records and bank statements
  5. Shipment documents, where applicable
  6. Other records relevant to the supplies facilitated through the Electronic Marketplace.



## **8.2. How is VAT applied to the Goods and/or Services purchased and re-supplied by the Platform or Electronic Marketplace acting as the Deemed Supplier?**

Purchase and onward supply of goods and/or services

According to the Deemed Supplier rules stipulated in the provisions of Article 47 of the Regulations, Deemed Suppliers are considered to have received a supply of goods or services from the underlying supplier, and re-supplied them in the same condition to customers as Deemed Suppliers (as if they were the principal in the supply process).

Application in accordance with the provisions of Article 47(2):

Electronic Marketplaces (resident or non-resident in the Kingdom) shall report the purchase of electronically supplied services from a non-resident person and their re-supply in the Kingdom in accordance with the provisions of Article 47(2) in the VAT return as follows:

- **Output Tax (Box 1):** the taxable value is declared at the standard rate of the consideration paid by the customer for the re-supply of electronically supplied services by the platform.
- **Input Tax (Box 9):** the taxable value is declared on the deemed purchase of services from the non-resident supplier and to which the Reverse Charge Mechanism is applied, where the system automatically deducts input tax for the same amount according to the reverse charge rules.

The tax due shall be calculated according to the reverse charge mechanism based on the net amount remitted to the underlying supplier after completion of the supply process that takes place through the platform or Electronic Marketplace (typically the gross proceeds collected from the Customer less any deducted commissions for the platform in respect of that supply).

Output tax is calculated on the value of the electronically supplied services being provided to the customer. The value of supply refers to the total payment received from the customer for the supply (all cash and non-cash consideration), minus the VAT amount. Additionally, this



value shall include any extra costs or charges billed by the platform or Electronic Marketplace to the customer as part of the supply process (such as a transaction handling fee or service fees payable by the customer).

If the platform or Electronic Marketplace are not Resident in the Kingdom and the customer is resident in the Kingdom and registered for VAT purposes, tax shall not be accounted for the platform but is rather calculated by the resident customer according to the reverse charge mechanism. The Tax Invoice issued by the platform or Electronic Marketplace (if registered with ZATCA) must show the Customer's Tax Identification Number and a statement that the Customer had accounted for Tax on the Supply according to the reverse charge mechanism<sup>(15)</sup>.

The value of supply may be determined based on the contractual terms governing the purchase of goods and/or services and onwards supply by the Deemed Supplier and will be established from the contractual arrangement between all the parties.

Application in accordance with the provisions of Article 47(3):

Electronic Marketplaces (resident or non-resident in the Kingdom) shall report the purchase of goods and/or services supplied in the Kingdom from a resident person who is not registered in the Tax system, and re-supply them to a customer in the Kingdom (in accordance with the provisions Article 47(3) in the VAT return as follows:

- Output Tax (Box 1): the taxable value is declared at the standard rate of the consideration paid by the customer for the re-supply of electronically supplied services by the platform.

With respect to Input Tax, the purchase of goods and/or services from a non-registered resident supplier shall not be reported in the VAT return as the transaction is considered outside the scope of VAT.

The same other reporting procedures shall be applied in the cases described regarding the application of the provisions of Sub-clause (2).

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(15) VAT Implementing Regulations, article 53(5).



## VAT Treatment of Commissions charged to underlying Supplier

Where the platform or Electronic Marketplace acts as the Deemed Supplier, the Electronic Marketplace will be deemed to be purchasing the goods and/or services subject of the supply facilitated through it from the underlying supplier and re-supplying them in the platform's name and account to the customers benefiting from the supply. The differential between the purchase price and the onwards selling price may be described as a 'commission', 'fees', or the like, as stated in contractual terms agreed upon between the Electronic Marketplace and the underlying supplier and is deducted from the consideration due to the underlying supplier.

For the purposes of correctly applying VAT in accordance with the Deemed Supplier rules, the difference between the purchase price and the resale price will be considered as representing a margin or gross profit for the platform on the supply made through it. Therefore, the Authority will consider that it will be considered as having already been taxed within the resale price to the customer benefiting from the supply, and it will not be considered as a separate supply as long as it represents the consideration received by the company for facilitating the supply through it. It is important to emphasize that any other consideration due to the platform for any other work or services imposed by the platform on the customer or the underlying supplier will be considered as a consideration for a separate supply, and VAT must be applied to it at the appropriate tax rate.

Any separate fees charged by a Deemed Supplier for the use of its platform in general or for each transaction made through it (for example, an annual fee to access the Electronic Marketplace or customer service fees), are consideration for a supply of services. The VAT treatment will depend on the exact nature of services being provided.

Where the Deemed Supplier rules do not apply to the Electronic Marketplace and the platform operator or the Electronic Marketplace considers that it is not acting as a Deemed Supplier for supplies made through it, then any amount due to the Electronic Marketplace as a commission or fee will be deemed as a consideration for a taxable supply of services.



### Example (8):

RiyadhCar, a ride-hailing application in the Kingdom, facilitates the booking of rides for passengers in the Kingdom and retains a great deal of control over most aspects of the service provided to the customers. This includes managing operations related to passengers and drivers, collecting payments from passengers, and handling all customer queries and complaints regarding the quality of service provided or personal losses. Due to the level of control RiyadhCar maintains over the ride bookings, it is regarded as a Deemed Supplier when acting on behalf of a resident underlying supplier who is not registered for VAT purposes in the Kingdom (the driver).

Ahmad is an individual who has signed up with RiyadhCar as a driver, using his personal vehicle to transport passengers according to the directions that reach him through the application. In accordance with the app's terms and conditions, RiyadhCar determines the net fare paid by the passenger for each trip based on several factors determined solely by the app, such as car type, rating, peak hours, and other factors. The app then deducts 20% of this net fare from each ride as its commission. RiyadhCar also charges a fixed fee for each trip booked through the app, and which is charged directly to the passenger by the app. Ahmad is resident in the Kingdom, but not registered for VAT.

RiyadhCar app is considered to be an Electronic Marketplace that acts as the Deemed Supplier for the purposes of applying the provisions of Article 47(3) of the Regulations, where it facilitates a supply of transportation services on behalf of the driver (Ahmad). For VAT purposes, RiyadhCar is deemed to have purchased the ride service from Ahmad on his own account and re-supplied it in its own name and on its own account to the passenger. The difference between the purchase price from Ahmad and the selling price to the passenger is referred to as the app commission in contractual documents between the drivers and the app. Furthermore, given RiyadhCar's role as a Deemed Supplier, such commission shall not be deemed as a consideration for a separate supply. The following table illustrates the process for calculating VAT on the fare amount payable by the passenger .

