

GCC VAT Framework

Contents

Section 1: General Definitions and Provisions	6
Article 1: Definitions	6
Article 2: Tax Scope	8
Article 3: The Calculation of Tax Periods	8
Article 4: Tax Group	8
Section 2: Supplies within Tax Scope	9
Article 5: Supply of Goods	9
Article 6: Transfer of Goods from One Member State to Another.....	9
Article 7: Supply of Services.....	9
Article 8: Virtual Supply.....	9
Article 9: Receipt of Goods and Services	11
Section 3: Place of Supply	12
Chapter 1: Place of Goods Supply	12
Article 10: The Supply of Goods without Transfer	12
Article 11: The Supply of Goods with Transport.....	12
Article 12: Special Case of Some Intra-GCC Supplies with Transport.....	12
Article 13: The Case of Intra-GCC Supplies for Non-registered Parties	13
Article 14: The Supply of Gas, Oil, Water, and Electricity	14
Chapter 2: Place of Services Supply	14
Part One: The General Principle.....	14
Article 15: Place of Services Supply	14
Article 16: Place of Services Supply between Parties Subject to the Tax.....	14
Part Two: Special Cases	14
Article 17: Transportation Hiring Services	14
Article 18: Supply of Real Estate Related Services	14
Article 19: Supply of Goods and Passenger Transport Services	15
Article 20: Supply of Wire/Wireless Services and Electronically Supplied Services.....	15
Article 21: Supply of Other Services	15
Chapter 3: Place of the Import	16
Article 22: Place of the Import	16
Section 4: Tax Due Date	17
Article 23: Date of the Tax Due on the Supply of Goods and Services.....	17
Article 24: The Date of the Tax Due upon the Import	17
Section 5: Tax Calculation	18
Article 25: Tax Rate.....	18
Article 26: The Value of Goods and Services Supply.....	18
Article 27: Tax Value Adjustment	19
Article 28: Value of the Imported Goods.....	19

Section 6: Exemptions	20
Article 29: The Right of Some Countries to Exempt Some Sectors or Subject Them to 0% Tax Rate	20
Article 30: Exemption from Tax in Special Cases	20
Article 31: Supply of Food Products, Medicine, and Medical Equipment	20
Article 32: Intra-GCC and International Transport	21
Article 33: Supply of Transport Means.....	22
Article 34: Supply outside the GCC Territory	22
Article 35: Supply of Gold, Silver and Platinum for Investment Purposes.....	22
Article 36: Financial Services	23
Article 37: Imposing Tax on Used Goods	23
Section 7: Tax Exemption on Import	24
Article 38: Tax Exemption upon Import.....	24
Article 39: Tax Suspension.....	24
Section 8: Persons Obligated to Pay the Tax	25
Article 40: The General Principle	25
Article 41: The Client Obligated to Pay Tax as Per Reverse Calculation of Tax	25
Article 42: The Person Obligated to Pay Tax on the Import	25
Article 43: Joint Liability	25
Section 9: Tax Deduction	26
Article 44: Tax Deduction Principle	26
Article 45: Restrictions on Input Tax Deduction	26
Article 46: Proportional Deduction.....	26
Article 47: Deductible Input Tax Adjustment	26
Article 48: The Conditions for Exercising Right to Deduction.....	27
Article 49: The Right to the Deduction of the Input Tax Paid before Registration	27
Section 10: Obligations	28
Chapter 1: Registration	28
Article 50: Compulsory Registration.....	28
Article 51: Optional Registration.....	28
Article 52: Supplies Value Calculation	28
Article 53: Tax Identification Number	29
Article 54: Cancelling Tax Registration.....	29
Chapter 2: Tax Invoice	29
Article 55: Issuance of Tax Invoice	29
Article 56: Content of Tax Invoice	31
Article 57: Invoice Modification (Creditor's Note)	31
Article 58: Special Provisions	31
Chapter3: Keeping Tax Invoices, Records, and Accounting Documents	32
Article 59: Period of Keeping Tax Invoices, Records, and Accounting Documents	32
Chapter4: Taxable Period and Tax Returns	32

Article 60: Tax Period.....	32
Article 61: Filing the Tax Return.....	33
Article 62: Modification of Tax Return.....	33
Chapter 5: Tax Payment and Recovery	33
Article 63: Tax Payment.....	33
Article 64: Paying the Tax Due on Imported Goods	34
Article 65: Tax Refund	34
Section 11: Special Treatments of Tax Refund	35
Article 66: Tax Refund for the GCC Territory Resident Taxpayers.....	35
Article 67: Tax Refund for the GCC Territory Non-Resident Taxpayers	35
Article 68: Tax Refund for Tourists	35
Article 69: Tax Refund for Foreign Governments, International Organizations, and Diplomatic Missions	35
Section 12: The Exchange of Information between the Member States	36
Article 70: The Exchange of Information	36
Article 71: Electronic Services System	37
Article 72: Cooperation between the Member States	38
Section 13: Transitional Provisions	39
Article 73: Each Member State shall state in the local law the transitional provisions which include the following regulations:	39
Section 14: Objections and Appeals	40
Article 74: Objections and Appeals	40
Section 15: Final Provisions	41
Article 75: The Interpretation of the Agreement	41
Article 76: Appendices	41
Article 77: Settlement of Disputes	41
Article 78: Amendments.....	41
Article 79: Agreement Entry into Force.....	41

The Member States of the Gulf Cooperation Council (GCC)

The United Arab Emirates

The Kingdom of Bahrain

The Kingdom of Saudi Arabia

The Sultanate of Oman

The State of Qatar, and

The State of Kuwait

In pursuit of the basic objectives stated in the GCC Charter emphasizing the importance of strengthening the existing cooperation ties between the Member States of the GCC countries in all fields; and

In line with the goals of the 2001 Economic Agreement of the GCC countries that seeks to bring about advanced levels of economic integration and establish similar legal grounds and legislation to govern the financial and economic fields out of the collective desire to strengthen the economy of the GCC countries and to continue the steps taken towards achieving the economic unity between them; and

