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General Authority of Zakat & Tax

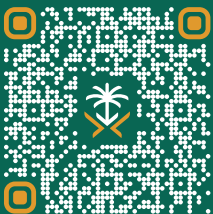


Simplified VAT Filing Guidelines

Version 1

Latest document
update

JULY 2020



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Change of VAT rate to 15% as of July 1, 2020

Upon the introduction of VAT in January 2018, the KSA applied a basic VAT rate of 5% to Taxable Supplies and Imports made in the Kingdom. The basic VAT rate was revised to 15% with effect from 1 July 2020 (the “Revised VAT Rate”).

Transitional rules have been introduced to clarify the VAT rate to be applied to long-term contracts for continuous supplies which span 1 July 2020, and for certain supplies where invoices are issued or contracts are concluded prior to 11 May 2020. These rules, and further detail surrounding the change to the VAT rate -including guidance in respect of specific types of supply- are detailed in a separate guideline on the Revised VAT Rate.

This Guideline was originally issued before the VAT rate was revised to 15%, and its content is based on the 5% rate in force at the time of its issue. Any references to the 5% VAT rate in this Guideline should be interpreted as 15% where applied to any Supplies or Imports made on or after 1 July 2020 and in accordance with the transitional rules. Monetary examples or calculations in this Guideline which include a 5% VAT rate should also be interpreted as if the 15% rate applied for all Supplies or Imports made on or after 1 July 2020 and in accordance with the transitional rules.

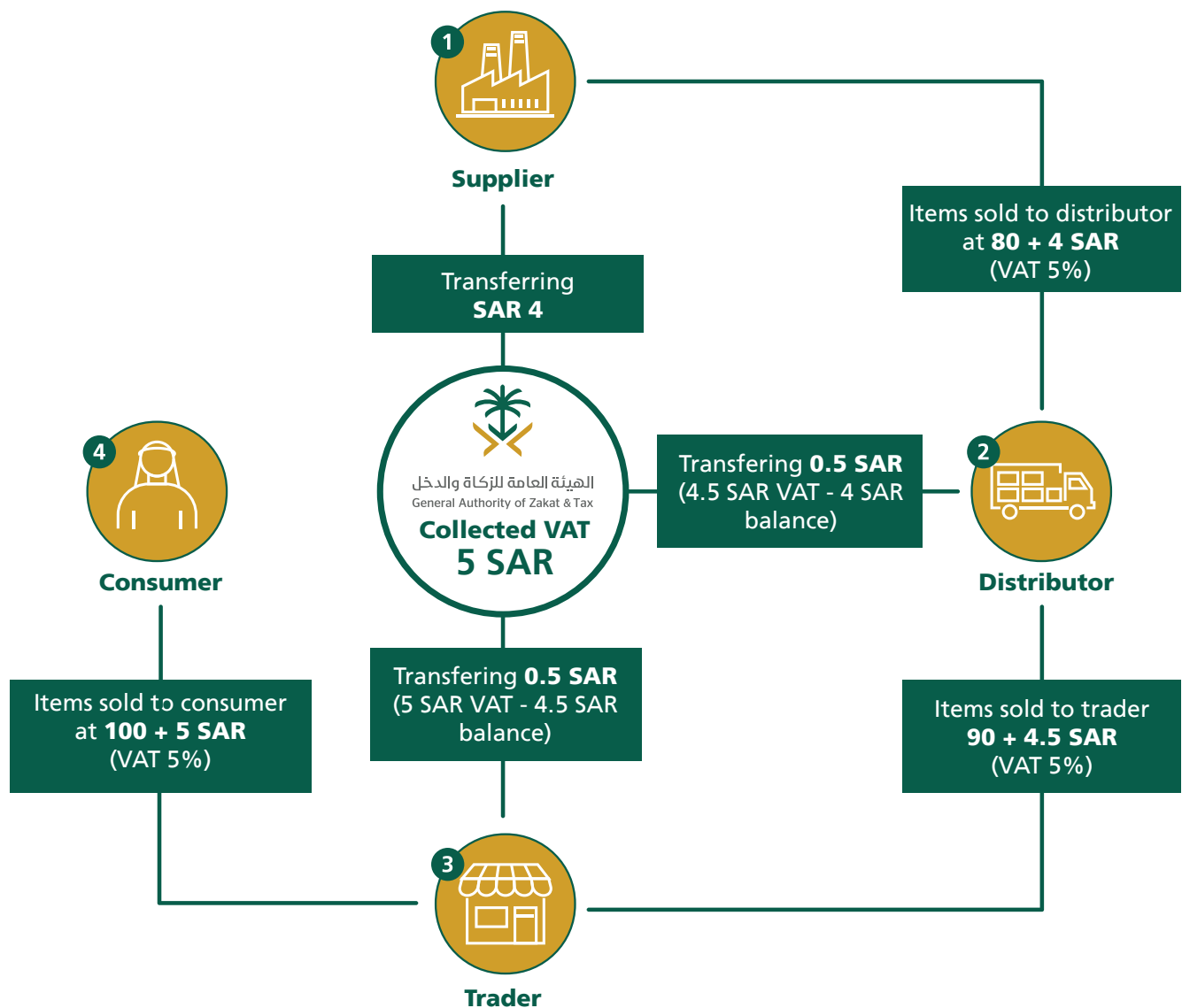
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WHAT IS A VAT RETURN?