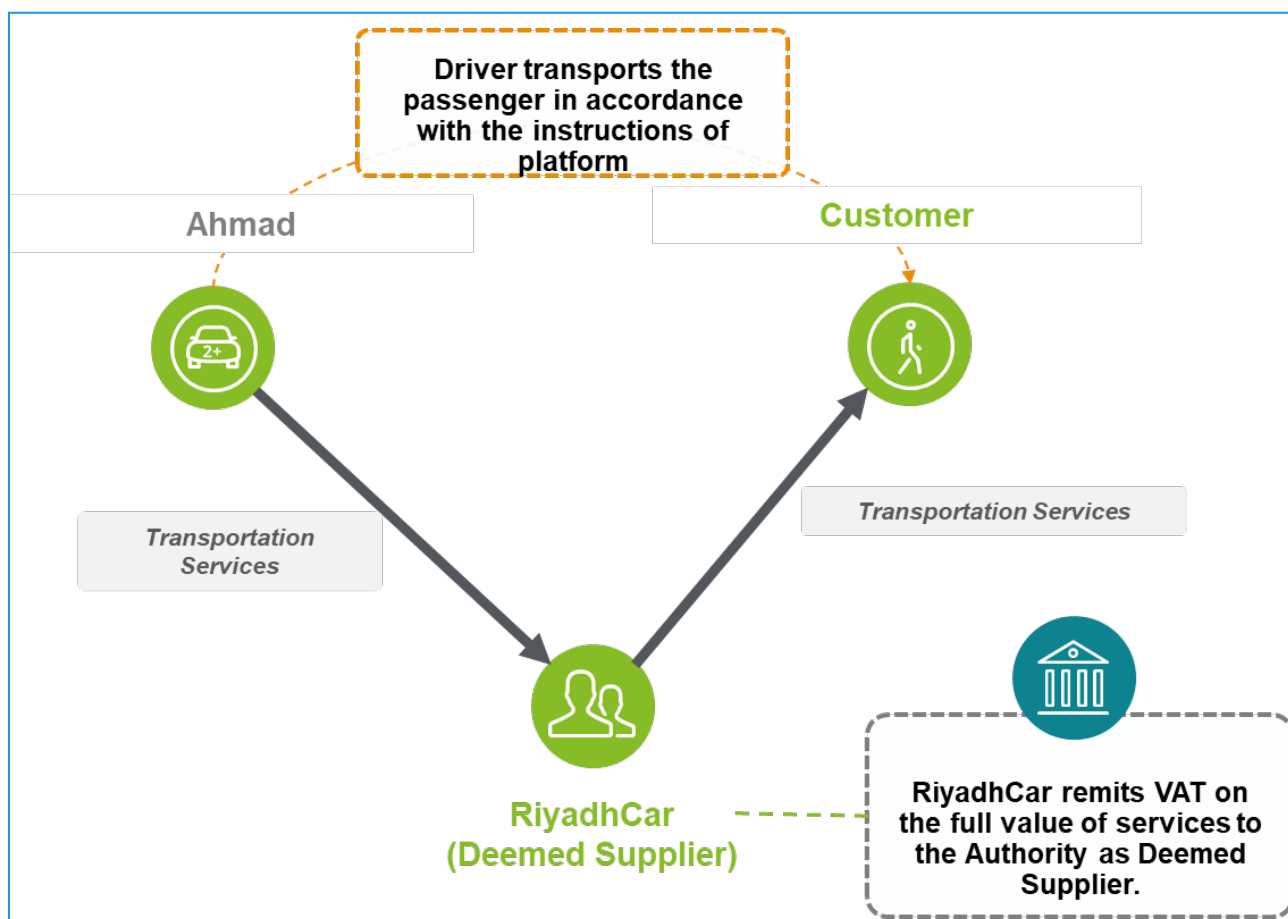


| Supply from Ahmad to RiyadhCar                                                   |        | Supply by RiyadhCar to Customer          |       |
|----------------------------------------------------------------------------------|--------|------------------------------------------|-------|
| Fare payable by Customer                                                         | 40.00  | Total Fare payable (excluding VAT)       | 40.00 |
|                                                                                  |        | 15% VAT on fare                          | 6.00  |
| Less: 20% app commission for services provided by "Riyadh Car" [VAT not applied] | (8.00) | Total Fare payable (including VAT)       | 46.00 |
|                                                                                  |        | Plus: passenger ride booking service fee | 1.00  |
|                                                                                  |        | 15% VAT on ride booking fees             | 0.15  |
|                                                                                  |        |                                          |       |
| Net Value of Supply                                                              | 32.00  | Total taxable supply                     | 41.00 |
| [VAT not applied]                                                                |        | Total VAT                                | 6.15  |
|                                                                                  |        | Total amount due from passenger          | 47.15 |

RiyadhCar must report VAT to ZATCA based on the entire value of the ride, which is the price charged to the customer, including the fixed fees for the trip booking service (and any other ancillary or incidental fees the app may impose as part of its services to the driver or passenger other than the services subject of supply).



Diagram - Supplies made for VAT purposes when RiyadhCar facilitates a ride for a non-registered supplier



#### Example (9):

RiyadhCar has also entered into an agreement equivalent to the one in the previous example with Chauffeur LLC, a VAT-registered business in the Kingdom which employs and uses drivers to provide passenger transportation services through the use of various ride-hailing apps and platforms in KSA, including RiyadhCar. Since Chauffeur LLC is a resident and VAT-registered business, it is responsible for its own VAT obligations. In this scenario, RiyadhCar facilitates the supply of transport, but is not considered a Deemed Supplier due to the nature of the supply and the nature of the underlying supplier.



Consequently, tax is accounted for by Riyadh Car on the total consideration paid by the passenger while VAT is reported to the Authority only on the commission due to the app, amounting to 20% from the consideration for each ride made by Chauffeur LLC, in addition to the booking service fee collected from the passenger. RiyadhCar passes the VAT-inclusive fare amount due thereon and collected from the customer to Chauffeur LLC which reports the due tax to the Authority within its periodic returns.

The following table illustrates the process of calculating VAT on the fare paid by the passenger for the ride provided by Chauffeur LLC.