Pursuant to the resolution adopted by the GCC Supreme Council in the 36th session held in Riyadh during the period 9–10 December 2015, to set a unified legal framework for the introduction of a general tax on consumption in the GCC countries called the Value-Added Tax (VAT). This tax shall be imposed on the import and supply of goods, and services at each stage of production and distribution across the GCC Countries. Pursuant to the resolution adopted by the GCC Supreme Council in its 36th session held in Riyadh (from 9 to 10 December 2015) to impose a unified VAT across the GCC Countries with a standard rate of 5% and to authorize the financial and economic cooperation committee to fulfill all the necessary requirements for the adoption and ratification of the Unified GCC Countries VAT Agreement, the GCC Member States have agreed upon what follows:

Section 1: General Definitions and Provisions

Article 1: Definitions

Under the application of the provisions stated in this Agreement, unless the context otherwise requires, the following terms and expressions shall mean the following:

GCC	The Gulf Cooperation Council
The Agreement	The Unified GCC Countries VAT Agreement
The tax	The unified GCC Countries VAT imposed on import and supply of goods, and services at each stage of production and distribution including deemed supply across the GCC Countries
Member State	Any country that has full membership into the GCC as per its Charter
GCC Territory	All the territories of the GCC Countries
The local law	The VAT tax law and its relevant legislation issued by each Member State
The person	Any natural or legal person, either private or public, as well as any type of partnership
The person subject to the tax	The person who does an economic activity independently in order to earn income and is registered or obliged to register for taxation purposes as per the provisions of this Agreement
The economic activity	An activity which is done continuously on a regular basis with aim of earning an income. It includes commercial, industrial, agricultural, professional, and service provision activities, in addition to the use of tangible and intangible property and similar activities
The trader subject to the tax	The trader subject to the tax in any of the Member States and whose main activity is the distribution of gas, oil, water, or electricity
Place of business	The legal place for conducting the business or the place of the actual management where the main decisions concerning the running of the business are made, if this place is different from the place of foundation
Fixed establishment	Any fixed place for running the business where there are human and technical resources constantly so that the person in question can supply or receive goods, or services
Person's place of residence	The place of the person's work or any other type of fixed institution. In the case of a normal person who has no place of work or a fixed institution, his place of residence shall be his usual place of residence. If the person has a place of residence in more than one country, his place of residence shall be the most relevant place of his supply of goods
Resident person	A person is a resident of a certain country if he or she has a place of residence in that country
Non-resident person	A person is considered non-resident of a certain country if he or she does not have a place of residence in that country
Supplier	The person who supplies goods or services
Client	The person who receives goods or services
Reverse calculation of tax	A mechanism by which the client subject to the tax becomes obliged to pay the tax due on behalf of the supplier and responsible for meeting all the obligations stated in this Agreement and the local law

Connected person	Two or more persons of whom one person enjoys a directive authority and supervision over the others where he obtains an administrative authority that enables him to impact the business of others from financial, economic, or regulatory aspects
Supply	Any form of supplying goods and services in return for something as per the conditions stated in Section 2 of this Agreement
Virtual supply	All what is considered a supply of goods as per the conditions stated in Article 8 of this Agreement
Input tax	The tax paid by the person subject to the tax on the goods or services supplied to him/her or that which he or she imports for business activities
The Common Customs Law	The Common Customs Law of the GCC States
First port of entry	The first customs point of the entry of the goods into the GCC Territory as per the provisions of the Common Customs Law
Final port of entry	The point of entry of the goods into the country of the final destination in the GCC Territory
Return	All which the supplier who is subject to tax gets from the client or from a third party for the provision of goods or services including the VAT
Supplies exempted from tax	The supplies which are exempted from tax and which do not have their relevant input tax deducted as per the provisions of this Agreement and the local law
Supplies subject to tax	The supplies which have a tax imposed on them as per the provisions of this Agreement, whether based on the standard rate or 0% rate. The relevant input tax related to such supplies are deducted as per the provisions of this Agreement
Intra-GCC supplies	The supplies of goods or services by a supplier who is a resident of a Member State to a client who is a resident of another Member State
Goods	All types of tangible goods (tangible assets) including, water, all kinds of energy such as electricity, gas, lightening, heating, cooling, and air-conditioning
Importing goods	Importing goods from outside the GCC Territory into any of the GCC Member States in accordance with the provisions of the Common Customs Law
Exporting goods	Exporting goods from any of the GCC Member States to outside the GCC Territory as per the provisions of the Common Customs Law
The tax authority	The government body/directorate of the country in charge of the collection and implementation of the tax in question
The deductible tax	The input tax that can be deducted from the chargeable tax on supplies for each tax calculation period as per the provisions of this Agreement and the Common Customs Law
Capital assets	Tangible and intangible properties that constitute a part of the business assets allocated for long-term use as a business tool or a means of investment
Tax period	The time period on which the net of the tax is calculated
Net of the tax	The tax value that results from subtracting the deductible tax in a Member State from the payable tax in that country during the same tax period. The net of the tax can be either chargeable or refundable
Compulsory threshold limit	The minimum limit of the actual supplies value according to which the person subject to the tax becomes obliged to register for tax purposes
Optional threshold limit	The minimum limit of the actual supplies value according to which the person subject to the tax may register for tax purposes
The Ministerial Committee	The Financial and Economic Cooperation Committee of the GCC Member States

Section 2: Supplies within Tax Scope

Article 2: Tax Scope

The provisions of this Agreement shall be applied within the GCC Territory. The VAT shall apply on the following transactions:

The supplies subject to tax from a person subject to tax in the GCC Territory

The goods and services received by the client subject to the tax by a non-resident person who is not subject to the tax in the Member State in the conditions where the mechanism of reverse charge of tax is applied

Importation of goods by any person

Article 3: The Calculation of Tax Periods

The tax periods and deadlines stated in this Agreement shall be calculated in accordance with the Gregorian calendar.

