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Saudi Cabinet approves VAT measure

The Saudi Cabinet approved on Monday the Unified Agreement for Value Added Tax (VAT), which will be implemented throughout the Gulf Cooperation Council (GCC) starting next year.

In a session chaired by King Salman at the Al-Yamamah Palace in Riyadh, the Cabinet gave its nod to the measure after deeming that the Kingdom is ready to implement it, the Saudi Press Agency (SPA) said. The six-nation GCC is composed of Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates (UAE).

Source: The Arab News dated 30 January 2017

Finance Minister signs GCC VAT agreement

Minister of Finance Shaikh Ahmed bin Mohamed Al-Khalifa today signed the GCC unified VAT agreement and the GCC’s unified agreement on selective taxation. The signs follow the GCC agreement on the simultaneous implementation of the VAT.

The minister announced that the Kingdom of Bahrain will apply the conventions of the agreement after the completion of all the constitutional and legal procedures, and after the issuance of the necessary legislation by the legislative authority. He stressed that the GCC’s unified VAT agreement and the GCC’s unified agreement on selective taxation are not income taxes, but will be applied to goods and services at a rate of 5%, and will not include basic food items, medicines and medical supplies.

Source: The Bahrain News Agency dated 1 February 2017

All in the details for VAT in the GCC

VAT is taking shape across the GCC. On Monday last week, it was announced that the Saudi cabinet had approved the Unified Agreement for VAT. The Unified Agreement, previously referred to by the working title of a framework agreement, is an overarching agreement that will be concluded by all six GCC nations. The best acronym, albeit long, is 'GCC UAVAT'.

Source: The National Business dated 31 January 2017 and 1 February 2017

Qatar official: Gulf VAT could begin in 2018

Qatar's finance minister says a new unified VAT across the Gulf Arab countries could come into effect as early as next year as the oil-rich region searches for new sources of revenue.

Ali Sherif Al-Emadi told reporters Tuesday that all six members of the GCC had signed onto the agreement. The bloc includes Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and UAE. Al-Emadi says a 1 January implementation date could be delayed a year if countries need more time to prepare. He gave few details, but an earlier framework agreement calls for a 5% levy on some goods.

Source: The Fox News World dated 7 February 2017

Registration for VAT to be opened for businesses three months before launch

According to the latest update on UAE’s Ministry of Finance website, registration for VAT is expected to be made available to businesses that meet the requirements criteria three months before the launch of VAT.

UAE VAT law is currently being finalised, and will be published once approved. Announcements regarding the tax law will be published on the Ministry of Finance website which will continue to be the primary source of information regarding the UAE VAT Law.

Source: The CPI Financial dated 15 February 2017

VAT presents UAE with a chance to innovate

Christine Lagarde, the managing director of the IMF, also addressed the World Government Summit. A common thread between the summit and the forum has been the strides being taken by the UAE and other governments in the region to put governance structures in place that lead the way in an ‘e-oriented’ and digitised world.

"Modernising the IT infrastructure – as we see in Saudi Arabia and elsewhere – allows for easier filing and payment by taxpayers, including through mobile technology. It also improves the ability to verify compliance using third-party data. Another good example is the GCC customs union, where technology has helped collect and administer the common external tariff," said Lagrade.

During a podium conversation at the summit, Lagarde paid tribute in particular to the UAE for being ‘deliberately willing to put in place a VAT’. She expressed hope saying “The system will be simple enough and digital enough – because you start from scratch and can be innovative in that respect – so that it works.”

The UAE is ideally placed to play a leading role in the digitisation of government services, not just in relation to the electronic filing of VAT returns and its administration, but in relation to other fields such as e-education and e-health care.

Source: The National Business dated 14 February 2017

SKP's comments

Given the current economic scenario, GCC countries are now preparing for an imminent VAT roll-out from 1 January 2018. Businesses across GCC must understand that VAT will bring a paradigm shift in the way businesses operates in the Gulf region. With the advent of VAT, there will be an immediate need for companies to evaluate the impact of numerous aspects such as finance, accounting, supply chain, working capital, human resources, IT systems, etc. This will enable the management to ensure a smooth transition from a non-tax environment to a complete tax (VAT) environment. Therefore, it is advisable that business gear-up for this change and make the best use of the time available until the actual date of VAT implementation in the GCC.

Please feel free to reach out to us if you have any queries regarding VAT.

Best regards,

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