



شعبة الترجمة الرسمية
Official Translation Department

Law of Value Added Tax

Royal Decree No. M/113
July 25, 2017

Translation of Saudi Laws



NOTE:

The translation of Saudi laws takes the following into consideration:

- Words used in the singular form include the plural and vice versa.
- Words used in the masculine form include the feminine.
- Words used in the present tense include the present as well as the future.
- The word “person” or “persons” and their related pronouns (he, his, him, they, their, them) refer to a natural and legal person.



Law of Value Added Tax

Chapter 1: Preliminary Provisions

Article 1

1. In this Law, the following terms shall have the meanings assigned thereto, unless the context requires otherwise:

Authority: The General Authority of Zakat and Tax.

Law: The Law of Value Added Tax.

Agreement: The Unified Value Added Tax (VAT) Agreement for GCC States.

Kingdom: The territory of the Kingdom of Saudi Arabia, including areas located outside the territorial waters in which the Kingdom of Saudi Arabia practices the right of sovereignty over its water, seabed, layers under the soil, and natural resources, in accordance with its laws and international law.

Regulations: Any implementing regulations of the Law.

Board of Directors: Board of Directors of the Authority.

Output Tax: The tax due and chargeable on any taxable supply of goods or services made by a taxable person.

Tax Invoice: An invoice issued in respect of taxable supplies in accordance with the requirements provided for in the Law and Regulations.

2. Except as provided in paragraph (1) of this Article, the terms used herein shall have the meanings assigned thereto in the Agreement.

Article 2

Tax shall be imposed on the import and supply of goods and services in accordance with the provisions stipulated in the Agreement, the Law, and the Regulations.

Chapter 2: Registration for Tax Purposes

Article 3

1. A taxable person shall be obligated to register according to the economic activities he performs in the Kingdom, and in accordance with the provisions stipulated in the Agreement.
2. A person performing an economic activity, who is not obligated to register under the provisions of the Agreement, may voluntarily register, provided that he complies with the terms and conditions provided in the Regulations.
3. The Authority shall issue a registration certificate to each registered person, and the Regulations shall determine the information which must be included



- therein.
4. The Authority shall create a register that contains the relevant details of each registered person.
 5. The Regulations shall determine:
 - a) the terms, conditions, and necessary procedures for registration, its specified deadlines, cases for rejecting a registration application, and procedures for notifying the registrant of the relevant decisions issued by the Authority; and
 - b) the terms and conditions for exempting a taxable person who provides only zero-rated taxable supplies from the obligation to register.

Article 4

1. The Regulations shall determine the terms and conditions under which a tax group may register, amend its registration, or cancel it.
2. Members of a tax group shall be treated as a single taxable person.
3. All members of a tax group shall be jointly and severally liable for the group's tax obligations which arise during the term of their membership.

Article 5

1. A taxable person must apply for cancellation of his registration in any of the following cases:
 - a) Cases stipulated in the Agreement.
 - b) If the person is a resident and his total annual revenue does not exceed the voluntary registration threshold during the period set by the Regulations.
 - c) If the person is a non-resident and does not make any taxable supply during the period set by the Regulations.
2. The Regulations shall determine the periods and procedures that a registered person must comply with prior to cancelling the registration, the terms and conditions for rejecting an application for registration cancellation, and further cases for registration cancellation.
3. A taxable person who cancels his registration shall be liable for all obligations under the Law which arise during the validity of his registration.

Chapter 3: Supply of Goods and Services

Article 6

The Regulations shall determine the terms and conditions for implementing the provisions stipulated in the Agreement relating to nominal supplies.

Article 7

The Regulations shall determine the terms and conditions for a taxable person's



transfer of goods that constitute part of his assets from the Kingdom to a member state, or vice versa.

Article 8

The Regulations shall determine the transactions in which the supply of goods and services falls outside the scope of tax.

Article 9

A taxable person, acting in his name, who supplies or receives goods or services on behalf of another person shall be deemed, for the purposes of the Law and the Regulations, as supplying or receiving such goods or services for himself.

