



# Laws and Regulations of Value Added Tax and Selective Tax in the States of the Cooperation Council for the Arab States of the Gulf



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Laws and Regulations of Value Added  
Tax and Selective Tax  
in the States of the Cooperation  
Council for the Arab States of the Gulf



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**Laws and Regulations of Value Added Tax and Selective Tax  
in the States of the Cooperation Council for the Arab States of the Gulf**

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Member States in the Cooperation Council for the Arab States of the Gulf :

The United Arab Emirates  
Kingdom of Bahrain  
Kingdom of Saudi Arabia  
Sultanate of Oman  
State of Qatar  
State of Kuwait

Based on the objective set by constitution of **the Cooperation Council for the Arab States of the Gulf**, reflecting the importance of enhancing the existing cooperation relationships between Member States in various fields;

In line with the Unified Economic Agreement between the Cooperation Council Member States of 2001, heading towards more integrated economy and drawing up uniform legislations and legal bases in the economic and financial areas;

In pursuit of boosting Member States' economy and proceeding with the steps taken to establish economic unity between them;

With reliance on the resolution passed in the 36<sup>th</sup> session of the Supreme Council (Riyadh, 09-10<sup>th</sup> of December, 2015) concerning imposing unified value added tax (VAT) at a standard rate (5%) and Financial and Economic Cooperation Committee authorization to complete the requirements necessary to pass and sign the Unified Agreement for Value Added Tax, which aims at introducing a unified legal framework for a common tax in the States of the Cooperation Council, called value added tax (VAT), to be imposed on the transactions of consumption of goods and services of imports and exports in all the stages of production and distribution;

Member States have agreed upon the following:

**Section One  
Definitions and General Provisions**

Article (1)  
Definitions

For the purposes of this Agreement, the following terms and expressions shall bear the meanings ascribed thereto whenever they appeared herein, unless the context otherwise requires.

Council	:	Cooperation Council for the Arab States of the Gulf
Agreement	:	The Unified Agreement for Value Added Tax
Tax	:	Value added tax imposed on the importation and supply of products and services in all the stages of production and distribution, including assumed supply.
Member State	:	Any State that has a constant membership in the Council in accordance with the Council's Constitution.
Region of the States of the Council	:	All regions of the States of the Council.
Domestic Law (Code)	:	Any law (code) regarding value added tax and relevant legislations applicable in each Member State.
Person	:	Any natural or legal public or private person and any other form of partnership.
Taxable Person	:	Any person who practices an economic activity with the purpose of making profit. For the purpose of taxation, this person should be registered in accordance with the provisions of the Agreement.
Economic Activity	:	A constant regularly practiced activity, including commercial, industrial, agricultural, professional or service activity, any use of physical or non-physical possessions and any similar activities.
Taxable Merchant	:	Merchants, whose main activity is gas, oil, water or power distribution and who are taxable in any Member State.
Place of Business	:	Place of legal establishment of business or actual management office, in case of being different from the place of establishment, where the main resolutions concerning work progress are passed.
Established Firm	:	Any stable office, other than the Place of Business, where business is run and human as well as technical resources are available permanently in order that goods and services are easily exported and received.
Place of Residence	:	A person's or other Established Firm's place of business, or a natural person's regular place of residence in case the latter has is no Place of Business or established firm. In case that a Person has more than one Place of Residence in several States, the place of residence shall be the place most related to supply.
Resident	:	A Person is deemed to be residing in a certain State, in case of having a place of residence therein.
Non-Resident	:	A person is deemed not to be residing in a certain State, in case of having no Place of Residence therein.

Supplier	:	The person who supplies goods or services.
Customer	:	The person who receives goods or services.
Reverse Charge Mechanism	:	The mechanism which renders the taxable customer bound to incur the payable tax instead of the supplier, and responsible for all the obligations stipulated in the Agreement and Domestic Law.
Relevant Persons	:	Two or more persons, where one of them has a controlling and supervisory authority over the others and has a managing authority that allows that person to affect the work of the others financially, economically and organizationally. This includes the persons under a third party's control, which allows that third party to have a financial, economic and organizational influence over their business.
Supply	:	Any form of paid goods and services supply in accordance with the occurrences shown in Section Two herein.
Assumed Supply	:	Supply-like activities in accordance with the cases shown in Article (8) herein.
Input Tax	:	Tax incurred by the Taxable Person, which is levied at imported/exported goods and services for the purposes of practicing the Economic Activity concerned
Unified Law (Code) of Customs	:	The unified law (code) of customs of the States of the Cooperation Council of the Arab States of the Gulf.
First Point of Entry	:	First customs point of incoming goods entry into the Region of the States of the Cooperation Council, in accordance with the Unified Law (Code) of Customs..
Final Destination	:	Final customs point of goods entry into the states of the final destination, in the Region of the States of the Cooperation Council.
Consideration	:	Any return received or to be received by the Taxable Supplier from the Customer or third party for supplying goods and services, including the value added tax.
Exempted Supplies	:	Non-taxable supplies, to which Input Tax does not apply in accordance with this Agreement and Domestic Law.
Taxable Supplies	:	Supplies to which the value added tax applies in accordance with this Agreement at the standard rate or zero rate. Relevant inputs shall be deducted therefrom in accordance with this Agreement.
Intermediate Supplies	:	This includes goods and services imported by a Resident Supplier in one of the Member States to a Customer in another Member State.
Goods	:	All kinds of material properties (material assets), including water and all forms of energy, including electricity, gas, lighting, heat, cooling and air conditioning.
Importation of Goods	:	Entry of goods from out of the Region of the States of the Council into one of the States in accordance with The Unified Law (Code) of Customs.
Exportation of	:	Supply of goods from one of the Member States to a State out of

Goods	: the Region of the States Council in accordance with The Unified Law (Code) of Customs.
Competent Tax Authority	: The government authority concerned in each Member State and authorized to manage, collect and implement tax.
Deductible Tax	: Input tax, which may be deducted of the payable tax levied on supplies during the tax period in accordance with this Agreement and the Domestic Law.
Capital Assets	: Physical and non-physical assets, which form a part of business assets allocated for long-term use such as business tool and investment means.
Tax Period	: Time period over which net tax is calculated.
Net Tax	: Tax resulting from subtracting the Deductible Tax from the payable tax in a Member State over the same Tax Period. Net Tax may be payable or refundable.
Mandatory registration	: Minimum limit of actual supplies value, which renders a Taxable Person bound to register for the taxation purposes.
Voluntary registration	: Minimum limit of actual supplies value, which allows a Taxable Person to apply to register for the taxation purposes.
Ministerial Committee	: The Financial and Economic Cooperation Committee of the States of the Council.