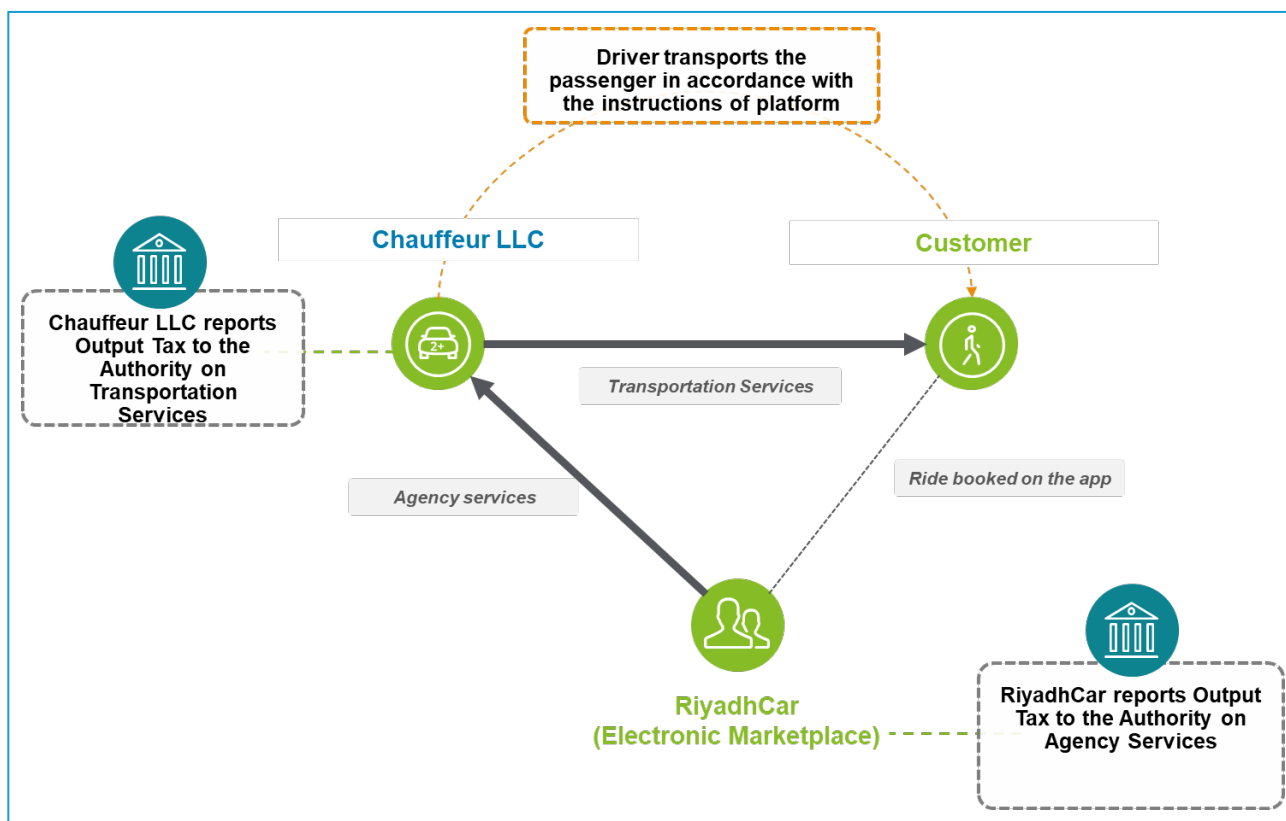
| Supply from Chauffeur LLC to Customer |       | Supply from RiyadhCar to Chauffeur LLC    |       |
|---------------------------------------|-------|-------------------------------------------|-------|
| VAT exclusive fare                    | 40.00 | Company commission (20% of the ride fare) | 9.00  |
| VAT at 15%                            | 6.00  | VAT at 15%                                | 1.35  |
| Total fare (including VAT)            | 46.00 | Total amount due                          | 10.35 |

Chauffeur LLC is responsible for issuing a tax invoice for its supply, and provides this to RiyadhCar. RiyadhCar collects the fare from the Customer and charges VAT on its Driver matching fee, and any other ancillary charges.

| Tax Invoice provided by RiyadhCar to the Passenger                                                    |       |
|-------------------------------------------------------------------------------------------------------|-------|
| Fare collected on behalf of driver (total under VAT invoice issued by Chauffeur LLC inclusive of VAT) | 46.00 |
| Plus: ride booking service fees charged by RiyadhCar app to the passenger                             | 1.00  |
| And VAT on booking service fees charged by RiyadhCar app to the passenger                             | 0.15  |
| Total amount collected                                                                                | 47.15 |



Diagram - Supplies made for VAT purposes when RiyadhCar facilitates the supply of a transport ride for a registered supplier



#### Other services provided by the platform or Electronic Marketplace

To determine the tax treatment of other or additional services that the platform or Electronic Marketplace may provide separately (in its capacity as a Deemed Supplier) in relation to the goods or services the supply of which is facilitated through it to customers, including for example marketing, advertising, and publicity services, the Electronic Marketplace shall analyze the nature of such supplies on a case-by-case basis and determine the extent to which such services are related to the underlying supply provided to the customer.

Where the services are related to the underlying supply to the customer and form a complementary part thereof (for example, payment processing fees, administrative fees, cleaning fees related to accommodation booking, etc.), they shall be subject to the same tax treatment applied to the



underlying supply of goods and/or services, and its consideration shall be deemed part of the consideration paid by the customer for the underlying service. If the supply of the underlying service is standard rated, then the consideration for such additional supplementary services is consequently standard rated.

As for independent services which are not connected with a particular supply, and are considered to be a supply in their own right (for example, annual fees for using the platform or the Electronic Marketplace regardless of whether the platform or Electronic Marketplace is used to facilitate any supply through it), they shall be subject to VAT independently, based on the characteristics of that service.

### **8.3. Deduction of Input Tax**

In its role as a Deemed Supplier, the platform or Electronic Marketplace is assumed to have purchased goods and/or services from the underlying supplier before re-supplying them onwards to customers.

Therefore, it has the right to recover the input tax incurred by the Electronic Marketplace for obtaining these purchases under the usual VAT deduction rules. The platform or Electronic Marketplace must have incurred the Input Tax in the course of carrying out its Economic Activity which involves making Taxable supplies in the Kingdom. It must also hold valid tax invoices to evidence the VAT charged on the supply. Please see additional guidance material issued in respect of Input Tax Deduction for further detail.

The following should also be taken into consideration regarding input tax deduction by the platform or Electronic Marketplace:

- a) Where a platform or Electronic Marketplace, acting as a Deemed Supplier, purchases goods and/or services from an unregistered resident underlying supplier, no VAT is initially charged on the deemed purchases given that they were made by a supplier who is not registered for VAT purposes, and therefore no tax is paid or deductible in the Electronic Marketplace..



- b) Where the platform or Electronic Marketplace, acting as a Deemed Supplier, purchases Electronically Supplied Services (ESS) from a non-Resident supplier, the platform or Electronic Marketplace must self-account for VAT within its periodic VAT returns using the reverse charge mechanism, while retaining the right to deduct it as a deductible input tax according to tax rules. For further details, please refer to section (8.2) of this guide.
- c) Where the platform or Electronic Marketplace facilitates a supply by a VAT-registered resident supplier, the platform or Electronic Marketplace is not a Deemed Supplier for VAT purposes and is not deemed to have purchased the goods and/or services (instead, the resident underlying supplier is the one who makes a supply directly to the Customer through the platform or Electronic Marketplace).
- d) The resident underlying supplier might issue a Tax Invoice in the customer's name and send this to the platform or Electronic Marketplace for administrative purposes to be shared with the customer through the platform or Electronic Marketplace. In this case, it is not considered that the platform or Electronic Marketplace is the one that received the supply from the registered underlying supplier and therefore the Electronic Marketplace may not deduct that tax as a deductible input tax.