Article 4: Tax Group

Each Member State shall treat the tax group as one person subject to tax, in accordance with conditions and regulations introduced for this purpose. The tax group means two or more legal persons who are residents of the Member State itself

Article 5: Supply of Goods

Supply of goods means the transfer of goods ownership and the right to dispose them as an owner.

Supply of goods includes the following transactions:

The assignment of the goods ownership under an agreement means the transfer of the goods ownership to the recipient or the possibility of transferring the goods in a date that comes later than the Agreement date and no later than the full payment date.

Granting rights in rem based on the ownership title to enable the recipient the right to use a certain property.

Transferring the goods ownership for a return by force in accordance with a resolution issued by the public authorities or by virtue of any enforced law.

Article 6: Transfer of Goods from One Member State to Another

The person subject to the tax who transfers goods that constitute a part of his assets, from one Member State to another member state is considered a supplier of these goods in the first state.

The transfer of goods stated in clause 1 of this Article is not considered a supply of goods in the first state when the transfer takes place for any of the following purposes:

The temporary use of the goods in the other Member State under the provisions of temporary import of goods stated in the Common Customs Law.

When the transfer of goods is part of another supply that is subject to tax in the other Member State.

Article 7: Supply of Services

Any supply transaction that does not include goods is considered a supply of services as per the provisions of this Agreement.

Article 8: Virtual Supply

The person subject to the tax is treated as if he has carried out a supply of goods transaction when the goods included in the transaction constitute part of his assets under any of the following conditions:

The assignment of the goods ownership for non-economic activity purposes, either for a return or not

Changing the use of the goods in order to carry out supply transactions that are not subject to the tax

Keeping the goods after ceasing the economic activity

The supply of goods for free (without charge), unless such supply is conducted within the context of business, such as samples and gifts of cheap value as what will be determined by each Member State

The person subject to the tax is treated as if he has carried out a supply of services transaction under any of the following conditions:

When he uses goods that constitute part of his assets for non-economic activity purposes

The supply of services for free (without charge)

The provisions of this Article shall apply in case the person subject to the tax has deducted the input tax of the goods and services mentioned in this Article.

The Member State should set out conditions and regulations or the enforcement of this Article.

Article 9: Receipt of Goods and Services

When the person subject to the tax in one Member State receives goods or services subject to the tax from a resident person of another Member State, he is treated as if he has supplied these goods or services to himself and thus such supply shall be subject to the tax in accordance with the reverse calculation mechanism.

When the person subject to the tax residing in a Member State receives services from a person who is not a resident of the GCC Territory, he is treated as if he has supplied these services to himself and thus such supply shall be subject to the tax in accordance with the reverse calculation mechanism

Section 3: Place of Supply

Chapter 1: Place of Goods Supply

Article 10: The Supply of Goods without Transfer

The place of goods supply which are not transported or sent to the recipient is the place of its existence at the date in which they have become in the disposal of the client.

Article 11: The Supply of Goods with Transport

The place of goods supply which are transported or sent by the supplier or to the customer account to the recipient is the place of its existence at the date in which the transport has started.

Article 12: Special Case of Some Intra-GCC Supplies with Transport

As an exemption from the provisions of Article 11 of this Agreement, the place of intra-GCC goods supply which are transported or sent from a Member State to another is the Member State to which the goods are finally sent or transported under the following conditions:

If the client is subject to the tax

Without prejudice to the provisions of Paragraph 2 of this Article, if the client is not subject to the tax while the supplier is registered in the client's country of residence or is obliged to register for tax

The place of the intra-GCC goods supply which are transported or sent without installation or assembling by a supplier who is registered for taxation purposes in a Member State in favor of a client who is not registered in another Member State is the place of the goods in the date when the goods were started to be transported or sent by the supplier. However, it is provided that the gross value of that supplier's transactions during a period of 12 months shall not exceed an amount of (SR 375,000 or its equivalent of the GCC States' currencies) to which the goods are supplied. If the gross value of the supplier's transactions exceeds that amount, the supplier then has to register for taxation in that country.

In case it was not proved that the goods were transported or sent from a Member State to another Member State through compliance with the obligations stated in Article 6 of this Agreement and the local laws, the place of supply shall be the place of the goods in the date the transfer was started.

If the goods were supplied later without being transported and it been proved later that these goods were sent from one Member State to another under the conditions stated in Paragraph 1 of this Article, the State of destination is entitled to recover the tax from other Member State from where the goods were transported in accordance with the Automatic Transfer System

followed by customs or through any other mechanism determined by the Ministerial Committee.

Article 13: The Case of Intra-GCC Supplies for Non-registered Parties

Each Member State has the right to ask another Member State for the tax paid, if the supply transactions exceed an amount of SR 6,000 or its equivalent of the GCC States' currencies for unregistered individuals, then the tax is adjusted in accordance with the Automatic Transfer System mechanism followed by Customs applied under within the GCC Customs Federation. The Ministerial Committee may suggest another mechanism.

Article 14: The Supply of Gas, Oil, Water, and Electricity

As exception to Articles 10 and 11 of this Agreement,

The place of the supply of gas, oil, and water through the distribution grid of pipelines and the supply of electricity from a person subject to tax in a Member State (establishment place) to a trader subject to tax in another Member State (establishment place) is the foundation place of the trader subject to the tax.

The place of the supply of gas, oil, and water through the distribution grid of pipelines and the supply of electricity to a non-trader person subject to the tax is the actual place of consumption.

Chapter 2: Place of Services Supply

Part One: The General Principle

Article 15: Place of Services Supply

The place of service supply by a supplier subject to the tax is the supplier's place of residence.

Article 16: Place of Services Supply between Parties Subject to the Tax

As an exception to the provisions of Article 15 of this Agreement, the place of services supply by a supplier subject to the tax to a client subject to the tax is the client's residence place.

Part Two: Special Cases

Article 17: Transportation Hiring Services

As an exception to the provisions of Article 15 of this Agreement, the place of supplying hiring transportation between a supplier subject to tax and a client not subject to tax is the place where these are put at the client's disposal.