#### Article (2)

##### Scope of Taxation

This Agreement shall apply in the Region of the States of the Council , and the Tax applies on the following transactions:

1. Taxable Supplies of a Taxable Person in the Region of a Member State.
2. Goods and services supplied by a Non-Resident, who is not subject to the Tax in the Member State, to a Taxable Person in the cases of Reverse Charge Mechanism.
3. Goods imports by any Person.

#### Article (3)

##### Applicable Calendar

Dates and periods of time referred to herein shall be set in accordance with the Gregorian Calendar.

#### Article (4)

##### Taxable Group

Taxable Group is defined as two or more legal persons Residents in the same Member State. Each Member State may deal with a tax group as if it is one Taxable Person pursuant to the laws and regulations set for this purpose.

### Section Two

## Supplies in the Scope of Taxation

### Article (5)

#### Supply of Goods

1. Supply of goods means the transfer of the ownership of goods or right of the disposal of goods as the owner thereof.
2. Supply of goods includes the following transactions:
  - a. Waiver of the possession of goods under an agreement upon the transfer of ownership of such goods or the possibility of such transfer one date falling after the agreement date; provided that it is not later than the date of paying the Consideration in full.
  - b. Grant of rights in kind relevant to the ownership of goods that allows the use of real estate utilization.
  - c. Forced transfer of ownership in return for a Consideration based on an order passed by public authorities or pursuant to an applicable law.

### Article (6)

#### Transfer of goods from a Member State to another Member State

1. Taxable Person, who transfers goods, which form a part of that person's assets, from the place where such goods are in a Member State to another place in another Member State, is deemed to have supplied goods.
2. Transfer of goods referred to in the Clause (1) of this Article is not deemed to be Supply of goods, if done for one of the following purposes:
  - a. Use of goods temporarily in the other Member State pursuant to the temporary entry provisions set forth in the Unified Law (Code) of Customs.
  - b. Transfer of goods as a part of another Taxable Person's supply in the other Member State.

### Article (7)

#### Supply of Services

Any non-goods supply transaction in accordance with the provisions of this Agreement.

### Article (8)

#### Assumed Supply

1. Taxable Person is deemed to have carried out goods supply transaction upon the disposal of goods that form a part of this Taxable Person's assets in the following cases:
  - a. Transfer of goods for non-economic purposes either with or without a Consideration.
  - b. Changing the use of goods to undertake non-taxable supply transactions.
  - c. Preservation of goods after the suspension of Economic Activity.
  - d. Supply of goods without Consideration , unless it is conducted in the scope of business in the form of samples or gifts of low value, as determined by each Member State.
2. Taxable Person is deemed to have carried out services supply transaction in the following cases:



- a. Use of goods that form a part of the Taxable Person's assets for non-economic purposes.
- b. Supply of services for no Consideration.
3. This Article shall apply in case that Taxable Person has previously deducted the Input Tax charged on goods and services referred to in this Article.
4. Member State has the right to set the conditions and regulations of applying this Article.

#### Article (9)

##### Receipt of Goods and Services

1. In case that Taxable Person in a Member State receives taxable goods and services from a Resident of another Member State, Taxable Person shall be deemed to have supplied such goods and services to oneself. Therefore, such supply shall be taxable in accordance with the Reverse Charge Mechanism.
2. In case that Taxable Person, resident in a Member State receives services from a non-resident of the Region of the States of the Council, Taxable Person shall be deemed to have supplied such services to oneself. Therefore, such supply shall be taxable in accordance with the Reverse Charge Mechanism.



### Section Three

#### Place of Supply

##### Chapter One

##### Place of Supply of Goods

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#### Article (10)

##### Supply of Goods Without Transportation

The place of supply of goods which are not transported or dispatched is the place where such goods are located on the date of putting the goods at the Customer's disposal.

#### Article (11)

##### Supply of Goods With Transportation

The place of supply of goods which are transported or dispatched by the Supplier or for the account of the Customer is the place where goods are located when the transportation or dispatch begins.

#### Article (12)

##### Special cases of some intermediate supplies with transportation

1. As an exception of the provisions of Article (11) hereof, the place of supply of Intermediate Goods , which are transported or dispatched from a Member State to another Member State, is in the State where the transport or dispatch of goods ends as follows:
  - a. In case that the Customer is Taxable.

- b. Without prejudice to Clause (2) of this Article, in case that Customer is non-taxable and the Supplier is registered in the State where the customer is Resident or is mandated to be registered.
2. The place of supply of Intermediate Goods , which are transported or dispatched without being installed or assembled by a Supplier registered for taxation purposes in a Member State, to a Customer unregistered for taxation purposes in another Member State, is located at the place of goods on the date of transport or dispatch; provided that the total amount of the supplies of such Supplier within twelve (12) months does not exceed (SR 375,000 or an equivalent value of in other currencies of the States of the Council) in the State the goods are supplied to. In case that the total of the supplies of such Supplier exceeds the said amount, the Supplier will have to register in such State.
  3. In case that it is not proved that goods are transported from one Member State to another in compliance with the obligations stipulated in Article (6) in this Agreement and domestic laws, the place of supply shall be the place where goods are located on the date when transport and dispatch begins.
  4. In case that goods are supplied without being transported or dispatched, but are later on proved to have been transported or dispatched to a Member State in one of the cases stipulated in Clause (1) of this Article, the State of the Final Destination of transport or dispatch shall have the right to recover the tax from the Member State where transport and dispatch begins in accordance with the direct automated transmission mechanism followed in the customs or any other mechanisms approved by the Ministerial Committee.