## 8.4. Cancellations, returns and refunds made by the Platform or Electronic Marketplace

In certain cases, the platform or Electronic Marketplace (in its capacity as the Deemed Supplier) may handle complaints and objections that may be submitted by customers regarding goods or services facilitated through the platform, such as requests for cancellation, return, or refund of goods and/or services, whether due to unwillingness to complete the supply process, dissatisfaction with the supplies, or due to a problem, error, deficiency, or delay in obtaining the supplied services.

Below are some possible scenarios of problems and their tax implications (including but not limited to):

|                                                                                                                                                                                                                                                                                                               |                                                                                                                                                        |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"><li>Defective goods that are returned for the purpose of obtaining a refund.</li><li>The services are subject to dispute by the customer, and on this basis, the full amount is refunded.</li></ul>                                                                         | Cancellation of the supply, issuance of a credit note to the customer and a full reduction of the Output Tax due <sup>(16)</sup> .                     |
| <ul style="list-style-type: none"><li>Defective goods that are replaced and alternative goods are sent to the customer.</li><li>Services rejected by the customer, for which the supplier makes the necessary arrangements to complete them correctly.</li></ul>                                              | No adjustment to the Output Tax on the supply to Customer.                                                                                             |
| <ul style="list-style-type: none"><li>Defective goods for which part of the amount is refunded to the customer as compensation for the defect in the goods.</li><li>Services that are partially accepted by the customer, for which part of the amount is refunded to the customer as compensation.</li></ul> | A reduction to the value of supply by issuing a credit note to the customer for the refunded amount, inclusive of the Output Tax due <sup>(17)</sup> . |

The platform of Electronic Marketplace may also seek compensation from the underlying supplier for transactions in which it may have to compensate the customer as a result of their complaint about goods or services the receipt of which was facilitated through the platform (as a cash amount, or by demanding the underlying supplier to replace or repair the goods and/or services), in accordance with the contractual terms agreed with each underlying supplier.

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(16) VAT Implementing Regulations, article 40(1).

(17) VAT Implementing Regulations, article 40(1).



If it is decided that the amount paid by the customer will be refunded in full or in part, the platform or Electronic Marketplace, as a Deemed Supplier, shall be required to issue a credit tax notice to the customer and report it in its VAT returns for the tax period in which the credit notice was issued.

#### Example (10):

"ServiceHub KSA," an Electronic Marketplace in KSA, connects home cleaning and maintenance service providers residing in the Kingdom with customers seeking these services throughout the Kingdom. The Electronic Marketplace, ServiceHub KSA, lists various services such as home-cleaning, electrical appliance maintenance, ceiling and wall repainting offered by resident service providers who may or may not be registered for VAT purposes in the Kingdom.

A customer, Rania, books a deep-cleaning service for her home through the Electronic Marketplace, ServiceHub KSA, paying a total of SAR 1,150 (including VAT of SAR 150). The Electronic Marketplace, ServiceHub KSA issues a tax invoice in its own name to Rania, as the cleaning service is assigned to an resident service provider who is not registered for VAT purposes in the Kingdom. However, the cleaning provider fails to arrive with the correct tools at the designated time as indicated to the customer when the booking was made through the Electronic Marketplace, and therefore the cleaning was not completed.

Whereas the Electronic Marketplace "ServiceHub KSA" is responsible for processing customer requests, receiving complaints, and handling refunds, the Electronic Marketplace received a complaint from Rania indicating the problem and her dissatisfaction with the service provided by the resident service provider.

Accordingly, the Electronic Marketplace "ServiceHub KSA" investigated the matter and confirmed the validity of Rania's claim (that she no longer wished to receive the service and terminated the contract). The Electronic Marketplace then issued a full refund to Rania. Furthermore, "ServiceHub KSA" issued Rania a credit note for SAR 1,150, representing the full amount collected including VAT.



For the purposes of complying with the VAT provisions, the Electronic Marketplace "ServiceHub KSA" must report the credit note in its VAT returns for the relevant period in which the contract was terminated and the credit note was issued.

The Electronic Marketplace "ServiceHub KSA" has the right to request a refund or deduction from future payments from the resident service provider. This action does not entail any tax obligations, as the resident service provider is not registered for VAT purposes.

### **8.5. Discounts or free supplies made for promotional purposes**

The platform or Electronic Marketplace may choose to offer discounts or free supplies to its Customers for the purpose of promoting the platform or Electronic Marketplace, gaining market share or building its customer base.

#### **Discounted supplies provided to customers**

The platform or Electronic Marketplace might choose to provide the goods and/or services at a lower price than it remits to the underlying supplier.

If the platform or Electronic Marketplace acts as a Deemed Supplier and chooses to offer a discounted price for a supply of goods and/or services, VAT is simply due on the actual Consideration collected or payable by the Customer for the goods and/or services after discount<sup>(18)</sup>.

#### **Free supplies provided to customers**

The Common GCC VAT Agreement defined the "deemed supply"<sup>(19)</sup> as a supply of goods or services made without any consideration. This situation arises from the platform or Electronic Marketplace if the supplier deducts Input Tax when purchasing goods and/or services and makes an onwards supply of those goods or services for free (without consideration), the free supply results in a deemed taxable supply for VAT purposes.

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(18) Common GCC VAT Agreement, Article 26(6).

(19) Common GCC VAT Agreement, Article 8.



The platform or Electronic Marketplace may describe goods and/or services as "free", without any consideration, for promotional purposes, in cases where those goods and/or services form part of a package of other goods or services for which a consideration has been received, in which case the tax will be levied on the consideration received for that other package.

A deemed supply does not arise in cases where the value of the goods or services do not exceed 200 riyals per customer during one calendar year, and do not exceed 50,000 riyals in total for all customers in that calendar year.

Please see the Guide issued on Business Promotions for further detail.

In cases where the platform or Electronic Marketplace acts as Deemed Supplier facilitating a supply of goods and/or services from non-registered resident supplier, it will not incur Input Tax on its deemed purchase of the goods or services. Therefore, the platform or Electronic Marketplace would not make a Nominal Supply if it supplies the goods or services to its customer for no consideration, provided that the platform has not deducted or recovered any other costs incurred by it in relation to facilitating the supply of such goods or services to the customer.

#### Example (11)

RiyadhCar facilitates transportation services through its app. It provides its customers one complimentary trip, to a maximum value of SAR 150, after every 50 rides as a loyalty gift.

Noor is a customer of RiyadhCar and qualifies for a complimentary trip to the airport. RiyadhCar facilitates this ride from Ali, a driver who is not registered for VAT purposes and provides this as a "free" ride for Noor. In this case, RiyadhCar does not incur Input Tax on its purchase of this service from Ali and did not deduct any other input tax in relation to providing that supply to Noor, and therefore RiyadhCar will not be considered to be making a deemed supply on the free supply it provides to Noor .

