



Tax Circular
**VAT Refunds for
Diplomatic Missions**



The Zakat, Tax and Customs Authority ("ZATCA", "Authority") has issued this Tax Circular for the purpose of clarifying certain tax treatments concerning the implementation of the statutory provisions in force as of the Circular's issue date. The content of this Circular shall not be considered as an amendment to any of the provisions of the Laws and Regulations applicable in the Kingdom.

Furthermore, the Authority would like to highlight that the clarifications and indicative tax treatments prescribed in this Circular, where applicable, shall be implemented by the Authority in light of the relevant statutory texts. Where any clarification, interpretation or content provided in this Circular is modified - in relation to unchanged statutory text - the updated indicative tax treatment shall then be applicable prospectively, in respect of transactions made after the publication date of the updated version of the Circular on the Authority's website.



1. Subject Matter of this Circular

This Circular considers an overview of the requirements, process and obligations of “Eligible Persons” making special refund claims of Value Added Tax (“VAT”) on expenditure, purchases and costs paid within the Kingdom by Law. This circular discusses the payment of a refund to the eligible designated persons.

2. Definitions

Terms and phrases contained in this Circular shall have the meanings ascribed to each of them unless the context requires otherwise:

A. The Kingdom

The territory of the Kingdom of Saudi Arabia, including the areas located outside the territorial waters in which the Kingdom of Saudi Arabia practices the rights of sovereignty over its water, the seabed, the layers under the soil and natural resources, pursuant to its laws and international law.

B. Authority

The Zakat, Tax and Customs Authority (ZATCA).

C. Tax

Value added tax.

D. Law

Value added tax law issued by Royal Decree No. (M/113) dated 21438/11/H, and amendments related.

E. Implementing Regulations

Value added tax implementing regulations issued by the Authority decision No. (3839) dated 141438/12/H, and amendments related.



F. The Unified Agreement

The Unified Agreement for Value Added Tax for the Cooperation Council for the Arab States of the Gulf issued in November 2016.

G. Circular

Tax circular for VAT refunds for diplomatic missions.

H. Diplomatic Mission

Includes the international bodies categories, including diplomatic missions such as foreign embassies, military missions, technical and administrative offices affiliated to them, and general consulates, in addition to international organizations, bodies and permanent delegations of international or regional organizations.

I. Eligible Person

It includes the categories of diplomatic missions mentioned above (**Diplomatic Mission**) of which a decision was issued by the Authority's Board of Directors and approval by the Minister of Finance that they are entitled to a refund of VAT, as they are eligible persons for tax refunds.

J. Diplomatic Mission Representative

The person designated by the eligible diplomatic mission or the like to carry out VAT refund request for eligible persons.

3. An Overview of VAT Refunds to Eligible Persons

VAT applies to most supplies of goods and services made by a Taxable Supplier in the KSA (with limited exceptions) in accordance with the VAT Law and its Implementing Regulations, where a Taxable Person must charge VAT at the standard rate of 15% on taxable supplies of Goods and Services made to a person or body in the KSA, regardless of that customer's identity or taxable status. Therefore, VAT is charged equally on supplies made to individuals, companies, public bodies, diplomatic missions, or other organizations.



However, the Unified VAT Agreement included special provisions for tax refunds to be provided to foreign governments, international organizations and diplomatic and consular bodies¹, in addition to the provisions of the VAT Implementing Regulations which state that eligible persons are allowed to refund tax incurred in KSA², as outlined in this circular.

As per the VAT rules and provisions in KSA, no VAT exemptions shall apply to domestic purchases made by any Diplomatic Missions in KSA; however, they have the right to request a refund of VAT they have incurred on purchases, subject to the related requirements and conditions and the condition of reciprocity. However, VAT exemption shall apply to imports of goods which are eligible for diplomatic exemptions under GCC Customs Law, rules, and procedures in force in the Kingdom regarding customs exemptions and according to the condition of reciprocity.

This circular discusses Diplomatic Missions as one type of Eligible Persons who are eligible to submit a VAT refund request in relation to VAT paid on goods and services purchased in the Kingdom of Saudi Arabia, in accordance with what is approved by the Saudi Ministry of Foreign Affairs, taking into account the application of reciprocity in addition to the list of eligible persons approved by the Minister of Finance.

