

Tax Alert: VAT Guidelines for E-commerce

March 2021

Summary

In an effort to boost VAT compliance in the Kingdom, the General Authority of Zakat and Tax (GAZT) released [guidelines](#), on 2 March 2021, for VAT registration and payment for online store owners engaged in e-commerce activities.

In detail

The guidelines state that it is mandatory for online store owners to register for VAT if their annual turnover exceed SAR 375,000, while registration is optional if yearly sales fall between SAR 187,500 and SAR 375,000. Online stores are defined as any digital platform that is used for e-commerce activities, which includes activities on Instagram, Whatsapp, Facebook, and LinkedIn, among others.

GAZT's e-commerce guidelines walk users through registering for VAT, displaying the VAT certificate on their platforms, filing VAT returns, and paying their VAT dues. Registration first requires that the online store be registered at the Ministry of Commerce or the Ministry of Investment, which is followed by registration on the GAZT portal. Approval of registration is granted by GAZT within two business days. Once a VAT certificate is acquired, it is mandatory for online stores to display it on their platforms to avoid penalties up to SAR 50,000. After registration, the taxpayer will be required to file their VAT returns accordingly on the GAZT portal.

It is not clear at this stage which businesses are being targeted, i.e. whether it is resident and non-resident taxpayers that must comply with the new guidelines.

We shall keep you up to date on any further developments. In the meantime, our teams are available to discuss the guidelines and assess their impact on your business.

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