Lama also qualifies for a complimentary trip to the airport. RiyadhCar facilitates this ride from a Golden Taxis, a transportation firm registered for VAT purposes in the Kingdom (and RiyadhCar



therefore does not act as Deemed Supplier in this case). For VAT purposes, Golden Taxis provides a taxable supply directly to Lama and is obligated to provide her with a tax invoice for the net consideration it receives for the transportation services. RiyadhCar elects to bear the cost of the ride as part of its promotion (it pays the Golden Taxi fee without seeking any fare from Lama), and for VAT purposes it simply makes payment (on behalf of Lama) for the Golden Taxi's supply. In these circumstances, RiyadhCar cannot deduct Input Tax and will not be considered to be making a deemed supply for VAT purposes in respect of Lama's 'free' trip.

#### **8.6. Adjustment of the supply value by the platform or Electronic Marketplace in case of non-receipt of the consideration (debt write-off)**

Where platforms or Electronic Marketplaces act as the Deemed Supplier, they shall be required to calculate, report, and pay VAT to the Authority on the full value of the supply due from the customer, in the tax period during which the resupply to the customer or the issuance of the tax invoice to the customer, whichever comes first. In most cases, the platform or Electronic Marketplace collects the full payment amount, including VAT, from the customer upfront when they complete the order process through the platform.

In some cases, the platform or Electronic Marketplace might not collect consideration upfront, or might not be contractually responsible for collecting the consideration (for example, where a customer booking a hotel stay through the platform or Electronic Marketplace, and has the option to pay the consideration in part or in full upon arrival to the underlying supplier directly).

If the platform or Electronic Marketplace has reported VAT on a supply facilitated through it considering that it is acting as a Deemed Supplier, but is unable to collect the consideration due for that supply from the customer or the underlying supplier or any third party making the payment on behalf of the customer - the platform may be eligible to make an adjustment to the Output Tax in respect of these 'bad debts', provided that the conditions specified in the provisions of article 40(7) of the VAT Implementing Regulations are met.



## **9. Application of the Deemed Supplier Rules to Food Delivery Platforms and Apps**

### **9.1. Application of the Deemed Supplier rules to food delivery app business models**

According to the Deemed Supplier rules stipulated in the provisions of Article 47 of the Regulations, the food delivery app (the platform or Electronic Marketplace) facilitates the supply of goods and/or services (supply of food and beverages, including ready-made meals and beverages, and supply of delivery services), for the purpose of providing and delivering them to customers.

The underlying suppliers of food and beverage products (such as restaurants, grocery stores, wholesalers, retailers, and the like) use multiple platforms or Electronic Marketplaces to facilitate the supply and delivery of their products once the platform receives the order from the customer on the food delivery app (the platform or Electronic Marketplace). Food delivery apps typically include a diverse range of underlying suppliers residing in the Kingdom who provide food and beverages (such as restaurants and cafes), most of whom are businesses required to register for VAT purposes, as their supplies often exceed the mandatory registration threshold. Furthermore, these apps include food delivery service providers who use the platform or Electronic Marketplace to complete the delivery of food and beverages to the customer, either as individuals or through specialized delivery companies that use their employees and affiliates for that purpose.

Food delivery apps manage most aspects of transactions related to the order from the end customer, including collecting payments, issuing invoices, handling complaints and after-sales services, processing return requests, and refunding payments resulting from returns or complaints as customer credit in cases of delays, shortages, or non-completion of the order. Although customers are aware of the identity of the underlying supplier, such as restaurants or grocery stores (from which they often order based on their preferences for specific underlying suppliers over others), they communicate directly with the food delivery app (the platform or Electronic Marketplace) to file any complaint according to the business model specified by the Electronic Marketplace.



Given the significant role that the platform or Electronic Marketplace plays in facilitating the supply of food and beverage services from underlying suppliers to underlying customers, it will often be subject to the Deemed Supplier rules with regard to its facilitation of the food and beverage supply, delivery services, or both, provided by restaurants and resident delivery service providers who are not registered in the VAT system, and such in accordance with the provisions of Article 47(3) of the Regulations. Therefore, the platform is considered to have purchased the supplies that were made through it (the value of the meal from the non-registered restaurant and the value of the delivery service from the delivery representative) and re-supplied them to the end customer benefiting from such supplies. Consequently, the platform is responsible for collecting the tax due on all such supplies, reporting it to the Authority, and paying it within its periodic returns.

Whereas in cases where the underlying food supplier (restaurant) is registered for VAT purposes, while the delivery service provider is not registered for VAT, The platform or Electronic Marketplace can be considered as acting as an apparent intermediary or agent for meal supplies made by registered restaurants, as well as acting as a Deemed Supplier for facilitating delivery services made by non-registered delivery representatives. Therefore, it shall be responsible for fulfilling the tax obligations related to delivery services to the end customer, In addition to its responsibility to fulfil its tax obligations for its own supplies as a principal in previous supply transactions, which include (fees imposed on registered meal providers for intermediary or facilitation services, and for any additional fees charged directly by the platform to the customer, such as service fees charged by some platforms).

Some food delivery apps may also contract directly with drivers who are affiliated with them or have a contractual relationship with them, and thus they are the principal in the delivery process when dealing with customers, and tax shall be levied on the delivery service according to the usual rules. In that case, the apps will include in the tax invoice issued to the end customer all amounts payable by the customer along with the tax due on each supply according to its tax treatment.



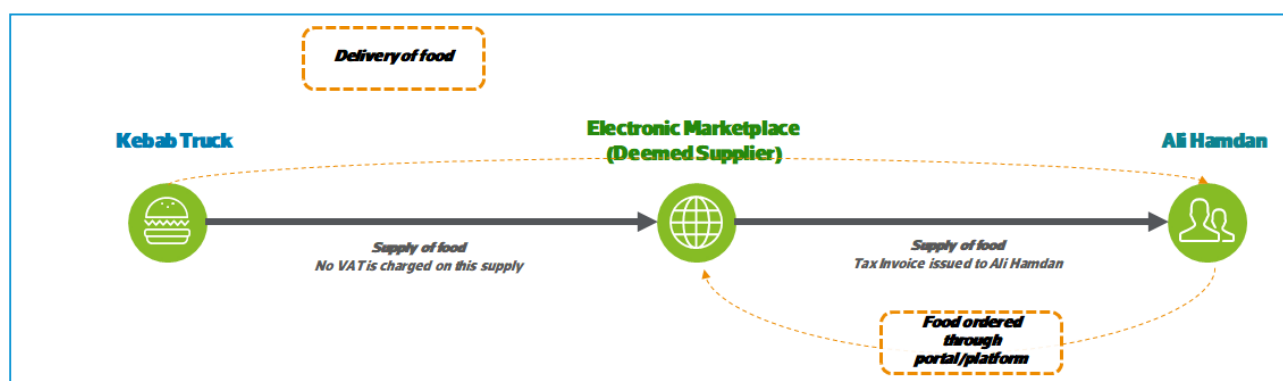
The following examples provides an illustration of how VAT is applied to transactions between parties, based on the registration status of the underlying supplier for VAT purposes:

