



Tax Flash: Preparations for VAT's introduction across the GCC gather momentum

2 February 2017



It has been reported that the Kingdom of Bahrain has now signed the GCC's unified VAT agreement (the VAT framework). We now understand that all six of the GCC members (Saudi Arabia, Qatar, Oman, Kuwait, the UAE and Bahrain) have signed the VAT framework. This follows earlier reports (31 January 2017) that the Saudi Arabian cabinet has approved the VAT framework. We anticipate that the VAT framework will shortly be made public.

While the VAT framework only sets out key VAT principles, it clears the way - once ratified - for each GCC member to release their national VAT laws based on those principles. The UAE has indicated its intention to implement VAT with effect from 1 January 2018. The framework paves the way for implementation, allowing for a basic rate of VAT of five percent while certain supplies of goods and services can be zero rated or VAT exempt. All businesses should carefully review their processes



to understand the impact of VAT and to determine what needs to be done to be fully compliant with the new laws. Clear communication is essential to ensure effective compliance.

VAT will impact all businesses in the GCC, either directly or indirectly and, as a transaction-based tax, will impact across your business. Finance, legal, IT, sales, marketing and even HR must understand the impact of VAT on their function and determine whether the introduction of VAT will result in additional costs, which could be actual or cash flow or compliance-related. Businesses should consider any contracts going beyond 1 January 2018 to protect their position.

KPMG has locally-based teams across the GCC dedicated to servicing our clients. In the UAE and Oman, our team have recent VAT implementation experience, having assisted clients with the introduction of Malaysia's VAT equivalent which became effective in April 2015.

Contacts:

If you have any questions or would like additional information on the topics covered in this alert, please email one of the following KPMG professionals:

[Ashok Hariharan](#)

KPMG in Oman

[Nilesh Ashar](#)

KPMG Lower Gulf Limited

[Clare McColl](#)

KPMG in the Lower Gulf

[Rob Dalla Costa](#)

KPMG in the Lower Gulf