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Below are the latest developments in Indirect Tax in the Middle East & North Africa (MENA) region:

Value Added Tax (VAT)

United Arab Emirates (UAE)



New VAT Public Clarifications

✓ Public transportation: VATP007

This clarification aims to explain the term "Public Transportation" in the context of the supply of transport services.

The supply of a bus or train used for the public transportation of 10 or more passengers shall be subject to a zero-rated VAT treatment. This means that VAT will be levied at a standard rate (5%) if the bus or train is intended for any use other than public transportation.

Transportation Type	Definition	Features	VAT Treatment
Public Transportation	All means of mass transportation used to transport all individuals without specifying any category.	It is not restricted to a specific category of users; and is available for all individuals without exception. For example: <ul style="list-style-type: none"> Buses or trains which are openly available for use by any person. 	Zero-rated.
Private Transportation	All means of transportation used to transport specific groups of people under contracts.	It is only available for use by a specific class or group of people. For example: <ul style="list-style-type: none"> School students. Employees of a business. Hotel guests being transported to other locations. 	Standard rate.

Please note that this document only applies to the supply of buses or trains and does not cover the VAT treatment of transport services in the following cases:

- Zero-rated international transport of passengers and goods.
- Exempt local passenger transport.

To view the full document, click here:

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✓ Farmhouses and farmland: VATP008

Farmhouses and farmland have not been specifically defined under the UAE VAT Laws and Regulations. Due to the different types of farmhouses and farmland available, this document sets out to clarify the different VAT treatments relating to each type (as outlined below).

Type	VAT Treatment
Farmhouses occupied by a person as a principal place of residence.	Zero-rated (for the first supply). Exempt (for subsequent supplies).
Farmhouses which are not used by a person as a principal place of residence. For example: <ul style="list-style-type: none"> Houses used as weekend homes only. 	Standard rate.
Farmland which is considered to be 'covered' with buildings or civil engineering works.	Standard rate.
Farmland which is considered to be 'bare land'. For example: <ul style="list-style-type: none"> The plot has no buildings or civil engineering works. 	Exempt.

For a better understanding of farm-lands and -houses, please read the VAT Real Estate guide along with this public clarification.

Please view the clarification here:

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Tourist refund scheme goes on live on 18 November

The Federal Tax Authority (FTA), by way of Decision No.2 of 2018 on the Tax Refunds for Tourist Scheme, announced that as of 18 November 2018, tourists can claim a refund for a portion of the VAT paid on purchases from retail outlets that are registered with the scheme. The FTA has noted that 4,000

stores across the country will be connected to the scheme. Posters displayed on storefronts in an easily-visible manner will make it possible to identify the eligible stores.

The first phase of the scheme will be implemented at Abu Dhabi, Dubai and Sharjah International Airports. A deadline of 16 December 2018 has been set to include all the airports, and land and sea ports across the UAE.

Please access the decision here:

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Find more information here:

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Introduction of a biannual tax period

In a press release dated 23 October 2018, the FTA announced that a new biannual tax period will be introduced for some small businesses, commercial real estate owners and board members. These parties will be informed of the procedures for their new tax periods.

You can access the FTA press release here:

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UAE VAT reconsideration form in Arabic

Any requests for reconsideration in relation to any decision made by FTA must be submitted in Arabic only. This includes the application and the supporting documents.

You can access the reconsideration form here:

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Kingdom of Saudi Arabia (KSA)







Establishment of special integrated logistics zones

On 19 October 2018, Saudi Arabia has, by Royal Order (A/17) in the official gazette, announced the establishment of new special integrated logistics zones.

For now, the first zone will be established at King Khalid International Airport, with similar zones due to follow in other airports across the Kingdom. These zones will be administered by the General Authority of Civil Aviation.

As per Article (6) of the regulation, the following activities will be conducted in these zones:

-  Goods maintenance, repair, processing, modification, development, assembly and storage.
-  Sorting, repackaging and similar actions in relation to goods, including simple manufacturing processes.
-  Import, export and re-export.
-  Logistics and after sales services.
-  Recycling activities.

VAT treatment in the new zones:

- Goods inside the zone will be under custom suspension, therefore the supplies of these goods will not be subject to VAT.
- The supplies of goods inside the zone will be taxable if the goods are to be used or consumed for other activities not provided for in Article (6) of the regulation.
- The temporary transfer of goods between the mainland and the zone for the purposes of repair and maintenance shall not be subject to VAT.