### Example (12)

A food delivery app (platform or Electronic Marketplace) residing in the Kingdom facilitates the supply of meals through it as a Deemed Supplier on behalf of an underlying supplier "Kebab Truck" who is a KSA resident and not registered for VAT (the restaurant). The app also facilitates the delivery of food to customers in the Kingdom through its delivery representatives.

| Parameters                                                                                                                                                                     |                                      |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------|
| The underlying supplier of food and beverage services (restaurant)                                                                                                             | Kebab Truck (not registered for VAT) |
| Meal price on a food delivery app (platform or Electronic Marketplace)                                                                                                         | SAR 115 (including VAT)              |
| Commission for facilitating the meal supply process (platform or Electronic Marketplace revenue) levied on the underlying supplier (restaurant).                               | 20% of the meal price                |
| Order Processing and Delivery Fee Charged by the food delivery app (platform or Electronic Marketplace) on the customer (delivery representative affiliated with the platform) | SAR 5 per order (excluding VAT)      |

Diagram - Transaction flow between "Kebab Truck" and the food delivery platform or electronic marketplace that acts as a Deemed Supplier.





According to the electronic platform's business model, the food delivery app (the platform or Electronic Marketplace) provides a "Kebab Truck" sales document (a sales invoice that is not a tax invoice) representing the supply process made by the non-registered underlying supplier of meals to the app (for the deemed purchase made by the app). The document is used by "Kebab Truck" to record its business that was done through the platform ("Kebab Truck" cannot issue a tax invoice as it is not registered for VAT).

The food delivery app (the platform or Electronic Marketplace) also issues a simplified tax invoice to its customer, the end beneficiary of the meal and the delivery service (Ali Hamdan), and these documents appear as follows:

| Sales document from the food delivery app<br>(platform or electronic marketplace) to "Kebab<br>"Truck |        |
|-------------------------------------------------------------------------------------------------------|--------|
| Supplier: Kebab Truck                                                                                 |        |
| Customer: Food delivery app                                                                           |        |
| Delivered to: Ali Hamdan                                                                              |        |
| Date: 12 January 2027                                                                                 | SAR    |
| Meal price                                                                                            | 100.00 |
| Company's commission deducted<br>from the meal price                                                  | (20)   |
| Net meal price                                                                                        | 80.00  |
|                                                                                                       |        |
| Total Amount Payable to the<br>supplier                                                               | 80.00  |

| Tax Invoice<br>From the food delivery app (platform or)<br>Electronic Marketplace) to the customer "Ali<br>("Hamdan<br>[Simplified Tax Invoice Number: 1001] |        |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------|--------|
| Supplier: Food delivery<br>app (platform or Electronic<br>Marketplace)<br>[Tax Identification Number]                                                        |        |
| Customer: Ali Hamdan                                                                                                                                         |        |
| Delivered to: Ali Hamdan                                                                                                                                     |        |
| Date: 12 January 2027                                                                                                                                        | SAR    |
| Meal price (exclusive of tax)                                                                                                                                | 100.00 |
| Order Processing and Delivery<br>Fee                                                                                                                         | 5.00   |
| Total exclusive of VAT                                                                                                                                       | 105.00 |
| VAT                                                                                                                                                          | 15.75  |
| Total Amount Payable<br>(including VAT)                                                                                                                      | 120.75 |



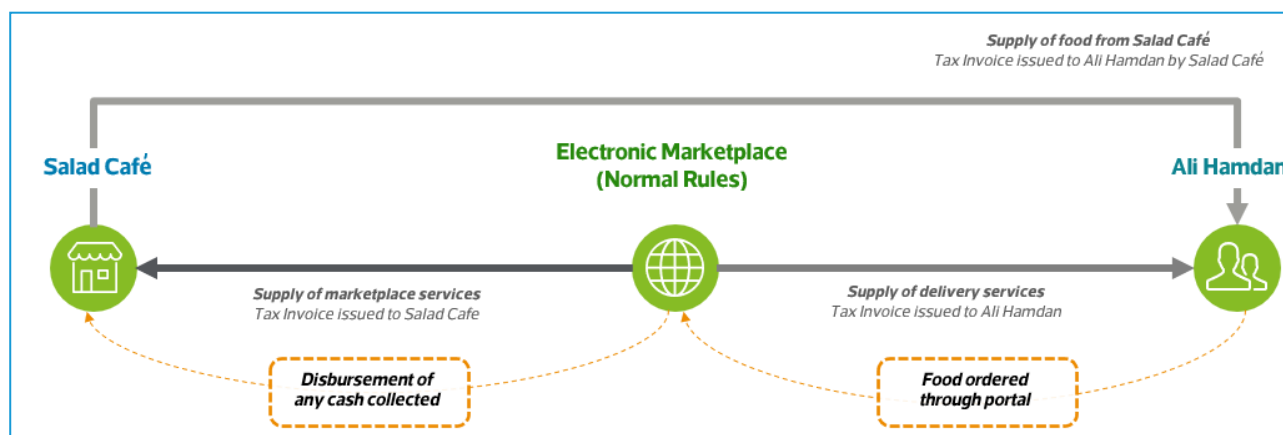
It is important to emphasize that in the previous example, the app did not impose VAT on its commission due from the underlying supplier and deducted from the selling price of the meal to the customer (before calculating VAT), as this commission is considered outside the scope of tax in relation to the transaction between the underlying supplier and the app (it is considered an adjustment to the deemed purchase value) given that it has already been included in the value of the meal resupply to the customer by the app as a Deemed Supplier.

### Example (13):

A KSA resident food delivery app (platform or Electronic Marketplace) acts as an intermediary in the sale of meals on behalf of the "Salad Cafe" restaurant residing in the Kingdom and registered in the VAT system. The app also facilitates the delivery of food to customers in the Kingdom through its delivery representatives.

| Parameters                                                                                                               |                                                |
|--------------------------------------------------------------------------------------------------------------------------|------------------------------------------------|
| Underlying supplier of meal provision services (restaurant)                                                              | Salad Café (registered)                        |
| Meal price on a food delivery app (platform or Electronic Marketplace)                                                   | SAR 115 (including VAT)                        |
| Commission of the food delivery app (platform or Electronic Marketplace) on the underlying supplier (restaurant).        | 20% of the meal price (before calculating tax) |
| Order processing and delivery fees charged by the food delivery app (platform or Electronic Marketplace) to the customer | SAR 5 per order (excluding VAT)                |

Diagram - Transaction flow between the underlying meal supplier "Salad Cafe", the food delivery app (platform or Electronic Marketplace), and the customer





Salad Café is registered for VAT and issues its own simplified tax invoice in respect of the total meal amount including VAT to the customer (Ali Hamdan) and shares it with him through the app (excerpt shown).

