



# UAE tax flash



According to news reports,<sup>[1]</sup> in a statement issued by the Saudi state news agency, Mohammed Al-Jadaan, the Finance Minister of Saudi Arabia, has announced an increase in the rate of VAT from 5% to 15% in Saudi Arabia from 1 July 2020. The announcement comes after Saudi Arabia posted a budget deficit of USD 9.07 billion in the first quarter of 2020 and is reported to have cancelled/postponed certain operating and capital expenditure and also cut allocations on projects worth USD 26.6 billion.<sup>[2]</sup>

The austerity measures are intended to help Saudi Arabia stabilize non-oil revenues and cope with public finances currently pressured by low oil prices and Covid-19. This, however, comes as an unexpected move after the recent tax announcements by the General Authority for Zakat and Tax easing tax return filing, tax payment and penalty provisions to help businesses navigate the impact of Covid-19. The move also seems to be a deviation from the Common VAT Agreement of the States of the Gulf Cooperation Council (GCC Common VAT Framework Agreement) that only empowers member-states to levy VAT at the standard rate of 5% on taxable supplies that are not specifically exempt or zero rated (Article 25).

To access our detailed tax alert on the implications of the increase in the VAT rate in Saudi Arabia please click [here](#).

The United Arab Emirates (UAE) introduced VAT on 1 January 2018, the same time as Saudi Arabia, and is faced by similar economic pressures. However, according to recent news reports, in an official statement issued after the announcement by Saudi Arabia, UAE's Ministry of Finance has confirmed that they have no current intentions to increase the rate of VAT.

Best Regards,

**Stuart Cioccarelli**

**Rhys Penning**

Partner | Head of Tax  
[scioccarelli@Kpmg.Com](mailto:scioccarelli@Kpmg.Com)

Partner | Indirect Tax  
[rpenning@kpmg.com](mailto:rpenning@kpmg.com)

**Anuj Kapoor**  
Associate Partner | International Tax  
[anujkapoor@Kpmg.Com](mailto:anujkapoor@Kpmg.Com)

[kpmg.com/ae](http://kpmg.com/ae)    [kpmg.com/om](http://kpmg.com/om)

[Privacy](#) | [Legal](#)

© 2020 KPMG Lower Gulf Limited, operating in the UAE and Oman, a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved.

---

<sup>[1]</sup> <https://www.reuters.com/article/us-health-coronavirus-saudi-economy/pushed-into-austerity-by-virus-and-oil-slump-saudi-triples-vat-rate-idUSKBN22N05M>

<sup>[2]</sup> <https://www.reuters.com/article/us-health-coronavirus-saudi-economy/pushed-into-austerity-by-virus-and-oil-slump-saudi-triples-vat-rate-idUSKBN22N05M>