Article 18: Supply of Real Estate Related Services

Real estate related services mean the services that are closely related to the real estate, such as:

Real estate experts and agents' services

Granting the right to possess or use real estate

Services related to construction works

As an exception to the provisions of Article 15 of this Agreement, the place of supplying the real estate related services is the place where the real estate exists.

Article 19: Supply of Goods and Passenger Transport Services

As an exception to the provisions of Article 15 of this Agreement, the place of supplying goods and passenger transport services is the place where the transportation is started.

Article 20: Supply of Wire/Wireless Services and Electronically Supplied Services

The place of supplying the wire/wireless services and the electronically supplied services is the place of the actual use of or the benefit from these services.

Article 21: Supply of Other Services

The place of supplying the following services is the place of their actual provision:

Hotels and restaurants services and catering pledges

Cultural, educational, recreational, art, and sports services

Services related to goods transferred by a supplier subject to tax and resident in a Member State to a client not subject to the tax resident in another Member State

Chapter 3: Place of the Import

Article 22: Place of the Import

The place of the import of goods is the country of the first point of entry.

When the goods are under any of the conditions of pending customs duties as per the provisions of the Common Customs Law upon their entry into the GCC Territory, the place of the import is the Member State where these goods are released from the conditions of pending customs duties.

Section 4: Tax Due Date

Article 23: Date of the Tax Due on the Supply of Goods and Services

The tax become due at either the date where these goods or services were supplied or at the date of issuing the tax invoice or the date when the services were partially or fully received within the limits of the amounts received, or at any of the previous occasions.

The date of supply stated in Paragraph 1 of this Article may be as follows:

The date when the goods are put at the disposal of the client in terms of the supply of the goods without transferring or sending them

The date when the transfer/sending of the goods are commenced in terms of transacting goods with transferring or sending them

The date when the installation or assembling of the goods is completed in terms of the transactions of goods supply, installation, or assembling

The date when the performance of services is accomplished

The date when any of the conditions referred to in Article 8 of this Agreement takes place

As an exception to Paragraphs 1 and 2 of this Article, the tax become due on the supply of successive nature that led to the issuance of payment invoices in a successive manner at the date which comes first of either the date of payment stated in the invoice or the date of the actual payment, or at least once in a period of 12 successive months.

Each Member State may determine the date of the tax due on the supplies not stated of the aforementioned paragraphs of this clause.

Article 24: The Date of the Tax Due upon the Import

The tax become due at the date when the goods were imported into the Member States while taking into account the provisions of Article 39 on the conditions of tax suspension upon the import of goods and Article 64 on the payment mechanism of the tax due upon the import.

Section 5: Tax Calculation

Article 25: Tax Rate

The tax shall be imposed with a basic rate of 5% of the supply or import value unless there is a provision of exemption or imposing Zero (0%) rate on the import of this Agreement.

Without prejudice to the obligations stated in this Agreement and the local laws, the price of the goods and services offered in the local market must include the VAT.

Article 26: The Value of Goods and Services Supply

The fair market value is an amount for which the goods and services can be traded in the open market between two independent parties under competitive conditions prescribed by each Member State.

The value of supply is the value of the return without the tax value that include the value of non-cash amount of the return determined in accordance with the fair market value.

The value of supply includes all expenses imposed by the supplier subject to the tax on the client in addition to the payable duties on the imports and all taxes including the excise tax, with the exception of the VAT.

The supply amount at the virtual supply and the transfer of goods from a Member State to another is the cost/price of purchase. In case it is not possible to identify the cost/price of purchase, the fair market value shall apply.

Each Member State shall determine the provisions and regulations of the adjustment of the value of supply between the connected parties.

The value of supply shall be reduced by the following amounts:

The discounts on the price offered to the clients

The value of aids provided by the Member State to the supplier

The amounts paid by the supplier subject to the tax on behalf of the client name and account. In this case, the supplier subject to the tax shall not have the right to deduct the paid tax on these expenses.

If any of the components of the value of supply was recorded in a foreign currency, it shall be converted into the local currency based on the exchange rate applied in the Member State at the tax due date.

Each Member State has the right to determine the value of supply for some cases which are not stated in the paragraphs referred to in this Article.

Article 27: Tax Value Adjustment

The person subject to the tax may adjust the value of the tax imposed under any of the following procedures at a date later than the date of supply:

The cancellation of the supply or its partial or full rejection

The reduction of the value of supply

The Partial or full non-collection of the return according to the bad debts terms applied by each Member State

Article 28: Value of the Imported Goods

The value of the imported goods is the customs value determined under the Common Customs Law including the excise value, customs duties, and any other burdens without the VAT

As for the goods exported temporarily outside the GCC Territory for repair or complete manufacture, they are subject to the tax upon their return based on the extra value they acquired as per the provisions of the Common Customs Law of the GCC States.

Section 6: Exemptions

Article 29: The Right of Some Countries to Exempt Some Sectors or Subject Them to 0% Tax Rate

Each Member State has the right to exempt the following sectors or subject them to Zero (0%) tax rate, as per the conditions and disciplines it determines:

Education sector

Health sector

Real estate sector

Local transport sector

Each Member State has the right to subject oil sector, petrol derivatives, and gas to Zero (0%) tax rate as per the conditions and disciplines it determines.

Article 30: Exemption from Tax in Special Cases

Each Member State has the right to exempt the categories below from paying the tax imposed upon their receipt of the goods and services offered in the Member State. Likewise, each Member State may allow such persons/categories to claim back the taxes they paid upon the receipt of the goods and services as per the conditions and disciplines it determines. These categories includes the following:

Government bodies determined by each Member State

Charitable organizations and public works institutions as per the conditions determined by the Member State

The companies exempted from tax under mutual agreements for hosting international forums

The citizens of the Member State when they build their houses for private uses

The farmers and fishermen who are not registered for tax

Article 31: Supply of Food Products, Medicine, and Medical Equipment

First: Food Products:

All food products are subject to the standard tax rate. However, each Member State may impose Zero (0%) tax rate on the imported goods mentioned in a standard list of products to be approved by the Ministerial Committee.