| Simplified Tax Invoice<br>[Tax Invoice Number: 2336]                                                                       |              |
|----------------------------------------------------------------------------------------------------------------------------|--------------|
| Supplier: Salad Café<br>[Tax Identification Number]                                                                        |              |
| Date: 12 January 2027                                                                                                      | Value in SAR |
| Customer: Ali Hamdan                                                                                                       |              |
| Food Delivery - food delivery app (platform or Electronic Marketplace) Order reference number received from the app (1002) | 115          |
| Value inclusive of VAT (tax value is 15 Saudi Riyals)                                                                      |              |

The food delivery app (the platform or Electronic Marketplace) collects the amount due from the end customer (Ali Hamdan) on behalf of Salad Café (the underlying supplier) (outside the scope of tax), and includes that amount within the simplified tax invoice issued by it to the end customer, which includes the value of the order processing and delivery fee in addition to the tax due thereon. The Electronic Marketplace separately issues a Tax Invoice to Salad Café in return for its supply of services provided to it by the app in respect of the brokerage fee.



| Tax Invoice<br>from the food delivery app (platform or)<br>(Electronic Marketplace to Salad Café<br>[Tax Invoice Number: 5003] |                 |
|--------------------------------------------------------------------------------------------------------------------------------|-----------------|
| Supplier: Electronic Marketplace<br>[Tax Identification Number]                                                                |                 |
| Customer: Salad Café                                                                                                           |                 |
| Reference: Order Number 1002<br>for delivery to Ali Hamdan                                                                     |                 |
| Date: 12 January 2027                                                                                                          | Value in<br>SAR |
| Consideration for app service fees<br>excluding tax                                                                            | 20.00           |
|                                                                                                                                |                 |
| Total (Net)                                                                                                                    | 20.00           |
| 15% VAT                                                                                                                        | 3.00            |
| Total Amount Payable (including<br>VAT)                                                                                        | 23.00           |
|                                                                                                                                |                 |

| Simplified Tax Invoice<br>from the food delivery app (platform or)<br>(Electronic Marketplace to Ali Hamdan<br>[Tax Invoice Number: 5002] |                 |
|-------------------------------------------------------------------------------------------------------------------------------------------|-----------------|
| Supplier: Electronic Marketplace<br>[Tax Identification Number]                                                                           |                 |
| Customer: Ali Hamdan                                                                                                                      |                 |
| Reference: Order number<br>(1002) for delivery to Ali<br>Hamdan                                                                           |                 |
| Date: 12 January 2027                                                                                                                     | Value in<br>SAR |
|                                                                                                                                           |                 |
| Order Processing and Delivery<br>consideration                                                                                            | 5.00            |
| Total (Net)                                                                                                                               | 5.00            |
| 15% VAT                                                                                                                                   | 0.75            |
| Amount collected on behalf of<br>Salad Café (invoice number<br>2336)                                                                      | 115.00          |
| Total Amount Payable by the<br>customer (including VAT)                                                                                   | 120.75          |

## 9.2. Refunds processed by food delivery applications

Many food delivery apps that facilitate food supply (as a platform or Electronic Marketplace) handle the issues and problems that customers or underlying suppliers may face -including cases where food orders are not delivered, or an incorrect or incomplete order is delivered, or there are delays in the delivery process and other issues related to poor food quality. It also rates underlying suppliers in terms of quality and speed of order delivery.



The food delivery app (platform or Electronic Marketplace typically collects a VAT-inclusive consideration at the time of the order from the end customer but, depending on the factual circumstances and the contractual terms with customers and underlying suppliers, it might choose one or more of these actions as subsequent steps after receiving the complaint filed by the end customer:

- Refunding the collected amount in full or in part as a credit balance to the customer.
- Offering to bear the cost of providing a replacement meal for the customer.
- Not paying of the amount due to the restaurant or delivery service provider and keeping it to cover compensations made to end customers; or
- Charge an administrative fee to the underlying supplier (restaurant) or delivery provider.

The VAT consequences of these actions will depend on the individual facts, and whether the food delivery app (the platform or Electronic Marketplace acts as Deemed Supplier for VAT purposes.

Example (14) demonstrates some of the possible consequences, but each situation should be determined based on the facts and contractual terms in place.

#### Example (14)

"CoffeeHub," is a new restaurant on the FoodDelivers app, which is registered for VAT. FoodDelivers app is therefore not a Deemed Supplier in respect of facilitating supplies of food, as the underlying supplier of meals and beverages is registered for VAT. For orders placed through the app, FoodDelivers requires CoffeeHub to charge a price agreed upon with the customer, and FoodDelivers imposes a service fee on each order in addition to the delivery fees imposed on customers.

A customer places a coffee order from the restaurant on the app however, the customer complained that half of it was spilled by the delivery person. In accordance with its policy, FoodDelivers provides a full refund or replacement for any orders that arrive in an unacceptable condition upon a customer complaint.



FoodDelivers app refunded the full amount received from the customer by crediting it to the customer's account. The app did not claim compensation from "CoffeeHub" for the customer as the coffee spill was due to the delivery provider's fault. In this case, the consequences for VAT purposes might be:

- The simplified tax invoice issued by CoffeeHub in its own name for the coffee remains valid for VAT purposes.
- "CoffeeHub" receives the value of the coffee plus the due VAT that it supplied to the customer through the app, regardless of the complaint.
- FoodDelivers issues a credit note in its own name for the value of the order and delivery amount as compensation to the customer for the spilled coffee. The customer receives the value of the spilled coffee as a credit balance, and the compensation amount is treated as compensation outside the scope of tax.
- In accordance with the app's terms and conditions, FoodDelivers charges a fixed administrative fee to its subcontracted delivery provider for orders where it is required to processing a customer complaint. This fee is a separate consideration for administrative services provided by the app to the delivery service provider, and is subject to VAT.



## **10. Application of the Deemed Supplier rules to short-term accommodation booking services facilitated through platforms or Electronic Marketplaces**

The lease of serviced guest accommodation in the Kingdom or the provision of temporary housing or accommodation for visitors and travelers in the Kingdom is subject to VAT at the standard rate (15%). The Implementing Regulations specifically provide that accommodation in “hotels, inns, guest houses, motels, serviced accommodation, or any other building that is designed to offer temporary accommodation to visitors or travelers” is not eligible for VAT exemption in the same way as tax-exempt rentals of permanent dwellings<sup>(20)</sup>.

Accommodation services can be booked through platforms or Electronic Marketplaces that include a variety of different properties and accommodations made available for short-term rental by their owners and operators, including commercial accommodation facilities such as hotels, and private homes owned by individuals who may carry out that activity occasionally during certain periods.