VAT is collected throughout the value chain, where companies record the VAT revenue they collect via a VAT return form submitted to GAZT.

VAT Collection across the Supply Chain



WHO FILES VAT RETURNS AND WHEN?

A business' volume of annual taxable supplies determines when it needs to start filing, as well as the frequency of its filing obligations.

Annual Taxable Supplies of VAT-Registered Businesses

Up to SAR 40MM

Filing frequency: **Quarterly**
First filing period: **Jan-Mar 2018**
First filing deadline: **30-Apr 2018**

More than SAR 40MM

Filing frequency: **Monthly**
First filing period: **Jan 2018**
First filing deadline: **28-Feb 2018**

HOW DO TAXPAYERS COMPLETE VAT RETURN FORMS?

Businesses file their VAT returns via the GAZT e-portal, which is designed to be as simple and user-friendly as possible

VAT Return Form Inputs

Amounts relating to sales and purchases are inputted manually by the taxpayer

Adjustments are typically used if there is a change in circumstances (e.g. goods sold in a previous period were returned in current period)

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	Amount (SAR)	Adjustment (SAR)	VAT Amount (SAR)	
VAT on Sales	1- Standard rated sales	<input type="text"/>	<input type="text"/>	<input type="text"/>
	2- Private Healthcare/ Private Education sales to citizens	<input type="text"/>	<input type="text"/>	<input type="text"/>
	3- Zero rated domestic sales	<input type="text"/>	<input type="text"/>	<input type="text"/>
	4- Exports	<input type="text"/>	<input type="text"/>	<input type="text"/>
	5- Exempt sales	<input type="text"/>	<input type="text"/>	<input type="text"/>
	6- Total Sales	<input type="text"/>	<input type="text"/>	<input type="text"/>
VAT on Purchases	7- Standard rated domestic purchases	<input type="text"/>	<input type="text"/>	<input type="text"/>
	8- Imports subject to VAT paid at customs	<input type="text"/>	<input type="text"/>	<input type="text"/>
	9- Imports subject to VAT accounted for through reverse charge mechanism	<input type="text"/>	<input type="text"/>	<input type="text"/>
	10- Zero rated purchases	<input type="text"/>	<input type="text"/>	<input type="text"/>
	11- Exempt purchases	<input type="text"/>	<input type="text"/>	<input type="text"/>
	12- Total purchases	<input type="text"/>	<input type="text"/>	<input type="text"/>
	13- Total VAT due for current period			<input type="text"/>
	14- Corrections from previous period (between SAR ±5,000)			<input type="text"/>
	15- VAT credit carried forward from previous period(s)			<input type="text"/>
	16- Net VAT due (or daim)			<input type="text"/>

Corrections – due to errors or omissions from a previous return – can be made in the return form if amount is between SAR ±5,000