Second: Medicine and Medical Equipment:

Medicine and medical equipment are subject to Zero (0%) tax rate as per the rules proposed by the Health Ministers Committee to be approved by the The Committee of Financial and Economic Cooperation.

Article 32: Intra-GCC and International Transport

The following transport transactions are subject to Zero (0%) tax rate:

The transport of goods and passengers from one Member State to another member state and the supply of transport-related services

The international transport of goods and passengers from and to the GCC Territory in addition to the supply of the transport-related services

Article 33: Supply of Transport Means

Each Member State has the right to impose Zero (0%) tax rate on the following supplies:

The supply of sea, air, and land transport services specified for the transport of goods and passengers in return for transport fees for commercial purposes

The supply of goods and services related to the transport services mentioned in Item 1 of this Article and which are specified for the operation, repair, maintenance, or transformation of these transport means or for fulfilling transport means, their load, or passengers

The supply of rescue planes and ships for the provision of sea and air help in addition to fishing vessels

Article 34: Supply outside the GCC Territory

The following supplies are subject to Zero (0%) tax rate:

The Export of goods to outside the GCC Territory

The supply of goods to any of the conditions of the pending customs duties stated in the Common Customs Law in addition to the supply of goods under these conditions of pending customs duties

Re-exporting the transferred goods which have been imported temporarily to the GCC Territory for repair, maintenance, transformation, or treatment in addition to the value added to these goods

The supply of services by a supplier to a client who is not a resident of the GCC Territory, benefits from the services outside the GCC Territory as per the standards established by each Member State, with the exceptions of the cases stated in Articles 17 to 21 of this Agreement, stating the place of supply as one of the Member States.

The supply of goods and services outside the GCC Territory is subject to Zero (0%) tax rate as long as the supply of goods is exempted from taxes within the Member State.

Article 35: Supply of Gold, Silver and Platinum for Investment Purposes

For the implementation purposes of this Article, gold, silver, or platinum supplied for investment purposes, when it has a refining rate no less than 99% and is valid for trade in the world's bullion market.

Gold, silver, and platinum for investment purposes are subject to Zero (0%) tax rate.

The first supply after the extraction of gold, silver, or platinum is subject to Zero (0%) tax rate.

Article 36: Financial Services

The financial services offered by the licensed banks and financial institutions as per the legislation of each Member State are exempted from tax. Banks and financial institutions may recover the input taxes based on tax recovery rates determined by each Member State.

As an exception to Paragraph 1 of this Article, each Member State is allowable to apply any other tax treatment rate on the financial services.

Article 37: Imposing Tax on Used Goods

Each Member State may establish the conditions and disciplines necessary for imposing tax on the supply of used goods by the person subject to the tax, based on the profit margin.

Section 7: Tax Exemption on Import

Article 38: Tax Exemption upon Import

The following transactions shall be exempted from tax:

Transactions of importing goods if the supply of such goods in the target final country is exempted from tax or subject to the Zero (0%) tax rate.

Transactions of importing the following goods which are exempted from the customs duties in accordance with the conditions and disciplines stipulated in the Common Customs Law:

Diplomatic exemptions

Military exemptions

Importing personal baggage and used home appliances brought by the citizens residing abroad or by expats residing in the Member States bring with them for the first time

Importing the requirements of the non-profit charitable organizations requirements imports when such requirements are exempted from tax as per the provisions of Article 30 of this Agreement

Importing recycled goods

Personal baggage and gifts brought by the passengers in accordance with the conditions and rules established by the Member State

Requirements of the people with special needs in accordance with the conditions and rules established by the Member State

Article 39: Tax Suspension

The tax will be suspended on the imported goods under any of the conditions of the customs pending duties are suspended in accordance with the provisions stipulated by the Common Customs Law. Each Member State has the right to connect suspend tax on the basis that the VAT is secured.

Section 8: Persons Obligated to Pay the Tax

Article 40: The General Principle

The person subject to tax is obliged to pay the tax due on the supply of goods or services subject to tax to the competent tax authority in the Member State where the goods are supplied.

Every person who states the tax amount on the invoice issued will become obliged to pay that amount to the competent tax authority in the Member State where the goods are supplied.

Article 41: The Client Obligated to Pay Tax as Per Reverse Calculation of Tax

If the supply of goods or services in a Member State that the supplier is not resident in the state, the client subject to tax in that country becomes obliged to pay the tax due on the goods.

The tax due under the provisions of Paragraph 1 of this Article is paid in accordance with the tax return or independently as prescribed by each Member State.

Article 42: The Person Obligated to Pay Tax on the Import

The person identified/acknowledged as an importer in accordance with the provisions of the Common Customs Law is obliged to pay the tax due on imports.

Article 43: Joint Liability

The person who intentionally takes part in the violation of any of the obligations stated in this Agreement and to the local law is liable jointly with the person subject to tax for the payment of the tax and any other payable amounts that may result from the violation.

Each Member State has to identify other conditions of joint liability other than the provisions of this Article.

Section 9: Tax Deduction

Article 44: Tax Deduction Principle

The person subject to tax has the right to deduct from the payable tax that is obliged to pay in the Member State the value of the deductible tax which he paid in that country on conducting supplies subject to the tax.

The right to deduction is obtained when the deductible tax becomes chargeable as per the provisions of this Agreement.

Based on the reverse calculation of tax, the client has the right to deduct the input taxes related to it as per Paragraph 2 of Article 41 of this Agreement.

Each Member State determines the conditions and disciplines for tax deduction.

Article 45: Restrictions on Input Tax Deduction

The input tax which has been paid may not be deducted under the following two conditions:

If such inputs were not for the purpose of conducting an economic activity as prescribed by each Member State.

If the input tax was imposed on banned goods in the Member State as per the provisions of the existing laws.

Article 46: Proportional Deduction

In case the input tax relates to goods and services used in order to provide supplies which are subject to the tax and other supplies which are not, the input tax may not be deducted except within the revenue proportion of the supplies subject to the tax.

