



VAT in the GCC

Comparison across Bahrain, Oman, Saudi Arabia and the United Arab Emirates

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20 October 2020

This is for general information only and is not intended to address the circumstances of any particular scenario. Please seek professional advice in relation to your particular circumstances.



GCC VAT implementation timeline

1

1 January 2018

KSA (using a staggered registration approach) and UAE implement VAT

2

1 January 2019

Bahrain implements VAT using a staggered registration approach

3

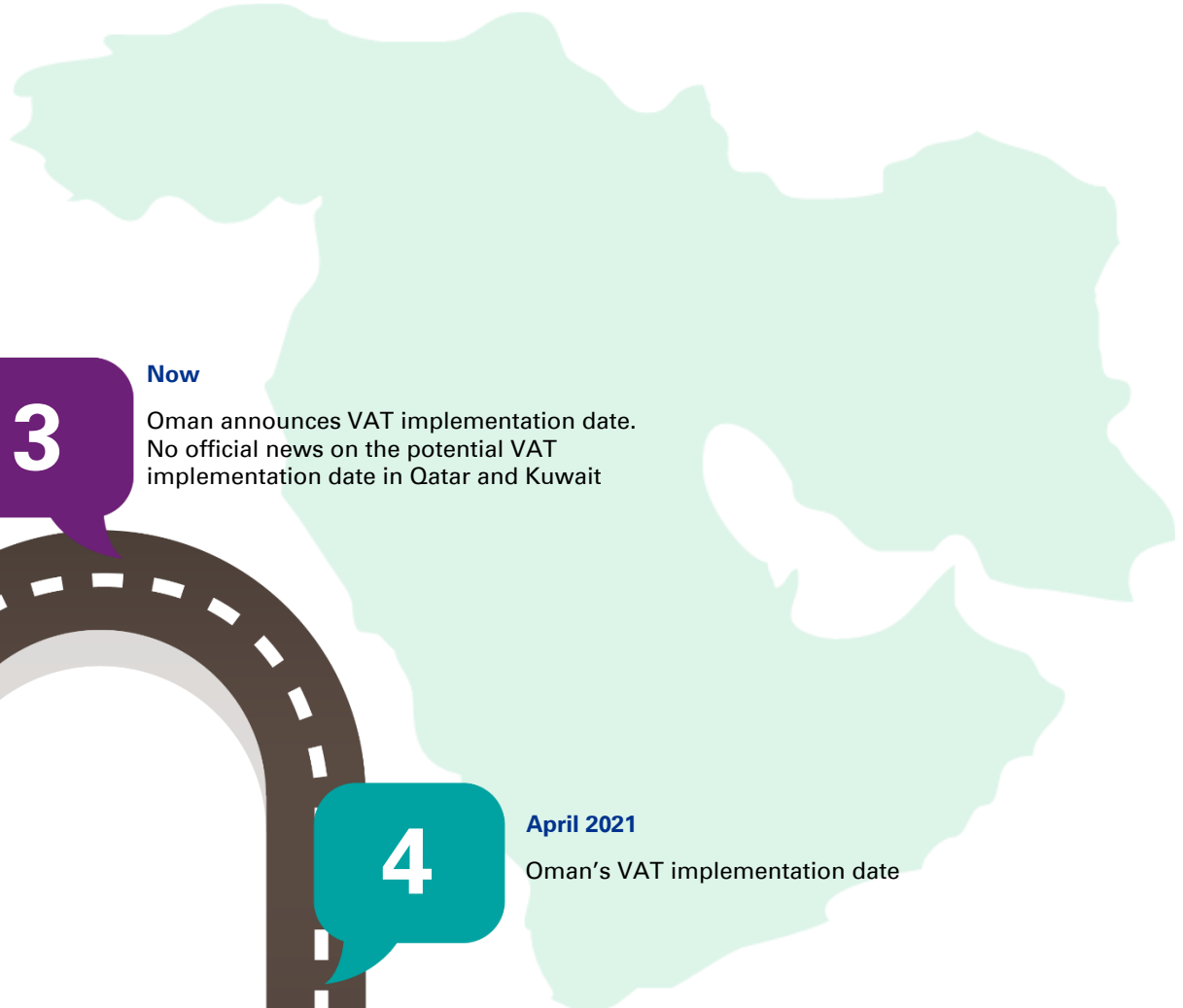
Now

Oman announces VAT implementation date. No official news on the potential VAT implementation date in Qatar and Kuwait