If net VAT due is negative, your business may be due a refund

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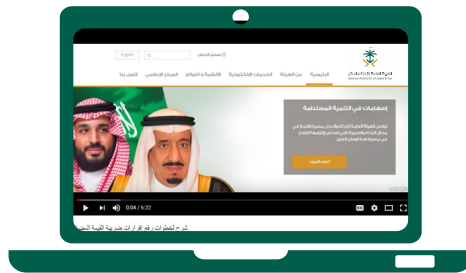
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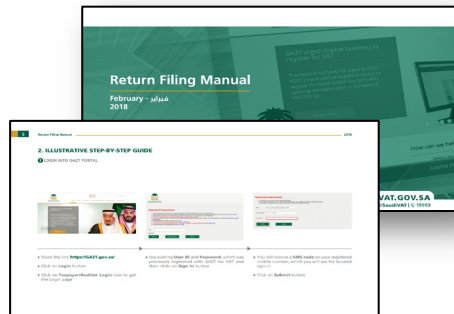
WHERE CAN TAXPAYERS REFER TO FURTHER INFORMATION ON VAT RETURN FILING?

The GAZT VAT website offers a lot of resources to guide taxpayers through the filing process step-by-step

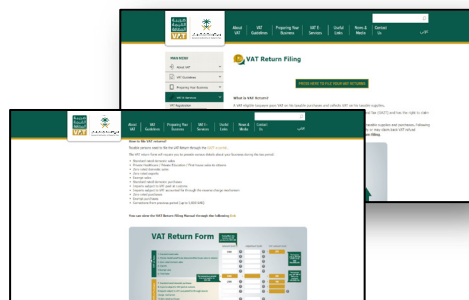
VAT Return Filing Resources



Step-by-step YouTube video



Step-by-step return filing manual



VAT return filing webpage

▶ **Appendix**

Simplified VAT Filing Scenarios

SIMPLIFIED FILING SCENARIOS

3 independent filing examples are illustrated, spanning the wide range of potential filing scenarios



KSA SHOP (1/4)

A KSA shop makes taxable supplies and purchases, submitting VAT returns on a quarterly basis

Taxpayer's business details



- Taxpayer is a **Saudi retailer** with one shop in Riyadh



- Taxpayer **purchases taxable goods domestically** from wholesalers



- Taxpayer **supplies taxable goods** to end consumers

Taxpayer's business details



- Taxpayer **registered for VAT in December 2018**



- SME Taxpayer with annual **taxable sales between SAR 375,000 and 1 MM**
- **Quarterly filer**

