

Value Added Tax Alert

VAT refund for Saudi non-residents requires action by 30 June 2020

3 June 2020



Non-resident businesses who conduct economic activities outside of the Kingdom of Saudi Arabia (KSA) may be eligible for a refund of the VAT they have incurred in KSA.

In light of Article 72 of KSA VAT Implementing Regulations (the “Regulations”), such non-residents may be considered as an “eligible person” if the following conditions are met:

- The person is established in a country with a transaction tax system similar to VAT and is registered for that tax; and
- A reciprocal arrangement as to the VAT refund exists between KSA and such country.

In addition to above, Foreign Governments, International Organizations, Diplomatic and Consular Bodies and Missions are also considered to an “eligible person” and may submit a VAT refund application under the provisions of Article 70 of the Regulations.

The refund applications must be submitted within (6) months from the end of the respective calendar year in which the VAT was incurred. For example, the refund application for the year 2019 should be prepared along with relevant supporting documents and submitted to the General Authority of Zakat and Tax (GAZT) before 30 June 2020.

Please note that the administrative process is still unclear and GAZT is yet to publish the guidelines on the VAT refund scheme. However, we highly recommend that businesses take steps to preserve their entitlement to a refund of VAT incurred in 2019 by submitting an application.

Further, in the wake of the recently announced increase in KSA’s standard rate of VAT from 5% to 15%, it has become increasingly important that foreign businesses assess the overall impact of KSA VAT on their operations. In this respect, besides the VAT refund for the calendar year 2019, an opportunity exists for non-resident businesses to save on increased KSA VAT costs going forward.

How KPMG can help you?

We at KPMG would be pleased to help you in assessing your eligibility to apply for a VAT refund and support you in preparation and submission of the application. Our team members would be happy to discuss these matters in more detail or support you through a further discussion on your specific indirect tax requirements.

Contact us

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