Each Member State may determine the methods of calculating the deduction percentage as well as the conditions of considering the value of the nondeductible input tax equivalent to Zero (0%).

Article 47: Deductible Input Tax Adjustment

The person subject to the tax shall adjust the input tax which he or she has deducted upon the receipt of goods or services supplied to him/her, if it was more or less than the deductible input tax value for any changes in the factors that decide on the value of the deductible tax including:

Cancellation or rejection of the supply tax

Reduction of the supply return at date later than that of the supply

Failure to partially or fully pay the supply return as per Item 3 of Article 27 of this Agreement

Changing the use of capital assets

The person subject to the tax shall not be obliged to adjust the input tax under the following two conditions:

If the person subject to tax has proved the loss, damage, or theft of the goods supplied to him in accordance with the conditions and disciplines applicable in each Member State.

If the person subject to tax has used the goods supplied to him as samples or goods of cheap value as per Item (d) of Paragraph 1, of Article 8 of this Agreement.

Article 48: The Conditions for Exercising Right to Deduction

For the purpose of exercising the right to tax deduction, the person subject to the tax must have the following documents:

The tax invoice which got in implementation of the provisions of this Agreement

The customs documents that prove that he or she is the importer of the goods in accordance with the Common Customs Law.

Each Member State may allow the person subject to the tax to exercise the deductibility of tax if the tax invoice is unavailable or does not meet the conditions stated in this Agreement, provided that the value of the tax due is calculated by any other means.

Article 49: The Right to the Deduction of the Input Tax Paid before Registration

The person subject to the tax shall have the right to deduct input tax imposed on the goods and services supplied to him/her before registration for tax upon the fulfillment of the following conditions:

The receipt of goods and services for the provision of supplies subject to the tax

Not fully consuming the capital assets before registration date

Not supplying the goods before the registration date

The receipt of services during a certain period of time before the registration date, in accordance with the provisions prescribed by each Member State

The goods and services are not subject to any restrictions on the right to the deduction stipulated in this Agreement

For the purpose of this Article, the input tax imposed on the capital assets is deductible based on the net book value at the registration date as per the conditions prescribed by each Member State.

Section 10: Obligations

Chapter 1: Registration

Article 50: Compulsory Registration

The person subject to the tax shall be obliged to register for the implementation of this Agreement under the following conditions:

The person subject to the tax is a resident of any of the Member States

The annual value of his supplies in one Member State has exceeded or expected to meet the limit of compulsory registration

The limit of compulsory registration for taxation shall be SR 375,000 or (its equivalent of the Member States' currencies). The Ministerial Committee has the right to amend the registration threshold after three years of application.

The person who is not resident in a Member State shall be obliged to register regardless of the value of his business transactions when he is obliged to pay the tax in this State as per the provisions of this Agreement. He can register himself directly or through a tax representative with the approval of the competent tax authority. The tax representative shall act on behalf of non-resident person concerning all rights and obligations prescribed by this Agreement along with the consideration of the provisions of Paragraph 2 of this Agreement.

The person subject to the tax who only provides supplies subject to 0% tax rate may ask for his exemption from the compulsory registration for taxation purposes as per the disciplines and conditions prescribed by each Member State.

Article 51: Optional Registration

The person who is not obliged to register for taxation while being a resident in any of the Member State may apply for registration provided that the total annual value of his supplies is not less than 50% from the compulsory registration limit.

The Member State may allow for registration, provided that his total annual expenses exceed the optional registration limit as per the disciplines and conditions prescribed by each Member State.

Article 52: Supplies Value Calculation

For the purposes of this Agreement, the annual supplies value is calculated based on any of the following criteria:

The gross value of supplies with the exception of the exempted supplies that carried out by the person subject to tax at the end of any month in addition to the previous 11 months

The gross value of supplies with the exception of exempted supplies for the transactions which the person subject to the tax is expecting to achieve at the end of any month in addition to the next 11 months, in accordance with the standards and deadlines set by each Member State

The gross value of supplies includes the following:

The value of the supplies subject to the tax with except to the value of the capital asset supply

The value of goods and services supplied to the person subject to the tax, who is obliged to pay the tax on them as per the provisions of this Article

The value of Intra-GCC supplies where the place of supply is in a Member State other than the country of the person subject to the tax and which were subject to the tax at the supplier's task as per the provisions of this Agreement.

Each Member State may establish the conditions and disciplines necessary for calculating the value of the business transactions of the persons who do similar or linked activities and making registration mandatory for each of them based on the gross value.

Article 53: Tax Identification Number

Upon registration for taxation purposes, each Member State shall give a tax identification number to the person subject to the tax, in accordance of Appendix 1 of this Agreement.

Article 54: Cancelling Tax Registration

The person subject to the tax, who is registered for taxation purposes shall apply for cancelling his tax registration under any of the following conditions:

Ceasing the economic activity

Ceasing supplies subject to the tax

The reduction of the value of supplies subject to the tax to below the limit for optional registration as per the provisions of Article 51 of this Agreement

The person subject to the tax may apply for cancelling his registration when the gross value of his annual transactions falls below the limit for compulsory registration and exceeds the limit for optional registration.

For the purposes of Items (b) and (c) of Paragraphs 1 and 2 of this Agreement, each Member State may determine a minimum period for which the person subject to the tax must remain registered before he or she can cancel tax registration.

Each Member State may determine the disciplines and conditions necessary for rejecting the cancellation request of the person subject to the tax or for cancelling his registration under the conditions which are not stated in Paragraphs 1 and 2 of this Article.

The tax authority shall notify the person subject to the tax of cancelling his registration and of the date the cancellation enters into effect.

Chapter 2: Tax Invoice

Article 55: Issuance of Tax Invoice

The person subject to the tax shall issue a tax invoice or a similar document under the following conditions:

The supply of goods and services including the assumed supply stated in Article 8 of this Agreement

The partial or full receipt before the date of supply

Each Member State may exempt the person subject to the tax from the tax invoice issuance stated in this Article regarding the exempted supplies, provided that they are not related to the Intra-GCC transactions among the Member States.