Article (13)  
Intermediate Supplies to Unregistered Persons

Each Member State shall have the right to claim for the tax paid from the other Member State, in case that tax exceeds SAR ten thousand or an equivalent value of in other currencies of the States of the Council, for individuals or unregistered persons, and to settle such tax account in accordance with the direct automated transmission mechanism of the custom charges applicable within the custom union in the Cooperation Council States. The Ministerial Committee shall have the right to suggest any other mechanism.

Member State shall have the right to impose tax on Supplies at the entries thereof, in case that no evidence is submitted to prove that it was paid in the other Member State.

Article (14)  
Supply of Gas, Oil, Water and Electricity

As an exception to Articles (10) and (11) herein,

1. The supply of gas, oil and water through the distribution system pipelines and the supply of electricity from a Taxable Person, whose Place of Business is in a Member State to a taxable merchant, whose Place of Business is in another Member State is deemed to have occurred in the Place of Business of the taxable merchant.

2. The supply of gas, oil and water through the distribution system pipelines and the supply of electricity to a non-taxable merchant is deemed to have occurred in the actual place of consumption.

Chapter Two  
Place of Supply of Services

Part One  
General Principle

Article (15)  
Place of Supply of Services

Place of supply of Services by a taxable Supplier is located at the Supplier's Place of Residence.

Article (16)  
Place of Supply of Services between Taxable Persons

As an exception to Article (15) herein, the place of supply of services by a taxable Supplier to a taxable Customer is located at the Customer's Place of Residence.

Part Two  
Special Cases

Article (17)  
Services of Hiring Means of Transport

As an exception to the provisions of Article (15) herein, the place of supply of services of hiring means of transport between a taxable Supplier to and a non-taxable Customer is located at the place where the means of transport are actually put at the disposal of the Customer.

Article (18)  
Supply of Transportation for Goods and Passengers

As an exception to the provisions of Article (15) herein, the place of supply of services for goods and passengers at the place where transportation begins.

Article (19)  
Supply of Services Connected to Immovable Property

1. Services connected to immovable property mean the services, which are closely related to immovable property, including:
  - a. Immovable property expertise and agency services.
  - b. Grant of right to possess or use immovable property.
  - c. Services related to construction works.

2. As an exception to the provisions of Article (15) herein, the place of supply of services connected to immovable property is located at the actual place where immovable property exists.

#### Article (20)

##### Supply of Telecommunications Services Electronically Provided

The place of the supply of telecommunications services electronically provided is the place where such services are actually used or benefited from.

#### Article (21)

##### Supply of Other Services

The place of supply of the following services shall be the actual place where such services are supplied:

1. Restaurants, hotels and food and beverage services.
2. Cultural, artistic, sporting, educational and entertainment services.
3. Services connected to movable goods supplied by a taxable Supplier, Resident in a Member State to a non-taxable Customer in another Member State.

#### Chapter Three

##### Place of Importation

#### Article (22)

##### Place of Importation

1. Place of importation of goods is located at the State of their First Point of Entry.
2. In case where goods are put under a suspensive custom procedures in accordance with the Unified Law (Code) of Customs once entered into the Region of the States of the Council, the place of importation shall be located at the Member State where goods are released from such suspensive procedure.

#### Section Four

##### Tax Due Date

#### Article (23)

##### Due Date of the Tax on Supply of Goods and Services

1. Tax shall be due on the earliest of the date of importation of goods or services, date of issuance of the Tax invoice or the date of receipt of Consideration in part or whole, within the limits of the received amounts.
2. The date of importation referred to in Clause (1) of this Article shall be as follows:
  - a. Date of putting goods at the Customer's disposal, in the transactions concerned with the importation of goods which are not transported or dispatched.
  - b. Date wherein goods transport or dispatch begins in the transactions concerned with the importation of goods which are transported or dispatched.

- c. Date wherein goods are installed or assembled in the transactions concerned with the importation of goods which are transported or dispatched with installment or assembly of the same..
  - d. Date of completion of the performance of services.
  - e. Date of the occurrence of one of the cases stipulated in Article (8) herein.
3. As an exception to the provisions of Clause (1) and Clause (2) of this Article, the Tax shall be due on the importations which have sequential nature that leads to the issuance of invoices and payment of Consideration consecutively, on the earliest of the date set in the invoice or the actual date of payment, at least once in each twelve (12) consecutive months.
  4. Each Member State may determine the due date of Tax for the importations unspecified in the previous Clauses of this Article.

#### Article (24)

##### Due Date upon Importation

Keeping into consideration the provisions of Article (39) concerned with the cases of the Tax suspension upon importation and Article (64) related to the mechanism of payment of the Tax due upon exportation, the Tax shall be payable on the date of the Importation of Goods to the Member State.

#### Section Five Tax Calculation

#### Article (25) Tax Rate (%)

1. The Tax will apply at a standard rate of 5% of the value of Supply or Importation , unless such supplies are exempted or charged at a zero rate (0%) in accordance with a provision of this Agreement.
2. Without prejudice to the obligations stated in this Agreement and Domestic Laws, the price declared in the local market of goods and services shall include the value added Tax.

#### Article (26)

##### Value of Supply of Goods and Services

1. The fair market value is the amount at which goods and services are traded with in an open market between two independent parties under competitive conditions specified by each Member State.
2. Value of Supply shall be the value of the Consideration inclusive of the value of the Tax. It includes the value of the non-cash part of the Consideration specified in accordance with the fair market value.
3. Value of Supply shall include all the expenses imposed by the taxable Supplier on the Customer and charges due on Supply and all taxes, including the selective taxes, with the value added Tax excluded.