4

April 2021

Oman's VAT implementation date





Industry specific VAT treatments

Industry specific VAT treatments

Country	Food		Healthcare		
	Basic food*	Other food/ restaurant/cat ering	Qualifying medicines and medical goods	Essential/ preventive healthcare	Other healthcare
KSA	15%	15%	0%	15%	15%
UAE	5%	5%	0%	0%	5%
Bahrain	0%	5%	0%	0%	5%
Oman	0%	5%	0%	Exempt	Exempt

- Bahrain has a list of 94 basic food items that are zero rated
- Oman will announce a list of the zero-rated food items
- Specific VAT relief available for Saudi citizens

Industry specific VAT treatments

Country	Education			Transportation	
	Nurseries/ preschools	Elementary education	Higher education	International transportation	Local transportation
KSA	15% ¹	15% ¹	15% ¹	0%	15%
UAE	0%	0%	0/5% ²	0%	Exempt
Bahrain	0%	0%	0%	0%	0%
Oman	Exempt ³	Exempt ³	Exempt ³	0%	Exempt

¹ Specific VAT relief available for Saudi citizens.

² Zero rated only where the institution is at least 50% owned/funded by the government

³ To be confirmed once the regulations are released

Industry specific VAT treatments

Country	Oil and gas		Financial Services	
	Crude and natural gas	Oil, oil derivatives and gas	Margin-based products	Explicit fees, commission, discounts
KSA	15%	15%	Exempt	15%
UAE	0%	5%	Exempt	5%
Bahrain	0%	0%	Exempt	5%
Oman	0% ¹	0% ¹	Exempt ¹	5% ²

¹ The VAT law specifies that the supply of crude oil, oil derivatives and natural gas is zero-rated. However, further clarifications will be specified in the regulations.

² The VAT law specifies that financial services are exempt. However, further clarifications will be specified in the regulations – we expect that Oman will follow the same VAT treatment as the KSA, UAE and Bahrain in relation to insurance products, explicit fees, commissions and discounts.

Industry specific VAT treatments

Real estate

Country

VAT treatment



KSA	<ul style="list-style-type: none">- Leasing of residential real estate – Exempt- Leasing of commercial real estate – 15%- Sale of real estate – Exempt
UAE	<ul style="list-style-type: none">- Sale, lease and licensing of residential real estate – Exempt- First supply of residential property within three years of completion – 0%- Other sales of residential property – 5%- Bare land – Exempt
Bahrain	<ul style="list-style-type: none">- Sale and lease of bare land and/or buildings (residential & commercial) – VAT exempt- New building construction – 0%
Oman	<ul style="list-style-type: none">- Supply of bare land, sale and lease of residential property – Exempt- The law is silent on the VAT treatment on sale and lease of commercial property



VAT documentation

Tax invoices and recordkeeping

Country	Issuance	Adjustment	Record keeping
KSA	By the 15 th day of the month following the month in which the supply took place	Issuance of debit or credit notes	<ul style="list-style-type: none"> – Records shall be kept for 6 years – For capital assets, records to be kept at the minimum of the adjustment period (6 or 10 years) plus 5 years
UAE	Within 14 days of the date of supply	New tax invoice for the additional amount or tax credit note	<ul style="list-style-type: none"> – Records shall be kept for 5 years – For real estate records to be kept up to 15 years
Bahrain	By the 15 th day of the month following the month in which the supply took place	Issuance of debit or credit notes	<ul style="list-style-type: none"> – Records shall be kept for 5 years. – Records relating to capital assets shall be kept for 5 years after end of capital asset adjustment period – Records relating to real estate shall be kept up to 15 years
Oman	To be clarified in the regulations	To be clarified in the regulations	<ul style="list-style-type: none"> – Records shall be kept for 10 years from the end of the tax year – Records relating to real estate must be kept for 15 years