Read the official gazette no. 4752 here (Arabic only):

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Registration deadline for SMEs

Please note that business entities in KSA that make annual taxable supplies between SAR 375,000 and SAR 1,000,000 are obligated to register for VAT by 20 December 2018.

You can access more information on the VAT registration thresholds here:

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Transportation guideline: new version

In October 2018, the General Authority of Zakat and Tax (GAZT) updated the transportation guideline. This provides more insight into the VAT treatment of the import and supply of qualifying means of transport.

Aircraft, vessels and other qualifying means of transport will be subject to a zero-rated VAT treatment on their supply or import into KSA, provided these are designed or adapted to carry a minimum of ten people and are intended to be used predominantly for international transportation.

The customer or the importer must provide a certificate stating that the qualifying means of transport is used mainly for international transportation and not for recreational or private use.

Before issuing the certificate, the operator of the means of transport must verify that it is used at least 75% for international transport purposes. The guideline explains, with examples, how to calculate this percentage in a compliant manner.

You can read the updated version of the guide here:

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Bahrain



VAT registration:

In Bahrain, the Decree Law No (48) of 2018 has been approved; and the nation will introduce VAT on 1 January 2019.

All businesses with an annual turnover that exceeds BD 37,500 in local currency (equal to SAR 375,000) for the previous 12 months or expected for the subsequent 12 months, must register for VAT. This is the mandatory registration threshold as outlined in the GCC agreement.

Those organizations that fail to apply within 60 days from the date of expiry of the registration period or from the date reaching the mandatory registration threshold, may be subject to a penalty not exceeding

BD 10,000.

The deadline of registration shall be determined by the decision of the Minister based on the value of taxable supplies.

Zero-rated and exempt supplies

Tax shall be levied at 5% on taxable supplies of goods and services. The following list of VAT exempt and zero-rated supplies has been stated in the Law:

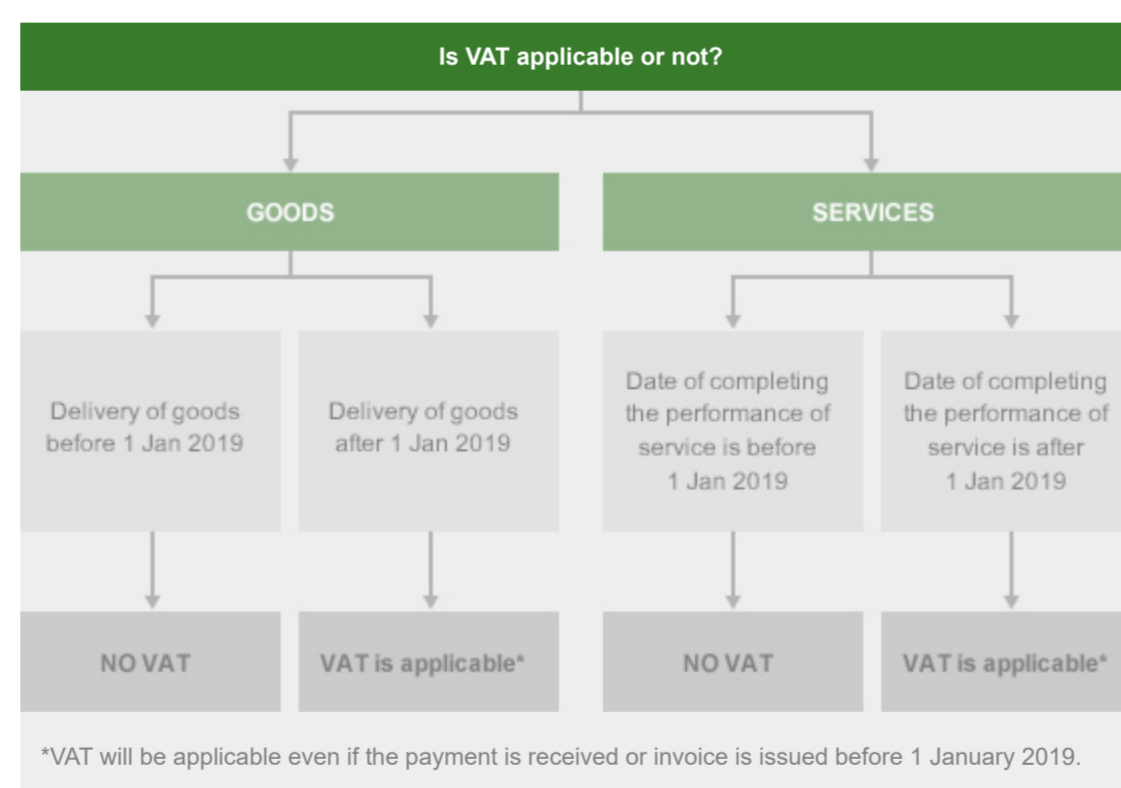
Exempt Supplies
› Financial services which will be specified in the regulations. (This excludes services that have been remunerated by way of an explicit fee, commission or commercial discount.)
› Sale or lease of bare land and buildings.
› Import of goods if the supply of such goods in the final destination is exempt from tax or zero-rated.
› Import of goods that are exempted from customs duties: <ul style="list-style-type: none">• Diplomatic exemptions.• Military exemptions.• Import of personal effects and used household items brought in by citizens residing overseas or foreigners entering the Kingdom for the first time to reside.• Import of returned goods.
› Personal items and gifts in travelers' personal luggage.
› Import of special needs equipment.