4. Value of Supply in the Assumed Supply and transportation of goods from one Member State to another is the value of purchase or cost. In case that it is not possible to determine the value of purchase or cost, the fair market value shall apply.
5. Each Member State shall set the conditions and regulations of amending the value of supply between Relevant Persons.
6. The value of Supply shall be reduced as follows:
  - a. Prices reductions and deductions allowed to the Customer.
  - b. Aids authorized by Member State to the Supplier.
  - c. Amounts paid by taxable Supplier in the name of and the account of the Customer. In such case, taxable Supplier shall have no right to deduct the Tax paid on such expenses.
7. In case that any of the particulars of the value of Supply is specified in a foreign currency, it shall be converted into the local currency in accordance with the official exchange rate applicable in the Member State concerned on the Tax due date.
8. Each Member State shall have the right to determine the value of Supply in the cases which are not tackled in the Clauses of this Articles.

#### Article (27)

##### Tax Adjustment

Taxable Person shall have the right to adjust the Tax imposed upon the occurrence of the following cases after the date of Supply:

1. Cancellation or refusal of Supplies in part or in whole.
2. Reduction of the value of Supply.
3. Non-collection of Consideration in part or in whole in accordance with the conditions applicable on the bad debts in each Member State.

#### Article (28)

##### Value of the Imported Goods

1. Value of the imported goods is that of the customs specified in accordance with the Unified Law (Code) of Customs in addition to the selective tax, customs fees and any other charges, excluding the value added Tax
2. Concerning the goods exported temporarily outside the Region of the States of the Council, for the purpose of completion of manufacturing or repair abroad, such goods shall be taxable upon being re-imported in accordance with the raise they were subject to, based on the Unified Law (Code) of Customs.

### **Section Six**

#### **Exceptions**

#### Article (29)

States' Right to Exempt Certain Sectors or to Impose Zero Tax Rate Thereon

1. Each Member State shall have the right to exempt the following sectors or to impose zero tax rate thereon in accordance with the Member State's conditions and regulations:
  - a. Education sector
  - b. Health sector
  - c. Real estate sector
  - d. Local transport sector
2. Each Member State shall have the right to impose zero tax rate on the oil, oil derivatives and gas sector in accordance with its respective conditions and regulations.

#### Article (30)

##### Special Cases of Tax Exemptions

Each Member State shall have the right to exempt the following categories from payment of the Tax upon receiving goods and services therein, and shall have the right to allow such categories to recover the tax incurred upon receipt of goods and services in accordance with its respective conditions and regulations:

- Government authorities specified by this State.
- Charities and public benefit organizations specified by this State.
- Exempted companies pursuant to international events hosting agreements.
- Member States' citizens when constructing their private houses.
- Unregistered, farmers and fishermen, regarding the registration for the Tax.

#### Article (31)

##### Supply of Foodstuff, Medicines and Medical Provisions

First: Foodstuff:

Foodstuff shall be subject to standard tax rate. Each Member State may charge zero tax on the foodstuff mentioned in a unified foodstuff list to be approved by the Financial and Economic Cooperation Committee.

Second: Medicines and Medical Provision:

Medicines and Medical Provision shall be subject to zero tax rate in accordance with unified regulations proposed by the Committee of the Ministers of Health and to be approved by the Financial and Economic Cooperation Committee.

#### Article (32)

##### Intermediate and International Transport

The following transport transactions shall be subject to zero tax rate:

1. Transport of goods and passengers from a Member State to another Member State and supply of services relevant to transport.
2. International transport of goods and passengers to and from the Region of the Cooperation Council States and supply of services relevant to transport.

#### Article (33)



### Supply of Means of Transport

Each Member State shall have the right to impose zero tax rate on the following supplies of means of transport:

1. Supplies of sea, air and land means of transport of goods and passengers in return of Consideration for commercial purposes.
2. Supplies of goods and services connected to the supply of means of transport referred to in Clause (1) of this Article allocated to the operation, repair, maintenance and transformation of such means of transport, their respective requirements, cargoes or passengers.
3. Supply of airplanes and ships of air of rescue through air and sea, and sea fishing ships.

### Article (34)

#### Supplies from outside the Region of the Cooperation Council States

1. The following supplies shall be subject to zero tax rate:
  - a. Exportation to outside the Region of the Cooperation Council States.
  - b. Supplies of goods pursuant to a place where one of the suspensive custom procedures stipulated in the Unified Law (Code) of Customs applies, or supplies under such suspensive custom procedures.
  - c. Re-exportation of movable goods that were temporarily imported to the Region of the Cooperation Council States for the purpose of repairing, maintenance, transformation or treatment and services added to such goods.
  - d. Supplies of services by taxable Supplier, Resident of one of the Member States to a Non-Resident Customer who benefits from such service outside of the Region of the Council States in accordance with the standards set by each Member State with the exclusion of the cases stipulated in the Articles (from 17 to 21) ) of this Agreement, which determines the place of Supply as one of the Member States.
2. Supply of goods and services to outside the Region of the Council States shall be subject to zero tax rate whenever such supply of goods and services is exempted from the Tax inside the Member State concerned.

### Article (35)

#### Investment Supply of Gold, Silver and Platinum

1. For the purposes of this Article, supply of gold, silver and platinum shall be deemed to be for investment purposes if these are not less than 99% pure and are tradable in the Global Alloys Market.
2. Investment supply of gold, silver and platinum shall be subject to zero tax rate.
3. Investment supply of gold, silver and platinum shall be subject to zero tax rate or supply after extraction.