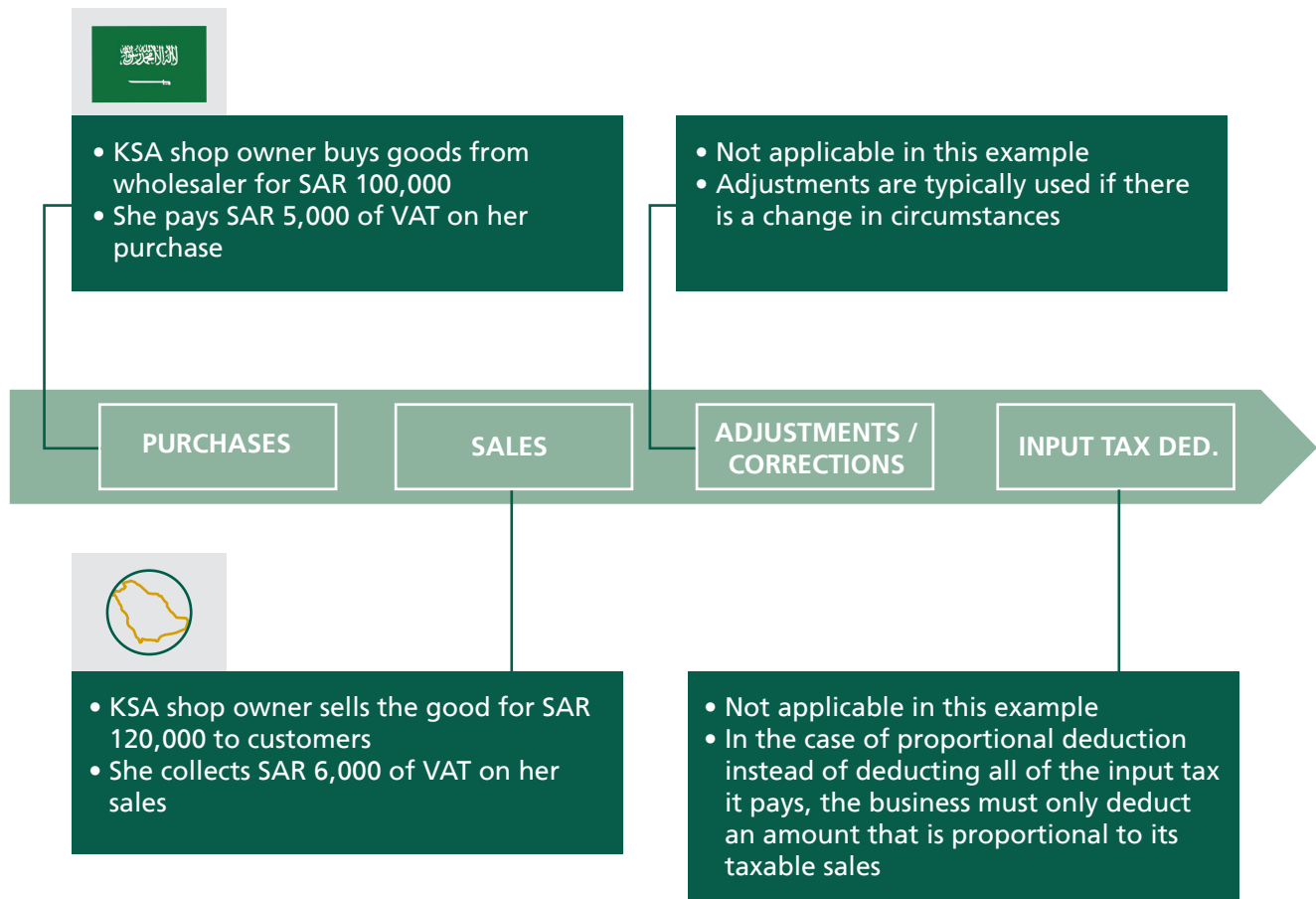


- **Compliant taxpayer** with no history of late filing / payment

KSA SHOP (2/4)

In the Q1 reporting period, the retailer made supplies worth SAR 120k and purchases worth SAR 100k

Retailer's supplies and purchases during Jan – Mar 2019



KSA SHOP (3/4)

Taxpayer submitted her Q1 2018 VAT return on 23rd April

VAT return form

Small unsophisticated taxpayers would typically only need to fill in 2 fields of the return form

	Amount (SAR)	Adjustment (SAR)	VAT Amount (SAR)	
VAT on Sales	1- Standard rated sales	120,000.00 ?	0.00 ?	6,000.00
	2- Private Healthcare/ Private Education sales to citizens	0.00 ?	0.00 ?	
	3- Zero rated domestic sales	0.00 ?	0.00 ?	
	4- Exports	0.00 ?	0.00 ?	
	5- Exempt sales	0.00 ?	0.00 ?	
	6- Total Sales	120,000.00	0.00	6,000.00
VAT on Purchases	7- Standard rated domestic purchases	100,000.00 ?	0.00 ?	5,000.00
	8- Imports subject to VAT paid at customs	0.00 ?	0.00 ?	0.00
	9- Imports subject to VAT accounted for through reverse charge mechanism	0.00 ?	0.00 ?	0.00 ?
	10- Zero rated purchases	0.00 ?	0.00 ?	
	11- Exempt purchases	0.00 ?	0.00 ?	
	12- Total purchases	120,000.00	0.00	5,000.00
	13- Total VAT due for current period			1,000.00
	14- Corrections from previous period (between SAR ±5,000)			1,000.00 ?
	15- VAT credit carried forward from previous period(s)			0.00 ?
	16- Net VAT due (or claim)			1,000.00 ?

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Billing notification





 الهيئة العامة للزكاة والدخل
 General Authority of Zakat & Tax



 GENERAL AUTHORITY OF ZAKAT & TAX
 (١٨٥)



 الرقم :
 التاريخ : ٢٠١٨-٧-٢٣

اشعار صدور فاتورة

عزيزي المكلف/ الرقم المميز :

نشكركم على تقديم إقرار ضريبة القيمة المضافة بتاريخ ٢٠١٨/٧/٢٣م للفترة الضريبية: إبريل 2018 وبيان الضريبة المستحقة من خلال الإقرار كالتالي.