Article 10

The Regulations shall determine tax-exempt supplies and zero-rated supplies, as well as related terms and conditions.

Article 11

The Regulations shall determine the criteria and period for calculating the value of the annual supplies that a taxable person expects to achieve.

Article 12

The Regulations shall determine the terms and conditions for aggregating the revenues of related persons who conduct similar or related activities, and registering each of them or registering them on a mandatory basis, based on the total revenue.

Chapter 4: Place of Supply

Article 13

The Regulations shall set the terms and conditions for determining the place of supply of goods and services according to the provisions of the Agreement.

Article 14

The Regulations may set the terms and conditions for determining the place of residence.



Chapter 5: Taxable Value

Article 15

1. The value of imported goods shall be determined in accordance with the provisions of the Unified Customs Law.
2. The Regulations shall set the competitiveness conditions for determining the fair market value of goods and services, and the terms and conditions for amending the value of a supply between related persons and the value of a supply in cases not provided for in the Agreement.

Chapter 6: Imports

Article 16

1. Tax shall be due on imports into the Kingdom in accordance with the provisions of the Agreement.
2. If tax is suspended on imports of goods in accordance with the Unified Customs Law, the importer must provide a guarantee that covers the value of the tax as determined in the Regulations.

Article 17

The Regulations shall determine the terms and conditions for exempting personal belongings, gifts brought in by travelers, and equipment for persons with special needs from tax in accordance with the Unified Customs Law.

Chapter 7: Tax Calculation

Article 18

The tax rate due shall be the rate applicable on the date of supply or the date of import.

Article 19

The Regulations shall determine the date tax is due for supplies not provided for in the Agreement.

Article 20

The Regulations shall determine the periods for the calculation of tax and its terms and conditions.



Article 21

1. If an invoice is issued or payment is made for goods or services prior to the date this Law enters into force or prior to the registration date, and the supply takes place after such date, tax shall be due on the date of supply.
2. The provision of paragraph (1) of this Article shall apply to internal supplies between a taxable supplier residing in the Kingdom and a customer in another member state, or vice versa.
3. In relation to continuous supplies partially made prior to the date this Law enters into force or the registration date, and partially made after this date, tax shall not be due on the portion made prior to the date of entry into force or registration date.

Chapter 8: Tax Deduction

Article 22

The Regulations shall determine the following:

1. The terms and conditions for tax deduction, the methods for calculating the rate of deduction, and the conditions for considering the value of the non-deductible input tax as zero.
2. The input tax incurred for non-economic activity purposes.
3. The terms and conditions required for a taxable person to prove loss, damage, or theft of supplied goods.
4. The period of time for which a taxable person is entitled to deduct input tax for services he receives prior to the registration date.
5. The terms and conditions for deducting input tax on capital assets according to the net book value of the assets on the date of registration.
6. The means of proof by which a taxable person establishes the value of the tax due in the event that a tax invoice is not available or does not comply with the requirements stipulated in the Agreement, the Law, and the Regulations.

Chapter 9: Tax Invoices

Article 23

The Regulations shall determine the following:

1. The contents and form of tax invoices, and the periods for the issuance thereof.
2. The terms and conditions for issuing summarized or simplified tax invoices.
3. The terms and conditions for exempting a taxable person from the issuance of tax invoices for tax-exempt supplies.
4. The conditions and procedures for accepting forms of invoices.
5. The conditions for approving a taxable person's engagement of others to



issue tax invoices on his behalf.

Chapter 10: Tax Return

Article 24

1. The Regulations shall determine the tax period for which a taxable person must file a tax return.
2. A taxable person must file a tax return with the Authority for each tax period within the period provided for and in accordance with the terms and conditions set in the Regulations.
3. A taxable person who becomes aware of an error in a tax return filed with the Authority must notify the Authority of the error in accordance with the procedures set in the Regulations.

Article 25

The Regulations shall determine the terms and conditions for the adjustment of the consideration for a supply in the original tax invoices or the amendment of the tax return.