4. The Diplomatic Mission

For the purposes of this Circular, a Diplomatic Mission includes the following diplomatic missions, consular and international organizations:

- Foreign embassies and Military Attaché with technical and administrative offices affiliated to them.
- General Consulate; and
- International Organizations, including permanent delegations of international or regional organizations.

¹Article 69, Tax Refunds for Foreign Governments, International Organizations and Diplomatic Bodies and Missions, Unified AVT Agreement

²Article 70, Refund of Tax to designated Persons, Implementing Regulations



5. Process for Registering Diplomatic Missions as Eligible Persons

The registration of a Diplomatic Mission as an Eligible Person for tax refund is approved after the Ministry of Foreign Affairs verifies the eligibility of the mission for the purpose of the refund rules set out in the VAT Implementing Regulations³. The Ministry of Foreign Affairs is responsible for publishing and updating the list of Diplomatic Missions in the Kingdom.

The Diplomatic Missions definition includes legal and natural persons in the KSA who are eligible for the privileges and immunities of The Vienna Convention on Diplomatic Relations (year 1961) or The Vienna Convention on Consular Relations (year 1963).

Considering the above, if a natural person affiliated with the Diplomatic Mission becomes eligible for a refund as affiliated with a Diplomatic Mission, that person cannot submit a registration application or submit refund requests directly to the Authority. The following procedures must be followed:

1. The applicant must register via Protocol portal of MOFA for consultation and to ensure his eligibility to submit a refund application.
2. Post the confirmation of MOFA, the Diplomatic Mission Representative submits an application for registration as an Eligible Person with MOFA for the purposes of tax refunds in the Kingdom, as determined by MOFA within its reciprocity condition.
3. MOFA will advise on the documents required for the approval process.
4. Once approved by MOFA, the application will be sent to the Authority via ERAAD portal.
5. Based on the decision of the Authority's Board of Directors and the required approval from the Ministry of Finance, the Authority will issue the list of eligible diplomatic missions for VAT refunds.
6. Once the application is approved by the Minister of Finance, the Diplomatic Mission will be considered an Eligible Person. It will be issued with an individual identification number for VAT refunds. The identification number is not the same as the Tax Identification Number issued to Taxable Persons.
7. The rest of the refund request procedures are completed through the Protocol portal of MOFA, where the Diplomatic Mission Representative must include the identification number of the eligible Diplomatic Mission provided by the Authority in all tax refund requests in addition to all correspondence with the Authority regarding refund requests.

³Article 70, Refund of Tax to designated Persons, Implementing Regulations



6. Expenditures and Expenses Qualifying for a Refund

Once the Authority approved the registration as an Eligible Person, the Diplomatic Mission Representative must verify that the VAT charged on **each individual supply of Goods or Services** is eligible for a refund in accordance with the rules related.

To be eligible for a VAT refund, VAT levied on a supply of Goods and Services must first verify what is included and determined by MOFA approval, and then all the following requirements must be met in respect of that supply:

- VAT must be correctly charged by the Supplier on the Goods and Services received by the Eligible Person, and the supply must be made to the Eligible Person, and not to any other Person. Typically, this will be evidenced by the Tax Invoice. When the Diplomatic Mission Representative submits the refund application on expenses and tax incurred in the Kingdom, the tax invoices submitted must show the Eligible Person (the Diplomatic Mission) as the Customer, and the address in case the tax invoice exceed 1,000 SAR. If the supply value is less than 1,000 SAR and the taxable supplier has issued a simplified Tax Invoice, such simplified tax invoice can be used as evidence for tax refund provided that the Diplomatic Mission is able to provide alternative proof that it was the recipient of the supply as outlined below.
- As for the tax incurred by a diplomatic official/employee of the eligible Diplomatic Mission (an Eligible Person) - in accordance with the provisions of reciprocity - in his capacity as a diplomatic official and requested to be refunded, a simplified tax invoice may be submitted for the expenses incurred in the Kingdom, provided that the Mission has additional evidence proving the identity of the recipient in cases where the simplified invoice does not include the information of the applicant, for example, but not limited to, the invoice payment receipt for the supplier, bank payment records, or any other method by which the Authority can verify that the invoice whose tax is claimed is related to the person requesting the refund.
- The Eligible Person must have received a Tax Invoice from the Supplier, dated within the refund period. The Tax Invoice must be held by the Eligible Person when making the refund claim⁴.
- The expenditure cannot relate to any commercial activities carried on by the Eligible Diplomatic Mission, whether a Government body, Government entity or related legal persons⁵.

