



## KSA Guide: VAT on Import and Export

### Introduction

The General Authority of Zakat and Tax (GAZT) has recently released a Guide on 'Imports and Exports'. The guidelines cover the requirements and procedures relating to the import and export of goods and services, and elaborate the procedures that have already been mentioned under the VAT Regulations. The purpose of these guidelines is to provide further clarification regarding the importation of goods and services to KSA and the exportation of goods and services from KSA.

This alert summarizes key points for your easy reference.

### Key Terms

**Customs Department:** This is the department that is responsible for the administration and control of all of the goods that are imported into KSA and all of the goods that are exported from KSA. It operates under the name Saudi Customs.

**Goods:** This includes all types of material property (material assets), encompassing water and all forms of energy, including, electricity, gas, lighting, heating, cooling, and air conditioning.



**Import of Goods:** This refers to the entry of goods into any Member State from outside Gulf Cooperation Council (GCC) territory, in accordance with the provisions of the Common Customs Law. During the transitional period, the receipt by a Taxable Person of Goods in the Kingdom from another Member State will also be treated as an importation of goods to KSA.

**Importer:** For VAT purposes, the person (natural or legal person) that is liable for paying VAT on the importation of goods pursuant to the Common Customs Law

**Export of Goods:** This refers to the supply of goods from any Member State to a country outside the GCC Territory, in accordance with the provisions of the Common Customs Law. The movement of a person's own goods outside GCC Territory is not classified as supply for the purposes of VAT. During the transitional period, a supply of goods involving the transportation of the goods from KSA to another GCC Member State shall be treated as an exportation of the goods for VAT purposes.

**Economic Activity:** An economic activity may be carried out by both natural persons or legal persons.

### **Imports of Goods and Services**

The following points are to be noted:

- VAT is imposed on all taxable supplies of goods and services that are provided in the Kingdom by a Taxable Person or that are received in the Kingdom by a Taxable Person, in cases where the Reverse Charge Mechanism applies, as well as on imports of goods.
- The Common Customs Law requires that a Customs Declaration (using an Electronic Form) shall be produced for any goods entering or leaving the country. This declaration is required in order to disclose the Tax Identification Number of the importer.
- The VAT that is payable on the importation of goods must be paid to Saudi Customs, together with the duty and any other charges that are indicated on the Customs Declaration.
- The valuation of imports is a result of the customs value determined in accordance with the Rules of Implementation to the Common Customs Law. The predominant method for determining the valuation is the transaction value.
- In cases where goods are exported from KSA for the completion of manufacturing or repairs and are then subsequently re-imported, special valuation rules apply to



the subsequent importation of such goods. The value for import purposes is calculated “on the basis of the value that has been added to them, as provided for in the Common Customs Law”.

- As per KSA Implementing Regulations, a taxable person can apply to GAZT in order to receive authorization to pay VAT on the importation of goods through a VAT return, instead of paying VAT to Saudi Customs at the time of the entry of the goods. The Guide prescribes certain conditions which a taxable person must fulfill in order for their application to be authorized to pay VAT on imports through the VAT Return.
- VAT is payable on imports of goods, even in cases of imports of goods by nontaxable persons, subject to certain exemptions. VAT will be charged by Saudi Customs on the Customs Declaration.
- There is no formal import procedure for the importation of services, but VAT is charged on services which are supplied to a taxable person in KSA by a non-resident supplier, by way of reverse charge mechanism.
- Normally, the place of the supply of services that are received by a taxable person in KSA is considered as KSA, for VAT purposes.

## **Exports of Goods and Services**

The following points are to be noted:

- The export of goods outside GCC Territory is subject to the zero rate of VAT.
- In the case of direct exports, where the supplier arranges for the transport of goods outside GCC Territory and completes the export declaration, the supplier makes an export of goods for VAT purposes.
- In the case of indirect exports, the supplier does not arrange for the transport of goods from GCC Territory.
- A supplier exporting goods must in all cases obtain documents such as export documentation, commercial documentation, and transportation documentation in order to evidence that the goods are being transported outside GCC Territory.
- KSA VAT is only chargeable on services which take place in KSA under the place of supply rules. The place of supply for supplies that are made to a taxable customer in another GCC State is in that State.
- Supplies of goods can be sold while on a ship carrying out international transport. Accordingly, goods may be supplied while physically located in the Kingdom (i.e., within its territorial waters), despite having previously been cleared for export. Any subsequent supply of goods made after the export clearance is also an export of goods and zero-rated.



- The supply of services by a KSA supplier, to a customer who does not reside in GCC Territory and who benefits from services outside GCC Territory, is subject to the zero rate on the fulfilment of the conditions that are set out in the Implementing Regulations.
- GAZT considers that, if the benefits of the services are enjoyed within GCC Territory, then the services shall not be eligible to be zero-rated, for instance, advertising services that are provided to a foreign company, that has a retail store or franchise in KSA. Because there is a benefit to the non-resident's tangible property in KSA, it will not be considered as an export of a service, and accordingly it will not be eligible for zero-rating.

### **Amendment of Import VAT**

The Guide clarifies what must be done in a situation where VAT has been collected by the Saudi Customs, but it has later been found that an incorrect customs declaration was filed. In such circumstances, any adjustment to the VAT amount (i.e., VAT has been overpaid or an additional amount has been assessed) that results from the incorrect customs declaration, would have to be made on the VAT Return.

### **Comments**

The clarifications that have been issued by the GAZT come as a welcome step in providing certainty to taxpayers and simplifying compliance for businesses. It will become easier for the industry to assess their tax liabilities and ensure the proper deduction of input tax.



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