Taking into account the provisions of Article 56 of this Agreement, each Member State may allow the person subject to the tax to issue summarized tax invoices that include all supplies of goods and services which are provided in favor of a single client and the tax was due on them for a period of one month.

For the purpose of this Agreement, the Member States shall accept tax invoices in terms of their form, whether they were in the form of a print copy or a software file, in accordance with the conditions and disciplines established by each Member State.

Article 56: Content of Tax Invoice

Each Member State shall define the content of the tax invoice and the deadline for its issuance provided that at least the invoice shall include the details stated in Appendix 2 annexed to this Agreement. Each Member State may allow the issuance of simplified invoices as per the conditions and disciplines it establishes.

Tax invoices may be issued with any currency provided that the tax value shall be written in the currency of the Member State where the invoice value shall be paid. Payment of tax invoice shall be in accordance with the official exchange rate applicable into the Member State at the date when the tax is due.

Article 57: Invoice Modification (Creditor's Note)

The person subject to tax who modifies the supply return shall include such modification in the document of the note of the creditor or debtor of tax invoice where the original tax invoice is corrected. Such note shall be treated as the original tax invoice in accordance with the procedures set by each Member State.

Article 58: Special Provisions

The client subject to tax and receives goods or services supplied to him by a person subject to tax may issue the tax invoices provided that the supplier and the competent tax authority shall approve it and that it is shown on the invoice that it is a self-billed one. In this case, the self-billed invoice shall be treated as an invoice issued by the supplier.

The person subject to the invoice may seek the help of another person to issue the tax invoice on his behalf provided that he obtains the approval of the competent tax authority and fulfils all the obligations stipulated by this Agreement and the local law.

Chapter3: Keeping Tax Invoices, Records, and Accounting Documents

Article 59: Period of Keeping Tax Invoices, Records, and Accounting Documents

Without prejudice to any longer period prescribed by the Member State's laws, tax invoices, records, and accounting documents shall be kept for a period not less than five years since the end of tax year referred to in the tax invoices, books, and records. This period shall be extended to 15 years when the tax invoices, books, records, and documents are related to real estate properties.

Chapter4: Taxable Period and Tax Returns

Article 60: Tax Period

Each Member State shall determine its own taxable period(s) provided that any taxable period shall not be less than a month.

Article 61: Filing the Tax Return

Each Member State shall determine the periods, conditions, disciplines of filing the tax return of each taxable period provided that the tax return shall include at least the information stated in Appendix 3 of this Agreement.

Article 62: Modification of Tax Return

Each Member State shall establish the conditions and disciplines that grant the person subject to the tax the right to modify the tax return submitted previously.

Chapter 5: Tax Payment and Recovery

Article 63: Tax Payment

Each Member State shall determine the periods, conditions, and disciplines of paying the payable net tax by the person subject to the tax.

Article 64: Paying the Tax Due on Imported Goods

The tax due on imported goods shall be paid at the first point of entry and deposited in a bank account for the collection of tax and then transferred to the target country through the Automatic Transfer System of the applicable customs duties under the GCC Customs Union. The Ministerial Committee may suggest other mechanism for tax payment.

Based on the conditions and the disciplines it establishes, each Member State may allow the person subject to tax to adjourn the payment of the tax due on the imported goods for the purpose of an economic activity and declare it in his/her tax return. The adjourned payable tax declared in the tax return is considered deductible under the provisions of this Agreement.

Article 65: Tax Refund

Each Member State shall determine the conditions and disciplines that allow the person subject to the tax to apply for tax refund that is deductible or to be moved to the next taxation period.

Section 11: Special Treatments of Tax Refund

Article 66: Tax Refund for the GCC Territory Resident Taxpayers

The person subject to tax in any of the Member States may apply for tax refund paid in another Member State in accordance with the conditions and disciplines prescribed by the Financial and Economic Cooperation Committee of the GCC.

Article 67: Tax Refund for the GCC Territory Non-Resident Taxpayers

Each Member State may allow the GCC Territory non-resident taxpayers to apply for tax refund of the paid tax upon the fulfilment of the following conditions:

The GCC Territory non-resident person has not supplied goods or services for which he is not obliged to pay taxes

The GCC Territory non-resident person is registered for taxation at his country of residence that applies VAT or a similar tax system

The tax has been burdened by the GCC Territory non-resident person for purposes of his economic activity

Article 68: Tax Refund for Tourists

The Member State may apply a tax refund system for tourists only as per the conditions and disciplines stated in its local law.

For the purpose of this Article, a tourist is a natural person who meets the following conditions:

He is not resident in any GCC Territory

He is not a member of the flight or plane crew leaving a Member State

Article 69: Tax Refund for Foreign Governments, International Organizations, and Diplomatic Missions

Each Member State shall determine the conditions and regulations for granting foreign governments, international organizations, diplomatic authorities and missions, consulates, and military authorities the right to request tax refund on goods and services in the Member State in accordance with the signed international agreements or the requirement of reciprocity.

Each Member State may apply a Zero (0%) tax rate on the supply of goods and services in favor of foreign governments, international organizations, diplomatic authorities and missions, consulates, and military authorities in accordance with the conditions and regulations established by each Member State.

Section 12: The Exchange of Information between the Member States

Article 70: The Exchange of Information

Tax authorities in the Member States shall exchange the information relevant to the implementation of the provisions of this Agreement, the administration/implementation of the local laws related to VAT.

Taking into account the provisions of the international conventions to which the Member State is a party, the tax authority shall treat the information it gets from other Member States as confidential, in the same way it gets information under the local laws. Such information shall not be disclosed to any third party except for the concerned persons or authorities (including courts and administrative bodies) that are in charge of the assessment, collection, implementation of the tax as well as those who may file legal suits or appeal cases against the tax or are in charge of overseeing all what has been mentioned. Those persons or authorities shall not use this information except for the aforementioned purposes. However, they can disclose it for carrying out judicial procedures, at courts, or for issuing courts' rulings. Apart from what has been mentioned previously, the tax authorities may use the tax information they get for other purposes if the laws enacted by the two Member States allow thereof, provided that the tax authority in the other Member State providing the information permits using them for such purposes.