⁴Article 70(6), Refund of Tax to designated Persons, Implementing Regulations

⁵Article 70(7), Refund of Tax to designated Persons, Implementing Regulations



7. Submitting a VAT Refund Request

7.1 Refund Periods

Diplomatic Missions may submit requests for a VAT refund in respect of:

- a quarterly period (for the 3 calendar months starting 1 January and ending 31 March, or starting 1 April and ending 30 June, or starting 1 July and ending 30 September, or starting 1 October and ending 31 December); or
- calendar year period (for any Gregorian calendar year started 1 January and ended 31 December).

There is no requirement to nominate the use of a quarterly period or calendar year by the Eligible Person for submitting refund requests. However, the Authority will only accept one request for a VAT refund per period - either for a quarter or calendar year at any date following the end of that period and no later than June 30th of the calendar year following the year relating to the refund period. Once a refund request has been submitted, it is not possible to submit an additional claim, or include additional expenditure to the refund request⁶.

In both periods, any request for a refund must be submitted to the Authority **within six months** from the end of the calendar year to which the claim period relates⁷. In the case of the quarterly period, the period for submitting the refund request for the first quarter starts from the day following the end of the third calendar month and until the expiration of six months of the subsequent calendar year, meaning that the Diplomatic Mission Representative is allowed to submit a refund request for the first quarter - for example - during any day following the end of that period and a maximum of 15 months from that date in order to give the Diplomatic Mission sufficient time to account for all amounts eligible to refund during that period, as well as to prepare all documents indicating the validity of those amounts. In the case of the calendar year period, it starts from the day following the end of the last calendar month of the year related to the claim period, i.e., from the first day of the year following the year of the claim until the expiry of six calendar months.

⁶Article 70(4), Refund of Tax to designated Persons, Implementing Regulations

⁷Article 70(5), Refund of Tax to designated Persons, Implementing Regulations



Example: A Diplomatic Mission in KSA has incurred VAT inclusive expenditure for the lease of meeting space for special events. If the claims are made on a quarterly basis, below are the relevant periods and deadline for submission of the refund claims:

Period	Claim period	Deadline for submission of refund claim
Period 1	1 January 2021 - 31 March 2021	Any day starting 1 April 2021 till 30 June 2022
Period 2	1 April 2021 - 30 June 2021	Any day starting 1 July 2021 till 30 June 2022
Period 3	1 July 2021 - 30 September 2021	Any day starting 1 October 2021 till 30 June 2022
Period 4	1 October 2021 - 31 December 2021	Any day starting 1 January 2022 till 30 June 2022

In the following year, the diplomatic mission representative consolidates the expenditure and makes a yearly claim for a VAT refund. The refund claim period is 1 January 2022 - 31 December 2022, and the corresponding deadline to submit the claim will be 30 June 2023.

It is possible to change the preferred refund period in the registration application after the approval from the Authority and issuing the TIN. This can be made by the "Change Request" and providing the reason of changing the preferred period. Such request must be submitted before the new year during which refund requests will be submitted.

7.2. Submitting accurate claims

Before submitting a claim for a VAT refund, it is important that the details of the claim, value of claim and supporting documents are verified. Failure to verify this information may result in an incorrect VAT refund claim being submitted to the Authority and accordingly the request might be rejected partially or wholly. Additionally, severe penalties under the VAT Law may be imposed for incorrect or false claims for a VAT refund.



7.3. Not required Claims if a VAT Refund is not due

An Eligible Person is not required to submit a refund request for any specific period, as the request to refund by an Eligible Person is optional. If the deadline for submission expires without any request being submitted, this simply means that no claim is made for that period to the Authority. Consequently, the right of the Eligible Person to claim any tax refund for the periods for which no refund requests were submitted to the Authority shall be forfeited.

Each request for a VAT refund must be for a total amount of VAT of at least SAR 1,000 across the refund period. Any requests for refund for a total amount of less than SAR 1,000 will not be accepted by the Authority⁸.

