Indirect Tax Alert

Saudi Arabian VAT refund for nonresident businesses requires action by 30 June 2019

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Executive summary

Persons carrying out business outside Saudi Arabia that incur Saudi Arabian Value Added Tax (VAT) should review their eligibility to claim a refund of the VAT paid. For VAT incurred in 2018, the deadline to apply for a refund is 30 June 2019.

Detailed discussion

Saudi Arabian VAT legislation provides certain nonresident businesses that are conducting economic activity outside Saudi Arabia with an option to apply for a refund of VAT paid in Saudi Arabia. To obtain a refund, several conditions need to be satisfied, including demonstrating the location of the nonresident business.

As the Electronic Services System in the Gulf Cooperation Council (GCC) is not yet operational, supplies of goods and services between the GCC Member States are treated as international trade (exports and imports). Consequently, GCC businesses incurring Saudi Arabian VAT should also consider their eligibility for a refund of VAT incurred in 2018.

The deadline for foreign businesses to file a refund application for VAT incurred in 2018 is 30 June 2019.



Implications

Foreign businesses that have incurred VAT in Saudi Arabia should assess their eligibility to claim the refund. When reviewing their position in Saudi Arabia, an assessment of the overall impact of Saudi taxation on operations of foreign businesses should be undertaken. Where foreign businesses

are eligible for a refund, the refund application should be prepared along with relevant supporting documents for submission to the General Authority of Zakat and Tax (GAZT) before 30 June 2019. While the GAZT has not yet provided detailed guidance on the refund mechanism, businesses should take steps to preserve their entitlement for a refund of VAT incurred in 2018.

For additional information with respect to this Alert, please contact the following:

Ernst & Young and Co (Certified Public Accountants), Riyadh

Stuart Halstead stuart.halstead@sa.ey.comAltaf Sarangi altaf.sarangi@sa.ey.com

Mohammed Bilal Akram mohammedbilal.akram@sa.ey.comGeorge Campbell george.campbell@sa.ey.com

Ernst & Young and Co (Certified Public Accountants), Al-Khobar

Sanjeev Fernandez sanjeev.fernandez@sa.ey.com

Ernst & Young and Co (Certified Public Accountants), Jeddah

Danny Vu danny.vu@sa.ey.com

Ernst & Young Middle East, Dubai

Robert Dalla Costa robert.c.costa@ae.ey.com

EY Consulting LLC, Doha

Filip Van Driessche filip.vandriessche@qa.ey.com

Ernst & Young (Al Aiban, Al Osaimi and Partners), Safat

Ajay Garg ajay.garg@kw.ey.com

Ernst & Young LLP (United States), Middle East Tax Desk, New York

Asmaa Ali asmaa.ali1@ey.com

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