### Article (36)

#### Financial Services



1. Financial services provided by banks and financial institutions licensed in accordance with the legislations applicable in each Member State shall be exempted from the Tax. Banks and financial institutions shall have the right to recover the Input Tax based on the refund rate specified by each State.
2. As an exception to Clause (1) of this Article, each State shall have the right to apply any kind of tax treatment to financial services.

#### Article (37)

##### Imposition of Tax on Supply of Used Goods

Each Member State shall set its conditions and regulations of Tax imposition on Used Goods supplied by Taxable Persons based on profit margin.

### **Section Seven Importation Exemptions**

#### Article (38)

##### Exemption upon Importation

The following exemptions from the Tax shall apply:

1. Transactions of Importation of Goods, if the importation of such goods at the State of the Final Destination is exempted from the Tax or is subject to zero tax rate.
  - a. Transactions of Importation of the following Goods which are exempted from customs in accordance with the conditions and regulations of the Unified Law (Code) of Customs: Diplomatic exemptions.
  - b. Military exemptions.
  - c. Importation of personal effects and used household appliances brought by citizens residing abroad and foreigners coming to reside in the State concerned for the first time.
  - d. Importation of non-profit charities' needs, in case of being exempted from Tax payment pursuant to Article (30) herein.
  - e. Importation of returned goods.
2. Personal effects and gifts carried with passengers as determined by Member States.
3. Requirements of people with special needs as determined by Member States.

#### Article (39)

##### Suspension of Tax

The Tax levied on the Importation of Goods shall be suspended in accordance with the suspensive custom procedures, subject to the conditions and regulations provided for in the Unified Law (Code) of Customs . Each Member State shall have the right to link Tax suspension to a condition of securing the Tax value.

### **Section Eight Persons Obligated to Pay the Tax**

#### Article (40)

##### General Principle

1. Taxable Person shall pay the Tax due on the taxable supplies of goods or services to the competent Tax Authority in the Member State, where the place of supply is located.
2. Every Person that specifies tax amount on an invoice issued thereby shall be obliged to pay such amount to the competent Tax Authority in the Member State where the place of supply is located.

#### Article (41)

##### Taxable Customer as per the Reverse Charge Mechanism

1. In case that the place of supply of goods or services is in a Member State, wherein the Supplier is not a Resident, the taxable Customer therein shall be liable to pay the Tax due.
2. The Tax due under Clause (1) of this Article shall be paid in accordance with = the tax declaration or independent from that, as determined by each Member State.

#### Article (42)

##### Person Obligated to pay the Tax upon Importation

The person designated or recognized as a Supplier in accordance with the provisions of the Unified Law (Code) of Customs is obliged to pay the Tax due on importation.

#### Article (43)

##### Joint Liability

1. Any Person that intentionally participated in a violation of any of the obligations set forth in this Agreement and Domestic Law shall be jointly liable with the Taxable Person for paying the Tax and whatever amounts due as a result of such violation.
2. Each Member State shall have the right to determine cases of joint liability other than this provided for in this Article.

### **Section Nine Tax Deduction**

#### Article (44)

##### Tax Deduction Principle

1. Taxable Persons shall be entitled to cut the amount of the Tax due, which they are liable to pay in a Member State, by the Deductible Tax imposed by such State in the course of conducting taxable supplies.
2. The right of deduction shall be established when Deductible Tax is due in accordance with the provisions of this Agreement.

3. Customer obligated to pay the Tax in accordance with the Reverse Charge Mechanism shall have the right to deduct the Deductible Tax related thereto, provided that the Customer declares the Tax due in accordance with Clause (2) of Article (41) herein.
4. Each Member State shall determine the conditions and regulations of Tax deduction.

#### Article (45)

##### Restrictions on Input Tax Deduction

The Input Tax, which is levied in any of the cases following may not be deducted:

1. If it is concerned with non-economic activities as determined by each Member State.
2. If it is concerned with the goods prohibited to be traded in accordance with the provisions of the applicable legislation in the Member State.

#### Article (46)

##### Proportional Deduction

1. In case that the Input Tax is connected with goods and services which are used for undertaking taxable and non-taxable supplies, the Input Tax may only be deducted within the percentage of the taxable supplies.
2. Each Member State shall have the right to determine the methods of calculating the deduction percentage and shall set the conditions for applying zero tax rate to the non-deductible input tax.

#### Article (47)

##### Adjustment of Deductible Input Tax

1. Taxable Person should adjust the value of the Input Tax which the Taxable Person deducted upon the receipt of goods or services supplied thereto, in case of being less or more than the deductible Input Tax, following a change of the factors determining the Deductible Tax, including:
  - a. Cancellation or refusal of supplies in part or in whole.
  - b. Reduction of the value of supply.
  - c. Non-collection of Consideration in part or in whole in accordance with Clause (3) of Article (27).
  - d. Change in the use of Capital Assets.
2. Taxable Person shall not be obliged to amend the Input Tax in the following cases:
  - a. Taxable Person proves the loss, damage or theft of the goods supplied thereto, in accordance with the conditions and regulations in force in each Member State.
  - b. Use of the goods supplied as samples or gifts of low value by the Taxable Person as shown in Paragraph (d) of Clause (1) of Article (8) herein.

#### Article (48)

##### Terms of Exercise of the Right of Deduction

1. For the purposes of exercising the right of deduction, Taxable Person shall have the following documents:

- a. The Tax invoice obtained by the Taxable Person in application of the provisions of this Agreement.
  - b. Customs documents proving that the Taxable Person is an importer of goods in accordance with the provisions of the Unified Law (Code) of Customs.
2. Each Member State shall have the right to allow Taxable Persons to exercise the right of deduction, in case that the Tax invoice is not available or is not does not meet all the conditions provided for in this Agreement, on a condition that the value of the Tax due is proved by any other means.