Article 26

1. The Authority may conduct a tax assessment of a taxable person irrespective of the tax return filed by him.
2. The Authority may conduct a new tax assessment to amend a previous assessment conducted thereby.
3. The Authority must notify the taxable person of the tax assessment issued thereby in accordance with this Article.
4. The Regulations shall determine the periods and procedures for conducting a tax assessment, the procedures for objecting to it, the means of notifying the taxable person of it, and the mechanisms for submitting an application for its correction.

Chapter 11: Tax Payment

Article 27

1. The Regulations shall determine the periods and terms and conditions for the payment of net tax due on a taxable person.
2. The Authority may allow a taxable person to change his tax period pursuant to a request submitted to the Authority in accordance with the terms and conditions set in the Regulations.
3. The Authority may, pursuant to a reasoned decision, obligate a taxable person to change his tax period.
4. The Authority must notify a taxable person of any change to his tax period in



accordance with the periods and means specified in the Regulations.

Article 28

1. The Saudi Customs shall collect the tax due on imports in accordance with its procedures and transfer it to the account designated pursuant to an agreement between the Ministry of Finance and the Authority.
2. Notwithstanding paragraph (1) of this Article, the Authority may allow a taxable person to defer the payment of tax due on goods imported for the purposes of an economic activity in accordance with the terms and conditions set in the Regulations. The taxable person must declare the deferred payment in his tax return in all cases.

Article 29

The Regulations shall determine the manner for the payment of tax due in the cases where the supply of goods or services is in the Kingdom while the supplier is not a resident thereof.

Article 30

The Regulations shall determine the terms and conditions for imposing tax on the supply of used goods by a taxable person on profit margin basis.

Chapter 12: Tax Refund

Article 31

The Authority may exclude the categories specified in the Agreement from the payment of tax on receipt of goods and services in the Kingdom, and allow a refund of the tax incurred on the goods and services, in accordance with the terms and conditions stipulated in the Regulations.

Article 32

The Regulations shall determine the terms and conditions for granting foreign governments, international organizations, and diplomatic, military, and consular entities and missions, the right to request a refund of the tax incurred on goods and services in the Kingdom, and the terms and conditions required for applying tax at zero-rate on the supply of goods and services to these bodies.

Article 33

1. The Regulations shall determine the procedures required for refunding tax paid in the Kingdom by non-residents of GCC States.
2. The Regulations shall determine the terms and conditions for a tax refund scheme for tourists.



Article 34

The Regulations shall determine the terms and conditions for allowing a taxable person to request a refund of the deductible or refundable net tax or its deferral to future tax periods.

Chapter 13: Confidentiality and Exchange of Information

Article 35

1. Authority personnel as well as service providers and persons working for the Authority must maintain the confidentiality of tax information they receive in the course of their work, and they may not disclose such information except as stipulated in the Regulations and in accordance with its terms and conditions, without prejudice to the laws applicable in the Kingdom.
2. A recipient of information in accordance with paragraph (1) of this Article may not use such information except for the purposes for which the right of access thereto is granted, and he must maintain the confidentiality of such information in accordance with paragraph (1) of this Article.
3. Except for cases stipulated in the Regulations, a person who receives and accesses tax information may not disclose such information to any third party and must return the documents relating to such information to the Authority.

Chapter 14: Retention of Documents and Joint Liability

Article 36

The Regulations shall determine the period required for retaining tax invoices, books, records, and accounting documents.

Article 37

Without prejudice to cases of joint liability provided for in the Agreement and the Law, the Regulations shall determine other cases where joint liability with a taxable person is established and the measures taken against any person deemed jointly liable.

Chapter 15: Inspection and Recording

Article 38

Employees, appointed by the Board of Directors, shall monitor, inspect, and record violations of the provisions of the Law and they shall have all the powers necessary to perform their duties. The Regulations shall determine the



procedures for carrying out their duties.