Notwithstanding of the type of property or the actual activity of the underlying supplier, ZATCA considers the provision of short-term accommodation services in the Kingdom, offered through a platform or Electronic Marketplace, is part of an economic activity facilitated by a platform or Electronic Marketplace, and is therefore subject to VAT. Therefore, if the platform or Electronic Marketplace facilitates the supply of such services through it, and the underlying supplier is residing in the Kingdom and not registered for VAT, then the Deemed Supplier rules will apply to him according to the provisions of Article 47 of the Regulations, as it will be considered to have made a deemed purchase of temporary accommodation services, booked the accommodation from the underlying supplier and re-supplied to the customer benefiting from it as a Deemed Supplier (and the Deemed Supplier is treated as if he were the principal in that supply process that was carried out through him).

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(20) VAT Implementing Regulations, article 30(3).



### Example (15):

Staybooking.com operates as a platform and Electronic Marketplace in the Kingdom, enabling customers to book short-term rentals within the Kingdom by facilitating the supply of temporary accommodation services offered on the site through the underlying providers of such services. Ahmad, a Saudi resident individual who is not registered for VAT, lists his personal furnished property on the platform or Electronic Marketplace for short-term holiday rentals during his summer vacation which he usually spends outside the Kingdom.

Users of the platform or Electronic Marketplace can submit a request to book the accommodation for a set period. Ahmad must approve a customer's request for rental of the property, after which point Staybooking.com confirms the booking, arranges for collection of consideration from the customers, and offers a mechanism to deal with customer complaints.

In this case, Staybooking.com is considered to be facilitating the supply of accommodation on behalf of Ahmad and Staybooking.com will be designated as the Deemed Supplier of supplies made by the underlying supplier (Ahmad) for VAT purposes. Consequently, the platform or Electronic Marketplace becomes responsible for charging and collecting VAT, reporting it to the Authority, issuing tax invoices, and maintaining all records in accordance with the provisions of the VAT Law and its Implementing Regulations.

A person booking accommodation temporarily through a platform or Electronic Marketplace may be subject to additional mandatory or optional fees imposed by the underlying supplier depending on the services provided within the accommodation service, such as cleaning fees, linen change fees, internet service or parking fees.

The consideration for additional services provided by the underlying supplier (accommodation service providers) and closely related to the accommodation service is viewed as additional consideration for the supply of accommodation services; that is, such supplies are not considered separate supplies. Therefore, the platform or Electronic Marketplace must apply the same tax treatment applied to accommodation services to such additional services as its Deemed Supplier.

The platform or Electronic Marketplace could also facilitate the supply of additional discretionary goods or services which are separate to the accommodation services, such as providing hire



of a vehicle, or providing scenic trips that can be provided by the same underlying supplier (the accommodation provider) or a different underlying supplier. If the platform or Electronic Marketplace facilitates goods and/or services of this nature, the VAT treatment should be analysed based on the goods and/or services provided. In most cases, VAT would apply at the standard rate of 15% to such discretionary goods and/or services in the Kingdom (equivalent to the treatment of the underlying accommodation booking service).

In some cases, additional services may be provided directly by the underlying supplier (accommodation service provider) without being offered or listed on the Staybooking.com electronic platform - and without any intervention from the platform or the Electronic Marketplace in terms of providing them or in the terms and conditions related thereto- In this case, the platform or Electronic Marketplace will not be considered as the Deemed Supplier of such services and will not be required to account for VAT due thereon in this case.

#### **10.1. Application of the Deemed Supplier rules to accommodation bookings facilitated through multiple platforms or Electronic Marketplaces**

In some cases, platforms or Electronic Marketplace may enter into contractual agreement with the underlying supplier (accommodation service provider) to arrange (display) its accommodation to be listed on one or more other platform or Electronic Marketplace, making them accessible and viewable by a larger percentage of customers.

Article 47(4)(A) of the Implementing Regulations sets forth that: "An electronic marketplace will not be considered to be facilitating the supply of goods or services if its role is limited to processing payments related to the purchase of goods or services through it for the benefit of suppliers, or to marketing and advertising the goods or services listed through it without facilitating the supply process through it, or to redirecting customers to another electronic marketplace that undertakes the process of facilitating the supply."

Therefore, the consideration for such services provided by these platforms or Electronic Marketplaces are not subject to the VAT provisions relating to the Deemed Supplier.



### Example (16)

BestRates operates as a price comparison website for hotels and short-term accommodations, with the aim of enabling customers to browse and compare prices of accommodations such as hotels and others across multiple platforms or Electronic Marketplaces. The website does not directly handle booking transactions; instead, it redirects customers to other platforms or Electronic Marketplaces to complete their purchases. It charges a commission to these platforms or Electronic Marketplaces if bookings are completed through them.

BookStay.com is one such platforms or Electronic Marketplaces where customers may be redirected from BestRates to finalize their hotel bookings. As the primary platform or Electronic Marketplace through which booking and accommodation contracts or agreements are concluded with customers, and for the purposes of applying the VAT provisions relating to the Deemed Supplier rules, BookStay.com is considered the relevant platform or Electronic Marketplace to determine if it is considered as a Deemed Supplier for any of the supplies facilitated through it.

It should be noted that in some cases, a customer might be able to book the accommodation directly with any of the platforms or Electronic Marketplaces that handle the process of listing the available accommodation (and the contractual agreements between such platforms or Electronic Marketplaces will arrange for the consideration to be allocated to the accommodation service provider and to each of the platforms or Electronic Marketplaces involved in the supply facilitation).

If multiple platforms or Electronic Marketplaces are engaged in the process of booking short-term accommodation for the customer, the operator of the platform or electronic marketplace through which the contract was concluded and the commitment was made with the customer to facilitate the supply of accommodation services through it will be considered as the Deemed Supplier, unless another platform or Electronic Marketplace has been explicitly and clearly identified in the contractual agreement with the customer as being responsible for acting as the Deemed Supplier to facilitate the supply process for VAT purposes.



## 11. Transitional Rules

The VAT provisions relating to the Deemed Supplier of electronically supplied services through a non-resident underlying supplier have been in effect since the implementation of VAT in the Kingdom, i.e., since January 1, 2018, and continues to be implemented in accordance with the amendments made to the provisions of Article 47(2) of the Regulations, which aim only to provide further clarification of such provisions without changing their essence or scope of application.

The amendments to the VAT provisions relating to the Deemed Supplier shall apply to supplies of goods and services facilitated by non-registered resident suppliers on supplies facilitated through the platform or the Electronic Marketplace in cases where a contract or agreement is concluded with customers starting from 1 January 2026.

It should also be noted that notwithstanding the application of the new provisions related to the activities of platforms and Electronic Marketplaces that facilitate supplies through them, platforms and Electronic Marketplaces remain subject to the application of VAT in accordance with the general principle of the principal and agent stipulated in article 9 of the VAT Law, which applies to Persons who act in their own name supplying or receiving goods or services on behalf of other Persons, and such platforms or Electronic Marketplaces, which may not meet the provisions of Article 47(2) and (3), should verify their compliance with the tax provisions contained in that article, in which they may act as an undisclosed agent and appear to customers as if they are acting in their own names and thus are the principals in the supply process.



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