#### Article (49)

##### The Right to Deduct the Input Tax Paid before the Date of Registration

1. Taxable Person shall be entitled to deduct the Input Tax levied on the goods and services supplied thereto before the date of registration for tax purposes upon the fulfillment of the following conditions:
  - a. Receipt of goods and services for the purpose of conducting taxable supplies;
  - b. Non-depreciation of Capital Assets in whole before the date of registration.
  - c. Non-supply of goods before the date of registration.
  - d. Receipt of services within a specific period of time prior to the date of registration as determined by each Member State.
  - e. Goods and services are not subject to any restriction related to the right of deduction provided for herein.
2. For the purposes of this Article, the Input Tax on Capital Assets shall be deducted in accordance with the net book value of the assets on the date of registration as determined by each Member State.

### **Section Ten Obligations**

#### Chapter One Registration

#### Article (50) Mandatory Registration

1. Taxable Person shall be obliged to register for the purposes of the application of this Agreement in the following cases:
  - a. Being a Resident of any of the Member States.
  - b. The annual supplies of such person exceed or are expected to exceed the mandatory limit of registration in the Member State concerned.
2. The Mandatory Registration limit shall be SAR 375,000 (or the equivalent of the currencies of the States of the Council). The Ministerial Committee shall have the right to amend the registration limit after three years of application.

3. Non-Residents in the Member States shall be bound to register, irrespective of their number of their business, in case that they are committed to pay the Tax in such State, in accordance with the provisions of this Agreement. In such case, they register either directly or through the nomination of a tax representative with the consent of the competent Tax Authority. Tax representative shall act on behalf of the Non-Residents concerning all the rights and obligations provided for herein, subject to the provisions of Clause (2) of Article (43) of this Agreement.
4. Taxable Persons that conduct taxable supplies levied at zero tax rate only shall have the right to apply for being exempted from the requirement of registration pursuant to the conditions and regulations set forth by each Member State.

#### Article (51)

##### Voluntary (Optional) Registration

1. In accordance with the provisions of Clause (1) of Article (50) herein, Resident of a Member State that is not mandated to register shall have the right to apply for registration in that State, provided that the value of the annual supplies of this Resident does not exceed the Voluntary (optional) Registration limit.
2. Member State shall be entitled to allow the registration of those not committed to register therein, provided that the annual supplies of a person not committed to register in this State is not more than the Voluntary (optional) Registration limit in accordance with the conditions and regulations set by this State.
3. The Voluntary Registration limit is set at 50% of the Mandatory Registration limit.

#### Article (52)

##### Calculation of the Value of Supplies

1. For the purposes of the implementation of the provisions of this Agreement, the value of the annual supplies shall be calculated on one of the following bases:
  - a. Total value of supply transactions carried out by Taxable Person at the end of any month in addition to the previous 11 months, excluding the exempted supplies.
  - b. Total value of supply transactions expected to be carried out by Taxable Person at the end of any month in addition to the coming 11 months, in accordance with the standards and period specified by each Member State, with the exclusion of the exempted supplies.
2. The total value of the supplies consists of the following:
  - a. The value of taxable supplies excluding the value of the supply of Capital Assets.
  - b. The value of goods and services supplied to Taxable Persons obliged to pay the tax for such supplies under the provisions of this Agreement.
  - c. The value of Intermediate Supplies, whose place is located in a Member State other than that of the Taxable Person's Place of Residence, and which is taxable in the supplier's State of residence if the place of supply is located therein.

3. Each Member State shall be entitled to set its own conditions and regulations for the calculation of the supplies of the Relevant Persons practicing similar or related activities, and the Mandatory Registration of each of them based on the total supplies.

#### Article (53)

##### Tax Identification Number

Upon registration for tax purposes in any of the Member States, each Member State shall assign a tax identification number to each Taxable Person, provided that the Ministerial Committee shall determine the regulations for issuing the Tax Identification Number.

#### Article (54)

##### Cancellation of Registration

1. For taxation purposes, Taxable Person shall apply to cancel registration in any of the following cases:
  - a. Ceasing to practice Economic Activity.
  - b. Ceasing to conduct taxable supply transactions.
  - c. Value of taxable supplies is reduced below the Voluntary Registration limit in accordance with the provisions of Article (51) of this Agreement.
2. Taxable Person shall have the right to apply for the cancellation of registration if its annual total is below the Mandatory Registration limit and above the Voluntary Registration limit.
3. For the purposes of Paragraphs (b) and (c) of Clause (1) and Clause (2) of this Article, each Member State shall have the right to set a Taxable Person's minimum registration period for the purposes of taxation as a condition for the cancellation of the Taxable Person's registration.
4. Each Member shall have the right to lay down the conditions and regulations of dismissing the application for cancelling a Taxable Person's registration in cases other than those shown in Clause (1) and (2) of this Article.
5. Tax authority shall notify Taxable Person of the cancellation of registration and the effective date thereof.

### Chapter Two

#### Tax Invoice

#### Article (55)

##### Issuance of the VAT Invoice

1. Taxable Person shall issue a Tax invoice or similar document in the following cases:
  - a. Supply of goods or services, including the Assumed Supply provided for in Article (8) herein.
  - b. Receipt of the Consideration in whole or in part before the date of supply.
2. Each Member State may exclude Taxable Persons from the issuance of the invoices referred to in this Article in respect of Tax-exempted supplies, provided that such invoices are not related to the Intermediate transactions between Member States.

3. Subject to the provisions of Article (56) of this Agreement, each Member State shall allow Taxable Person to issue brief Tax invoices, including all the goods and services supplies rendered for one Customer to which Tax is due within one month.
4. For the purpose of this Agreement, Member States shall accept invoices in form, whether such invoices are issued in paper or electronic form, in accordance with the conditions and procedures determined by each Member State.

#### Article (56)

##### Particulars of Tax invoice

1. Each Member State shall specify the Tax invoice particulars and time allowed for issuance thereof, provided that the Ministerial Committee shall specify the minimum particulars required to be included therein. Each Member State shall allow the issuance of simplified invoices in accordance with the conditions and regulations set out thereby.
2. Tax invoices may be issued in any currency, provided that the amount of Tax is written in the currency of the Member State where the place of supply is located, on the basis of the official exchange rate applicable in that State on the Tax due date.