Chapter 16: Tax Evasion and Penalties

Article 39

The following cases are considered tax evasion:

1. Submitting false, forged, or fabricated documents, returns, records, or information with the intent of evading the payment of a due tax, reducing its value, or unlawfully obtaining a tax refund. The burden of proof for lack of intent shall fall on the taxable person.
2. Bringing in or taking out of the Kingdom good or services, or attempting to do so, in violation of applicable laws, without payment of tax in whole or in part, or in violation of the prohibition and restriction provisions stipulated in the Law or any other law.

Article 40

Tax evasion shall be punishable by a fine not less than the amount of tax due and not more than three times the value of the goods or services subject of the evasion.

Article 41

Any person who fails to apply for registration within the periods specified in the Regulations shall be subject to a fine of 10,000 riyals.

Article 42

1. Any person who files an incorrect tax return to the Authority, amends a tax return after being filed, or files any document with the Authority in relation to the tax due by him which results in an error in the calculation of the tax amount resulting in an amount that is less than the tax due shall be subject to a fine equal to 50% of the difference between the calculated tax and the tax due.
2. The Authority may, according to terms set by the Board of Directors, exempt a person from the penalty stipulated in paragraph (1) of this Article or reduce the same.
3. Any person who fails to submit a tax return within the period specified by the Regulations shall be subject to a fine not less than 5% and not more than 25% of the amount of tax that he should have declared.

Article 43

Any person who fails to pay the tax due within the period specified by the Regulations shall be subject to a fine equal to 5% of the amount of the unpaid tax for each month or part thereof for which the tax is not paid.



Article 44

A non-registered person shall be subject to a fine not exceeding 100,000 riyals for issuing a tax invoice, without prejudice to any harsher penalty stipulated in any other law.

Article 45

A fine not exceeding 50,000 riyals shall be imposed on any person who:

1. fails to maintain tax invoices, books, records, and accounting documents for the period stipulated in the Regulations, and the fine shall be for each tax period;
2. prevents or obstructs the Authority's employees or any of the individuals working for the Authority from performing their duties; or
3. violates any other provision of the Law or the Regulations.

Article 46

1. Fines imposed under this Law shall not prejudice payment of the due tax.
2. The application of the penalties stipulated in the Law shall not prejudice any other penalties stipulated in any other law.

Article 47

If the same violation is repeated within three years from the date of issuing the final decision of a previous penalty, the fine imposed on the violator, pursuant to said decision, may be doubled.

Chapter 17: Penalties and Review of Violations

Article 48

1. The Authority shall impose the penalties stipulated in the Law in accordance with the classification of violations and penalties issued pursuant to a decision by the Board of Directors, taking into account the proportionality between the violation and the penalty.
2. The penalty shall be imposed pursuant to a decision by the governor of the Authority or any person designated by the Board of Directors.
3. The penalty decision may include the publication of the sentence wording at the expense of the violator in a local newspaper issued in the area of his residence. If there is no newspaper in his area of residence, it shall be published in a newspaper in the nearest area to him or through any other appropriate medium depending on the type of violation, its gravity, and its effects, and after the decision becomes final.

Article 49

Any person against whom a penalty decision is issued may appeal such



decision before the competent judicial authority within 30 days from the date of notification thereof; otherwise, the decision shall be deemed final and non-appealable before any other judicial authority.

Chapter 18: Final Provisions

Article 50

Subject to the provisions of Article 28 of the Law, the Authority shall be in charge of the administration, examination, assessment, and collection of tax, and shall, to this end, take any measures it deems fit.

Article 51

1. The Authority may coordinate with government agencies in all the matters relating to the implementation of the provisions of the Agreement, the Law, and the Regulations.
2. Government agencies and other persons must provide the Authority with any information it requests for tax purposes.

Article 52

The Board of Directors shall issue the Regulations within 30 days from the date of issuance of the Law, and shall enter into force from the date of the Law's entry into force. The Board shall also issue the decisions and instructions necessary to implement the provisions of the Law and the Regulations.

Article 53

1. The Law shall enter into force from the beginning of the fiscal year following the date of its publication in the Official Gazette.
2. Notwithstanding paragraph (1) of this Article, any person obligated to register for tax purposes shall register with the Authority within 30 days from the date of publication of the Law.