

VAT Implementation Challenges

- Training of staff to be VAT-compliant
- Renegotiation of supply contracts, inadvertent errors that could prove costly
- Cash flow for credit business and retail business
- Old contracts going over 1st Jan,2018
- Movements of goods within and outside of GCC region.
- Margins and sales margins
- ERP System
- Recording & Reporting of VAT
- Hardware and system infrastructure
- VAT Audit
- Communications with vendors and customers
- Strategic VAT Planning
- New VAT legislation
- Industry specific Issues
- VAT treatment for Mix-use Properties

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What is VAT?

Value Added Tax (or VAT) is an indirect tax. Occasionally you might also see it referred to as a type of general consumption tax. Value Added Tax (VAT) will be introduced in the KSA from 1st Jan 2018.

Why is the KINGDOM OF SAUDI ARABIA implementing VAT?

The KSA government provide citizens and residents with many different public services – including hospitals, roads, public schools, parks, waste control, and police services. These services are paid for from the government budgets. VAT will provide country with a new source of income which will contribute to the continued provision of high quality public services into the future. It will also help government move towards its vision of reducing dependence on oil.

What will be taxed?

Lots, from electronics, smart phones, cars, jewellery, watches, eating out and entertainment will fall under the taxed category.

What will be exempted from the tax?

Only some items will be Exempt from VAT for example like Residential Rent, Life Insurance and margin based financial products. All other items will more than likely attract VAT. For details, please contact us.

Will buying electronics, clothes, home furnishings and other non-essentials, expect to pay more?

Yes. Since VAT is going to be levied on non-essentials, expect to pay a tax when buying electronic items, home appliances and other big-ticket goods.

Who should worry about VAT in KSA?

There are four important stakeholders in this VAT episode – governments (beneficiary), businesses (tax collectors), consumers (taxpayers) and consultants (VAT experts).

Will all businesses need to register with the government for VAT?

No, not all businesses will need to register for VAT. Business with turnover of SAR 375,000 and above must register for VAT. Business with turnover of less than SAR 1,000,000 can delay registration till 01.01.2019. That is, many small businesses will not need to register for VAT. This decision has been made to safeguard small businesses.

When will registration for VAT begin?

VAT is being introduced in KSA on 1st January 2018. Automatic registration for many companies has already been completed by GAZT, others can start registration process now.

How often are companies required to file VAT returns?

Businesses with turnover of below SAR 40 Million will be required to submit VAT returns on quarterly basis. For companies above that it will be monthly. Return must be filed by the last day of the month following the end of VAT period.