Zero-rated Supplies
› Certified gold, silver and platinum for investment purposes (not less than 99% purity). The first commercial supply of the silver, gold or platinum after extracting them.
› International transport of goods and passengers.
› Export of goods outside of the GCC.
› Services to non-GCC residents.
› Medicines and medical equipment.
› Preventive and basic healthcare services.
› Education services and related goods and services (including kindergarten, pre-primary education, primary, secondary and higher education).
› Oil and gas (and their derivatives).
› Local transport.
› Certain food items.
› Certified pearls and gemstones.
› Construction of new buildings.

Please note that the Executive Regulations will provide further details on the list of exempt and zero-rated supplies.

Transitional provisions

The transitional provisions in the VAT Law and the Regulations will specify if VAT is applicable or not for the supplies that span the VAT implementation date of 1 January 2019.



VAT liability in respect of contracts:

For contracts signed before 1 January 2019 with government, tax shall be zero-rated on supplies after 1 January 2019, until expiry of the contract, renewal or 31 Dec 2023 – whichever occurs earlier.

For other contracts signed before 1 January 2019, VAT will be imposed if the delivery of goods or services are completed after 1 January 2019.

If the contract has a VAT clause, VAT will be separately charged. If the contract has no VAT clause, then the contract price is inclusive of tax. Please note, the Regulations shall provide more clarification on this aspect.

The decree-law, only available in Arabic, can be accessed here:

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Take our Tax Readiness Survey

Thomson Reuters and Aurifer would like to invite you to participate in our Tax Readiness Survey. With the changing tax landscape in the MENA region, it is important for organizations to assess and understand the impact the various tax reforms will have on their business and its operations.

HAVE YOUR SAY!



Navigating complexity in the VAT journey

Since January 2018, a number of lessons learnt to further aid the wider GCC region as they undertake the implementation process. In order to ensure VAT compliance, there are a number of challenges which should be navigated early on in the journey. Watch our video insight collaboration with ACCA as Pierre Arman, Market Development Lead for Tax & Accounting, MENA, Thomson Reuters shares his perspectives on how you can navigate the VAT implementation journey in the following GCC countries:

BAHRAIN

OMAN

QATAR

KUWAIT



VAT Technology in the GCC

VAT implementation has brought in many operational and compliance challenges for companies across KSA and UAE. However, those most affected are the small and medium enterprises (SMEs) that do not have the resources to access the right technology, which is typically beyond any SME budget. Watch our exclusive webinar that showcases what the latest VAT technology can offer the SME community in the GCC.

WATCH THE WEBINAR



Managing EU VAT complexity: Malta's iGaming sector

Under Malta's new regulations, some types of gambling will remain VAT-exempt – however, certain online supplies of skill games and casino-type games became VAT-taxable as from the 1st of January 2018. When companies based in Malta supply their gambling services remotely via the internet, they can broaden their market to include multiple EU countries. This is great for business, but burdensome to manage from a VAT perspective. Download our latest whitepaper to learn how you can check, reconcile, and file your VAT return in confidence.

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