رقم فاتورة سداد	وسمء العملية	بداية الفترة	نهاية الفترة	اختم موعد السداد	المبلغ
إجمالي مبلغ الضريبة المستحقة					

في حال وجود ضريبة مستحقة واجبة السداد نأمل المبادرة بسدادها في الوقت المحدد باستخدام رقم فاتورة سداد الموضحة لتجنب الغرامات المستحقة.

مع تحياتنا،
 الهيئة العامة للزكاة والدخل،

لمزيد من المعلومات نرجو الاتصال بالهيئة على الرقم ١٩٩٩٣

هذه الوثيقة مرسلة من النظام الآلي ولا تحتاج إلى توقيع

KSA CHEMICALS MANUFACTURER (1/2)

Domestic and exported sales, and domestic and imported inputs



- In the May tax period the chemicals manufacturer buys:
 - SAR 15,000 of oil from a local firm
 - SAR 10,000 of phosphates from a supplier in Morocco, 500 SAR VAT has been paid on it at customs as per the factory imports customs statement



- In the same tax period the manufacturer sells SAR 80,000 of fertilizers to local farmers
- He also sells SAR 10,000 worth of fertilizers ("exports") to a wholesaler in Egypt as per the factory customs export data



- In June, the chemicals manufacturer submits the VAT return form for May and pays the tax due
 - From the previous tax reporting period the firm has a VAT refund of SAR 300 carried over



KSA CHEMICALS MANUFACTURER (2/2)

Domestic and exported sales, and domestic and imported inputs

VAT Return Form

	Amount (SAR)	Adjustment (SAR)	VAT Amount (SAR)
<p>Manufacturer sells SAR 10,000 of fertilizers to a wholesaler in Egypt</p> <p>Manufacturer sells SAR 80,000 of fertilizers to local farmers</p> <p>The firm collects and declares VAT on this of 5%*80,000</p>			
VAT on Sales <ul style="list-style-type: none"> 1- Standard rated sales 2- Private Healthcare/ Private Education sales to citizens 3- Zero rated domestic sales 4- Exports 5- Exempt sales 6- Total Sales 	80,000.00	0.00	4,000.00
	0.00	0.00	
	0.00	0.00	
	10,000.00	0.00	
	0.00	0.00	
	90,000.00	0.00	4,000.00
<p>VAT due on these exported goods is zero since VAT is not paid or collected on exported goods and services</p>			
VAT on Purchases <ul style="list-style-type: none"> 7- Standard rated domestic purchases 8- Imports subject to VAT paid at customs 9- Imports subject to VAT accounted for through reverse charge mechanism 10- Zero rated purchases 11- Exempt purchases 12- Total purchases 13- Total VAT due for current period 14- Corrections from previous period (between SAR ±5,000) 15- VAT credit carried forward from previous period(s) 16- Net VAT due (or claim) 	15,000.00	0.00	750
	10,000.00	0.00	500
	0.00	0.00	0.00
	0.00	0.00	
	0.00	0.00	
	25,000.00	0.00	1,250.00
			2,750
			0.00
			300
			2,450
<p>SAR 15,000 worth of oil is purchased from local suppliers</p> <p>SAR 10,000 of chemicals are purchased from a supplier in Morocco</p> <p>VAT paid on purchases is SAR 15,000*5%. This can be reclaimed since all of it is used to make taxable supplies</p> <p>VAT paid at customs is SAR 10,000*5%. This can be reclaimed since all of it is used to make taxable supplies</p> <p>From the previous tax reporting period (April) the firm has a VAT refund of SAR 300 carried over</p>			

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KSA CAR MANUFACTURER AND FINANCE PROVIDER (1/2)

Reverse charge mechanism & default method of proportional deduction, adjustment and corrections



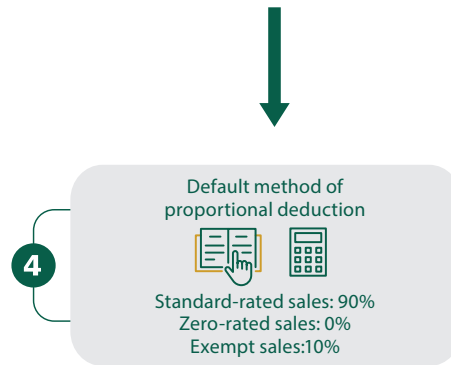
- During the tax period, KSA car manufacturer buys:
 - SAR 400,000 worth of oil from domestic suppliers used for taxable supplies
 - SAR 800,000 worth of steel from a supplier in the US used for taxable supplies
 - SAR 80,000 worth of legal services from the UK