#### Article (57)

##### Amendment of Invoices (Credit Note)

Taxable Persons, amending the Consideration of supply, shall ensure that the amendment in noted in a document (credit note or debit note of Tax invoice) to correct the original Tax invoice. Such document is treated as the original Tax invoice in accordance with the procedures determined by each Member State.

#### Article (58)

##### Special Provisions

1. Taxable Customer, receiving goods or services supplied by Taxable Person, shall be entitled to issue Tax invoices, provided that the Supplier's consent is obtained and it is indicated in the invoice that it is a personal invoice, subject to the consent of the competent Tax Authority. In such case, this invoice shall be treated as issued by the Supplier.
2. Taxable Person may use third party to issue Tax invoices on the Taxable Person's behalf, with the approval of the competent Tax Authority, provided that all the obligations set forth in this Agreement and Domestic Law are met.

### Chapter Three

#### Maintenance of Tax Invoices, Records and Accounting Documents

#### Article (59)

##### Period of Maintenance of Tax Invoices, Records and Accounting Documents

Without prejudice to any longer period set forth in the laws of the Member State, Tax invoices, records and accounting documents shall be maintained for five years at least starting from



the end of the year of such invoices, books and records. This period extends to fifteen years in case of the maintenance of tax invoices, books documents related to real estate.

#### Chapter Four Tax Period and Tax Declarations

##### Article (60) Tax Period

Each Member State shall specify its respective Tax Period or periods, provided that each is not less than one month.

##### Article (61) Submission of Tax Declaration

Each Member State shall determine the deadlines, conditions and regulations of submitting tax declaration of each Tax Period by Taxable Person, provided that the Ministerial Committee shall determine the minimum data required to be included therein.

##### Article (62) Amendment of Tax Declaration

Each Member State shall establish the conditions and regulations giving Taxable Persons the right to amend a previously submitted tax declaration.

#### Chapter Five Tax Payment and Refund

##### Article (63) Tax Payment

Each Member State shall set out the deadlines, conditions and regulations of payment of net tax payable by Taxable Person.

##### Article (64) Importation Tax Payment

1. Tax payable on imported goods shall be paid at the First Point of Entry, deposited in a special account for the Tax and transferred to the State of Final Destination in accordance with the direct automated transmission mechanism of the custom charges applicable within the custom union . The Ministerial Committee shall have the right to suggest any other mechanisms.
2. Each Member State may, in accordance with the conditions and regulations laid down thereby, allow Taxable Persons to defer the payment of the Tax due on goods imported for economic purposes and state the same in their tax declaration. The Tax payable deferred and declared is deemed to be Deductible in accordance with the provisions of this Agreement.



Article (65)

Tax Refund

Each Member State shall determine the conditions and regulations allowing Taxable Persons to apply for the refund of the net tax deductible or refundable or transfer the same to the next Tax Periods.

**Section Eleven**

**Special Treatments of Tax Refund**

Article (66)

Tax Refund by Residents in the Region of the Cooperation Council States

Taxable Persons in any Member State may apply for the refund of the tax paid in another Member State in accordance with the conditions and regulations determined by the Financial and Economic Cooperation Committee.

Article (67)

Tax Refund by Non-Residents in the Region of the Cooperation Council States

Each Member State shall allow Non-Residents of the Region of the Cooperation Council States to apply for the refund of the tax paid therein, subject to the fulfillment of all the following conditions:

1. Non-Residents shall not supply goods or services on which they will be obliged to pay Tax in any Member State.
2. Non-Residents are registered for taxation purposes in their States of residence, in case that the concerned State of residence applies the value added Tax system or a similar tax system.
3. Tax is incurred by a Non-Resident in one of the Member States, for economic purposes.

Article (68)

Refund of Tax by Tourists

1. Member State shall have the right to apply the tourist refund scheme in accordance with the conditions and regulations set out by its Domestic Law.
2. For the purposes of applying this Article, a tourist is a natural person who meets all the following conditions:
  - a. Being a Non-Resident in the Region of the Cooperation Council States.
  - b. Not being a member in a flight crew on the board of a plane departing from one of the Member States.

Article (69)

Tax Refund by Foreign Governments, International Organizations and Diplomatic Bodies and Missions

1. Each Member State shall set out the conditions and regulations for allowing foreign governments, international organizations and diplomatic, consular and military bodies and missions the right to apply for recovering the Tax incurred on goods and services in the Member State in compliance with the international agreements concluded or the reciprocity condition.
2. Each Member State shall apply zero tax rate on the supply of goods and services to foreign governments, international organizations, diplomatic, consular and military bodies and missions under the conditions and regulations determined by each Member State.

## **Section Twelve**

### **Exchange of Information among Member States**

#### Article (70)

#### Exchange of Information

1. Tax Authorities of Member States shall exchange information relevant to the implementation of the provisions of this Agreement or to the administration or enforcement of national laws on the value added Tax.
2. Subject to the provisions of international agreements, whereof a Member State is a party, any information obtained by the Tax Authority shall be treated as confidential and in the same manner the information obtained under the domestic laws is treated. Such information may only be disclosed to persons or authorities (including courts and administrative bodies) concerned with tax connection, collection, implementation or prosecution and setting of appeal or supervision of the above-stated activities. Such persons or authorities may only use such information for these specified purposes and may only disclose such information in the course of legal proceedings in the public courts or judicial decisions. Notwithstanding the foregoing details, information obtained by the Tax Authority may be used for other purposes in case that the laws of both States so permit. The Tax Authority in the State, which provides information, shall allow such use.
3. In no case shall the provisions of Clause (1) and Clause (2) be construed so as to obligate any Member State of the following:
  - a. Implementation of administrative procedures in violation of the administrative regulations and practices in such State or any other Member State.
  - b. Provision of information that cannot be obtained under the ordinary administrative regulations or directives in such State or any other Member State.
  - c. Provision of information that would disclose any trade, business, industry, commercial or professional secrets, business transactions or information that the disclosure thereof may be in breach of the public policy (public order).
4. In case that a Member State requests information under this Article, the other Member State shall follow its own procedures to collect the information required even if such other State is in no need for the same to serve its own taxation purposes. The obligation referred to in the preceding sentence shall be subject to the restrictions shown in Clause (3). However, any such restrictions may not, by any means, be construed as permitting a

Member State to refrain from providing information only because it has no internal interest therein.