If the Diplomatic Mission which is registered as an Eligible Persons expects VAT to be requested for refund is to be less than SAR 1,000 across a quarterly period, the Authority recommends that refund period to be changed to a calendar year period - then the Diplomatic Mission can achieve or exceed the minimum tax to be refunded.

7.4. Required Information

The following information must be provided in respect of each expenditure item included within the VAT refund request:

Supplier information	Name and address of Supplier of Goods or
	Tax Identification Number of the Supplier
Expenditure information (Eligible for refund only)	a detailed description of the purchased Goods or Services
Tax invoice (or simplified tax invoice) information	Name of Customer (Diplomatic Mission) and address.
	Tax invoice number
	Tax invoice date
	Total tax invoice amount
	Total VAT amount in respect of qualifying expenditure
	Copies of relevant tax invoices, showing the name of the Eligible Person making the refund claim. If the tax invoice received by the Eligible Person is a simplified tax invoice, additional evidence demonstrating the supply recipient as discussed in this Circular must be provided to the Authority

⁸Article 70(9), Refund of Tax to designated Persons, Implementing Regulations



If the tax invoice received by the diplomatic official/employee of the eligible Diplomatic Mission was a simplified tax invoice that does not include his name or address, then the Authority will request additional evidence proving the identity of the recipient as the Eligible Body (and/or affiliates in accordance with the provisions of reciprocity). Moreover, the Authority may request any information or details related to the refund request, including accounting records or commercial books, in order to verify that the payment to the supplier has been made and that the Taxable Person has charged VAT correctly and paid the tax [1]. An example of the additional evidence that can be submitted to the Authority is the bank payment records or bank statement of the Eligible Body or affiliates, prove that the eligible body is the party who has paid the value of the simplified tax invoice whose tax refund is claimed, or any additional evidence by which the eligible body can prove its identity and that it is the actual recipient of the supply.

7.5. Submission a VAT refund request process

1. After the approval of considering the Diplomatic Mission as Eligible Person, the Diplomatic Mission Representative will submit refund request via Protocol portal of MOFA. The request will be checked by MOFA officer to ensure that expenses included are eligible for refund in accordance with the provisions of reciprocity and then send the request to the Authority via ERAAD portal, where the portal will only accept claims made for open periods, provided that they exceed the minimum value threshold.
2. The Authority may request copies of electronic invoices, information, or details - electronically or physically - in order to verify the details of the refund request. Such information request will be made by the Authority through sending a notification for additional details to the Diplomatic Mission by via the formal channels including description of details and information required. After submitting all required documents and verifies the details received by the Diplomatic Mission, the Authority will continue the refund request process. Validation checks will include - for example and not limited to- the following:
 - Tax invoices submitted are issued under the legal name of the Eligible Person. Except of simplified tax invoices, where additional evidence is required to be submitted (please refer to 7.4 of this Circular).
 - Tax invoices and expenditure correspond to the correct refund request submitted by the Diplomatic Mission Representative.

[1] Article 49(7a & 7c), Input Tax Deduction, Implementing Regulations



- The Eligible Person has submitted the refund request within the correct claim period
 - The tax incurred is not for expenses related to any commercial activity carried on by the Eligible Person
3. The Diplomatic Mission Representative must provide the requested information to the Authority within the period specified by the Authority. In all cases, such period should not be less than (20) days as a minimum period to give the Diplomatic Mission enough time to make these documents available.
 4. If the Diplomatic Mission Representative did not provide the Authority with the requested additional details and information within (60) days from the date of request such details, the refund request will be cancelled, and refund will be rejected wholly or partially depends on the details not provided to the Authority.
 5. Once the Authority's refund officer has reviewed the refund request and additional information, a decision will be made, and a notification of the decision shall be issued to the Eligible Person. The decision may be to:
 - Approve the Request in full.
 - Approve the Request partially (approval in respect of some expenditures with referring to the approved amount, but rejection of specific items); or
 - Reject the Request in full - with providing reasons of rejection.
 6. If the request is approved (either partially or in full), the Authority will make the payment to the bank account as indicated by the Diplomatic Mission Representative within 60 days of issuance of the notification of approval.



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