# GCC in-direct tax update

February 2017

This e-newsletter gives you a brief overview of the latest tax developments in the region. Various Gulf Cooperation Council (GCC) member states have made official announcements in the past month to introduce Value-Added Tax (VAT) and Selective Tax starting from 2018 and 2017 respectively.

The new taxes will impact businesses in the region, either directly or indirectly, however the impact should be minimal if implementation is managed effectively. Therefore, it is important for businesses to stay on top of developments and start reviewing procurement processes, operating models, legal structure and systems to be well prepared for the upcoming changes.

## Kingdom of Saudi Arabia

On 31 January 2017, the Saudi cabinet approved the implementation of region-wide VAT, according to the unified VAT agreement. According to this announcement, VAT will come into effect in Saudi Arabia in 2018. It will be levied on the supply of goods and services at a standard rate of 5 percent, and will allow for certain supplies of goods and services to be zero-rated or VAT exempt.

Following this announcement, each member state will work on its own domestic legislation to implement VAT. Source

On 20 February 2017, the Saudi cabinet also approved the GCC Selective Tax agreement, to implement tax on harmful goods across the six member states. In earlier announcements, the Saudi Finance Ministry suggested that a Selective Tax of 100 percent will be imposed on tobacco and related products, as well as energy drinks. Meanwhile, ordinary soft drinks will carry a 50 percent tax. Source

## Kingdom of Bahrain

On 1 February 2017, following the Saudi cabinet's approval of the unified VAT agreement, the Minister of Finance in the Kingdom of Bahrain announced the signing of the unified agreement for the GCC VAT and Selective Tax.

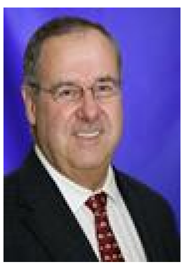
The Minister of Finance outlined that the unified rate of VAT would be 5 percent on the supply of goods and services. However, it would not apply to the following areas that are unilaterally agreed upon, by the GCC countries: basic foods (approx. 90 products), pharmaceutical products and medical supplies. Source

## State of Qatar

On 15 February 2017, the government in the State of Qatar announced the approval of a draft-law to impose tax on selective goods and beverages that have a level of harm associated with their consumption. This includes tobacco, soft and energy drinks, as well as luxury goods produced in Qatar or imported according to tax rates outlined in local law.

The draft-law includes provisions concerning the following areas: maturity date of the selective tax, cases where selective goods are presented for consumption, the value of selective goods, the persons in charge of application of the provisions of this law, registration for tax purposes and recognition of and commitment to maintenance of accounting books and records regularly for recording the movement of selective goods, the tax assessment on the basis of the recognition of tax and installed data, cases of suspension of tax and its recovery and exemption, and the confidential information and financial sanctions. Source

If you would like to discuss these development further or require more information, please contact:



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