5. The provisions of Clause (3) shall by no means be interpreted so as to permit a contracting State to refrain from providing information only because such information is maintained by a bank, financial institution, authorized person or person working under authorization or as a trustee or because such information is connected to property interests.

#### Article (71)

##### Electronic Service System

1. Each Member State shall develop an electronic service system for the purposes of compliance with the tax requirements. The General Secretariat of the Cooperation Council shall take the necessary measures to establish a tax information center and to operate a central website or electronic system to follow up information related to the intermediate supplies and exchange of such information among the competent tax authorities in the Member States, provided that the website or electronic system of the tax information center shall contain at least the following information:
  - a. Tax identification number of both the supplier and customer.
  - b. Tax invoice number and date.
  - c. Description of transaction.
  - d. Consideration of transaction.
2. In case that the information entered by both the Supplier and the Customer is identical, each shall be given a confirmation number, which should be maintained for the purposes of auditing by the competent Tax Authority and for ensuring that such information is identical to that shown in the tax declarations and other relevant information provided pursuant to this Agreement.
3. The system should be reliable and secure and should not allow the Supplier or Customer to have access to any data other than those available to them.
4. The competent Tax Authority in each Member State shall have the right to access the information concerning intermediate supplies that took place amongst Taxable Persons registered for taxation purposes.
5. The system allows the traceability of the transfer of goods to the State of Final Destination.

#### Article (72)

##### Cooperation between Member States

1. Member States may, in response of a proposal made by the General Secretariat of the Cooperation Council to the Ministerial Committee, take the necessary measures concerning administrative cooperation between them, particularly in the following areas:
  - a. Exchange of information required for ensuring the validation of the Tax at the request of each Member State.
  - b. Agreement on conducting simultaneous audits and participation in audits by any Member State upon the approval of the State concerned.

- c. Assistance in the collection of Tax and taking the necessary measures related to collection.
2. In compliance with the provisions of the international agreements, whereof Member State is a party, each Member State shall oblige its employees not to disclose or use the information obtained in the course of their work from another Member State for other purposes unrelated to the performance of their missions. Each Member State shall decide the penalties applicable in case of the violation of such provision.

### **Section Thirteen Transitional Provisions**

#### Article (73)

Each Member State shall provide for transitional provisions in the Domestic Law thereof that shall take into account the following aspects at least:

1. The Tax shall be payable on the supplies of goods and services and importation of goods from the effective date of the Domestic Law in the Member State.
2. Each Member State shall determine the deadline for the registration of Taxable Persons who are mandated to register by the effective date of the Domestic Law.
3. Notwithstanding any other provision of this Agreement, in case that an invoice is issued or a Consideration is paid prior to the effective date of the Domestic Law or prior to the date of registration, and the supply takes place thereafter, each Member State shall have the right to disregard the date of the invoice or payment and to consider that the Tax due date falls on the date of supply.
4. The provisions of Clause (3) of this Article shall apply to intermediate supplies conducted between a Resident taxable Supplier in a Member State and a Resident Customer in another Member State.
5. With regard to the continuous supplies that are partially conducted before the effective date of the Domestic Law or before the date of registration, and partially after that date, the part performed prior to the effective date or the date of registration shall not be taxable.

### **Section Fourteen Objections and Appeals**

#### Article (74)

#### Objections and Appeals

Each Member State shall lay down the conditions and regulations of objecting to the decisions of the competent Tax Authority, including the right of recourse to the competent courts in each Member State.

### **Section Fifteen Final Provisions**

Article (75)  
Interpretation

The Ministerial Committee shall be competent to consider any issues related to the application and interpretation of this Agreement. The Ministerial Committee decisions shall be binding on all the Member States.

Article (76)  
Settlement of Disputes

Member States shall amicably settle any dispute arising between such States from this Agreement. In case of failure to reach an amicable settlement, they shall have the right, subject to their agreement, to refer such dispute to arbitration in accordance with the rules of arbitration agreed upon.

Article (77)  
Amendments

Subject to the approval of all the Member States and upon the proposal of any Member State, this Agreement may be amended. Any amendment shall be subject to the procedures provided for in Article (79) herein.

Article (78)  
Effectiveness

This Agreement shall be approved by the Supreme Council and ratified by the Member States in accordance with their respective constitutional procedures.

1. This Agreement shall be effective as of the date of filing the document of ratification of the Second State with the General Secretariat of the Cooperation Council of the Arab States of the Gulf.
2. Each Member State shall take the internal measures required for the promulgation of domestic law aiming at putting the provisions of this Agreement into effect, including the development of policies and procedures required for the Tax application in a manner not inconsistent with the provisions of this Agreement.
3. Each Member State shall be deemed not to have applied its domestic law out of the scope of this Agreement until its domestic law comes into force.

This Agreement is issued in Arabic Language on / /1938 (Hijri Calendar), coinciding with / /2016 (Gregorian Calendar), of one original version to be deposited at the General Secretariat of the Cooperation Council. A true copy of this shall be delivered to each Member State party to this Agreement.

The United Arab Emirates  
Kingdom of Bahrain

Kingdom of Saudi Arabia  
Sultanate of Oman  
State of Qatar  
State of Kuwait



سلطان العبدالله ومشاركوه  
Sultan Al-Abdulla & Partners