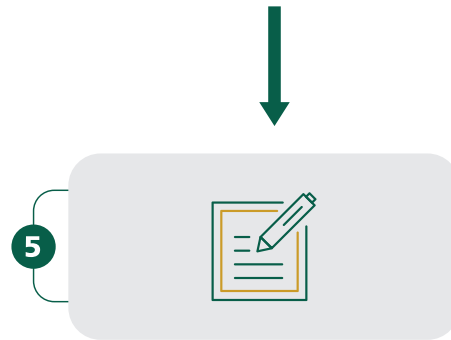
- In the same period the car manufacturer sells:
 - 80 cars at SAR 20,000 each for a total of SAR 1,600,000 to a local car dealer
 - 20 cars in Egypt at SAR 20,000 each for a total of SAR 400,000
 - He also receives SAR 30,000 in lending fees from domestic auto-financing loans (VAT exempt)



- However, the car manufacturer also has SAR 20,000 worth of cars (sold in a previous tax period) returned from a car dealer due to defects
- He also made an error in his previous tax return, causing him to underpay SAR 4,000 of VAT



- Applying the default method of proportional deduction based on last year's financials the car manufacturer calculates that:
 - 90% of his purchases were used to produce cars (standard rated)
 - 10% of his purchases were used to issue auto- financing loans (exempt)



Car manufacturer submits the VAT return and pays the tax due

KSA CAR MANUFACTURER AND FINANCE PROVIDER (2/2)

Reverse charge mechanism & default method of proportional deduction, adjustment and corrections

VAT Return Form

SAR 30,000 income from domestic auto-financing loans (VAT exempt)

SAR 400,000 worth of cars sold abroad

SAR 1,600,000 worth of cars sold domestically

SAR 20,000 worth of defective cars sold in a previous period were returned

	Amount (SAR)	Adjustment (SAR)	VAT Amount (SAR)	
VAT on Sales	1- Standard rated sales	1,600,000	20,000	79,000
	2- Private Healthcare/ Private Education sales to citizens	0.00	0.00	
	3- Zero rated domestic sales	0.00	0.00	
	4- Exports	400,000	0.00	
	5- Exempt sales	30,000	0.00	
	6- Total Sales	2,030,000	20,000	79,000
VAT on Purchases	7- Standard rated domestic purchases	400,000	0.00	20,000
	8- Imports subject to VAT paid at customs	800,000	0.00	40,000
	9- Imports subject to VAT accounted for through reverse charge mechanism	80,000	8,000.00	-400
	10- Zero rated purchases	0.00	0.00	
	11- Exempt purchases	0.00	0.00	
	12- Total purchases	1,280,000	8,000	59,600
	13- Total VAT due for current period			19,400
	14- Corrections from previous period (between SAR ±5,000)			4,000
	15- VAT credit carried forward from previous period(s)			0.00
	16- Net VAT due (or claim)			23,400

SAR 400,000 worth of oil bought from domestic suppliers and SAR 800,000 steel from the US

SAR 80,000 worth of legal services purchased from UK. Imported services are subject to the RCM

For imports subject to the RCM, the VAT amount would ordinarily net out to zero (since taxpayer acts as supplier and purchaser). But in this case, since he is making some exempt supplies he cannot reclaim VAT on all of his purchases so there is a net increase in his VAT liability

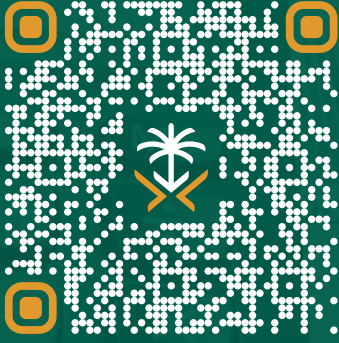
Taxpayer made an error in his previous return, causing him to underpay SAR 4,000 VAT. Since this is below SAR 5,000 he can declare this in the corrections line of this period's return

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