It is not permissible by no means to interpret the provisions of Paragraph 1 and 2 of this article in way that obliges any Member State to:

take administrative procedures that violate the laws and the applicable administrative practices in that State or any other Member State,

provide information which cannot be obtained except under the laws and the usual administrative directives in that State or any other Member State,

provide information that could disclose any confidential information related to commerce, business, industry, commercial secret, professional secrets, or business transactions and whatever information whose disclosure is considered a violation of the general policy or the public order of the Member State.

If a Member State asked another Member State for information under this article, the other Member State shall apply its own procedures concerning the collection of the required information, even if the other applicant Member State does not need it for its own taxation purposes. The obligation stated in the aforementioned sentence shall be subject to the restrictions stated in Paragraph 3. However, it is not permissible by no means to interpret such restrictions in a way that allows any Member State to withhold the information for the mere reason that it does not serve its domestic interest.

It is not permissible by no means to interpret the provisions of Paragraph 3 to be construed to permit

Contracting State to decline to provide information solely because the information is held by a bank, other financial institution, nominee or person acting in an agency or a fiduciary capacity or because it relates to ownership interests in a person.

Article 71: Electronic Services System

Each Member State shall create an Electronic Services System in order to comply with the taxation requirements. The Secretariat General of the GCC Countries shall take the necessary procedures for the establishment of tax information center and run a central electronic system/website to follow-up the information of the supplies exchanged between the Member States. Thus, the competent tax authorities in the Member States can exchange taxation-relevant information. The aforementioned tax information center shall at least provide the following information:

Taxation Identification Number of both the supplier and the client

Date and number of the tax invoice

Description of the transaction

The transaction value

In case there is a correspondence between the information submitted by both the supplier and the client, each of them shall be given a confirmation number to keep for the purpose of auditing by the competent tax authority. The confirmation number shall help the authority make sure of the correspondence between the information submitted by the taxpayer, the information of tax returns, and any other relevant information as per the provisions of this Agreement.

The tax information center must be certified and secure so as not to allow the supplier or the client to access any information other than that which mentioned in this paragraph.

The competent tax authority in each Member State has the right to access the information of the supplies exchanged between the taxpayers registered for taxation purposes.

The electronic system shall allow proving the transfer of the goods into their final destination.

Article 72: Cooperation between the Member States

By virtue of a proposal submitted by the Secretariat General of the GCC Countries to the Ministerial Committee, the Member States may take the necessary procedures concerning the administrative cooperation between them, particularly in terms of the following area:

The exchange of the information necessary for deterring the correct value of the tax in accordance with the request submitted by each of the Member States

The agreement on the procedures of synchronized auditing processes in addition to the participation in any auditing process carried out by the Member State after obtaining the approval of the State in question

Providing assistance in tax collection and taking the necessary procedures related to the collection process

Taking into account the provisions of the international conventions to which the Member State is a party, each Member State shall oblige its employees not to disclose/use the information they get, in the context of their work, from another Member State for other purposes not related to undertaking their tasks. Each Member State may determine the applicable penalties in case of any violations.

Section 13: Transitional Provisions

Article 73: Each Member State shall state in the local law the transitional provisions which include the following regulations:

Taxes on the supplies of goods and services and on the exportation of goods shall be effective starting from the date of the enforcement of the local law in the Member State.

Each Member State shall determine the deadline of the registration of the persons subject to the tax and who are obliged to register starting from the date of the enforcement of the local law.

Each Member State may ignore the date of the invoice or the date of the payment and consider the tax due date the same as the date of supplies. This is regardless of any otherwise regulation stated in this Agreement, and in case of the issuance of a tax invoice or the payment of the due tax ahead of the date of the enforcement of the local law or ahead of the registration date, and the supplies took place after this date.

The regulations of Paragraph 3 of this Article shall apply to the intra-GCC supplies which are supplied by a supplier subject to the tax and who resides in a Member State to a client in another Member State.

With regard to the continuous supplies which are carried out partially ahead of the date of the enforcement of the local law or ahead of the registration date and partially after this date, the part of these supplies which is carried out before the date of enforcement or registration shall not be taxed.

Section 14: Objections and Appeals

Article 74: Objections and Appeals

Each Member State shall state the conditions and regulations of lodging objections against the decisions of the competent tax authority, including the right of recourse to the specialized local courts in each Member State.

Section 15: Final Provisions

Article 75: The Interpretation of the Agreement

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

Article 76: Appendices

Any appendices agreed upon in accordance with this Agreement and attached hereto shall be considered an integral part of this Agreement.

Article 77: Settlement of Disputes

The Member States shall settle any disputes that may arise between them concerning this Agreement amicably. However, if they could not reach an amicable settlement in accordance with the provisions mentioned herein, they may submit the dispute to the arbitration as per the rules agreed on by the Member States.

Article 78: Amendments

Based on the approval of all the Member States and in response to a proposal submitted by any of them, amendments to any part of this Agreement may be introduced. The enforcement of the amendments shall be subject to the procedures stated in Article 79 of this Agreement.

Article 79: Agreement Entry into Force

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

The Agreement shall enter into force once the instrument of ratification of the second Member States is deposited with the Secretariat General of the GCC Countries.

Each Member State shall take the internal procedures necessary for enacting a local law that enters the provisions of this Agreement into force. This shall include establishing the necessary policies and procedures for the implementation of the tax without prejudice to the provisions stipulated by this Agreement.

Any Member State that does not enforce its local law shall be considered outside the scope this Agreement until the date its local law enters into force.

Agreement has been written in Arabic Language in the city of....., dated....., in one

original copy deposited with the Secretariat General of the GCC Countries. A duplicate copy thereof has been submitted to each Member State, party to this Agreement.

For the United Arab Emirates

.....

For the Kingdom of Bahrain

.....

For the Kingdom of Saudi Arabia

.....

For the Sultanate of Oman

.....

For the State of Qatar

.....

For the State of Kuwait

.....

