

## **KSA to impose Value Added Tax (VAT) as of 1 January 2018**

The Kingdom of Saudi Arabia (“KSA”) has recently published its VAT Law and Implementing Regulations (together: “VAT Laws”) to implement Value Added Tax (“VAT”) in the KSA by 1 January 2018.

The publication of the VAT Laws follows the signing of the GCC VAT Framework Agreement by each of GCC States to collectively implement VAT governed by common principles agreed between the countries.

### **What is VAT?**

VAT is an indirect tax and is commonly referred to as a type of general consumption tax. In a country which has a VAT system, it is imposed on most supplies of goods and services that are bought and sold. VAT is one of the most common types of consumption tax found around the world. Over 160 countries have implemented VAT (or its equivalent, Goods and Services Tax), including all 29 European Union (EU) members, Canada, New Zealand, Australia, Singapore and Malaysia.

VAT is charged at each step of the ‘supply chain’. Ultimately, end-consumers generally bear the VAT cost while registered businesses collect and account for the tax, in a way acting as a tax collector on behalf of the government. The registered business pays the government the tax that it collects from its customers, while it may also receive a refund from the government on tax that it has paid to its suppliers. The net result is that tax receipts to the government reflect the ‘value added’ throughout the supply chain.

### **The impact of VAT**

As a regulatory requirement from 1 January 2018, Standard Chartered will have to charge VAT where this is prescribed under the VAT Laws. Based on the text of the VAT Laws, it is understood that the provision or supply of financial services conducted in return for an explicit fee, charge, discount or commission shall be treated as taxable in KSA. Other financial services shall be treated as VAT exempt (e.g. interest, spread, or margin-based products). Any services provided via Sharia Compliant finance arrangements should be treated in the same way as their conventional counterparts.

Following the introduction of VAT, Standard Chartered will also be obligated to issue tax compliant invoices to its customers. In this respect, Standard Chartered will start gathering additional VAT related information from its customers in order to produce compliant invoices (for example a VAT Registration Number, where this is applicable). Kindly note that Standard Chartered shall release communications outlining the specific information required from customers and suppliers shortly.

### **Where can I find more information on VAT?**

Standard Chartered will continue updating its website with new developments relating to the introduction of VAT in the GCC. In the meantime, for further information please visit the website of the General Authority of Zakat and Tax (“GAZT”), which contains further information on the VAT Laws, as well as FAQs on the introduction of VAT. The latest announcements and information available will first be published on the site below:

- General Authority of Zakat and Tax: <https://vat.gov.sa/en>