Tax invoice requirements

Full tax invoice requirements	BAH	KSA	UAE	OM
The words "tax invoice" clearly displayed on the invoice	✓	✗	✓	
Name, address, VAT number of supplier	✓	✓	✓	
A unique sequential invoice number	✓	✓	✓	
Name and address of the recipient	✓	✓	✓	
(if the recipient is VAT registered) - the VAT registration number of the recipient	✗	✗	✓	
Invoice date	✓	✓	✓	
Date of supply (if different from invoice date)	✓	✓	✓	
Description of goods/services supplied	✓	✓	✓	
(for each good/service) - unit price, quantity/volume supplied	✓	✗	✓	
Rate of tax	✓	✓	✓	
If the rate is not 5%, an explanation to explain the VAT rate applied (*BAH – when exempt only)	✓*	✓	✗	
(for each good/service) – amount payable in local currency	✓	✓	✓	
Amount of discount offered (if any)	✓	✓	✓	
Total amount payable incl. VAT in local currency	✓	✓	✓	
VAT amount payable in local currency	✓	✓	✓	
(for invoices in foreign currencies) exchange rate applied to determine local currency equivalent	✓	✗	✓	
(for supplies where the recipient is required to self-account) a statement the recipient is required to account for VAT. (UAE only: a reference to the relevant provision in the law)	✗	✓	✓	
(where profit margin scheme applied) – a reference to the fact that the VAT has been charged on the profit amount	✓	✓	✗	

To be confirmed



Key differences in
certain provisions

Input tax recovery

Issue	KSA	UAE	Bahrain	Oman
<ul style="list-style-type: none"> – Blocked input tax 	<ul style="list-style-type: none"> – Entertainment – Sporting or cultural activities – Catering services – Passenger motor vehicle – goods or services used for non-business purposes 	<ul style="list-style-type: none"> – Entertainment to anyone not employed by the business – Motor vehicles for personal use – Goods or services purchased for the personal use of employees 	<ul style="list-style-type: none"> – Recreational expenses – Expenses for non-business purposes (e.g. accommodation, hospitality, events) 	<ul style="list-style-type: none"> – We expect this to be clarified in the Regulations.
<ul style="list-style-type: none"> – Partial exemption 	<ul style="list-style-type: none"> – One rate per tax year – Annual washup in the last tax period of the year – Default method uses supplies made 	<ul style="list-style-type: none"> – One rate per tax period – Annual wash up in the first tax period of subsequent year – Default method uses input tax on supplies 	<ul style="list-style-type: none"> – One rate per tax period – Annual washup in the last tax period of the year or first tax period of subsequent year – Default method uses supplies made 	<ul style="list-style-type: none"> – We expect this to be clarified in the Regulations.

Supplies

Issue	Saudi Arabia	UAE	Bahrain	Oman
Internal supplies	When the electronic services system (ESS) is introduced.	<ul style="list-style-type: none"> - GCC country implements VAT, - Treats the UAE as an implementing state - Is in full compliance with the GCC agreement. 	<ul style="list-style-type: none"> - Treats Bahrain as a GCC state for VAT purposes - Is in full compliance with the GCC agreement 	We expect this to be clarified in the Regulations.
Provision of free goods/ services	<ul style="list-style-type: none"> - Total value of free goods/services exceeds SAR200 per person per year - Limit of SAR50,000 for goods and SAR50,000 for services per year 	<ul style="list-style-type: none"> - Total value of free goods/services exceeds AED 500 per person in a year - Limit of AED 40,000 for the business per year 	<ul style="list-style-type: none"> - Total value of free goods/services exceeds BHD 50 per person per year - Limit of BHD 1,000 per year 	We expect this to be clarified in the Regulations.
Bad debts	Bad debt written off and 12 months have passed	Bad debt written off and 6 months have passed	Bad debt written off and 12 months have passed	We expect this to be clarified in the Regulations.



Transitional provisions

Transitional provisions

Issue	Saudi Arabia	UAE	Bahrain	Oman
Time of supply	If invoice is issued or consideration received before 1 Jan 2018, VAT is due on the date supplies are actually made	If invoice is issued or consideration received before 1 Jan 2018, VAT is due on 1 January 2018	If consideration received before 1 Jan 2019, then VAT will become due on 1 Jan 2019	If an invoice is issued or payment is received before the effective date of the law, or before the registration date and the supply is made after then the supply is considered to be made after the effective date of the law or date of registration
Contracts	Contracts entered prior to 30 May 2017 can be zero-rated until the earlier of the contract expires or 31 December 2018 - provided conditions are met.	The contract price can be deemed exclusive of VAT if written statement obtained from recipient that they are registered for VAT and can recover the VAT	<ul style="list-style-type: none"> – Consideration in contracts entered prior to VAT implementation with no VAT clause will be inclusive of VAT – Contracts with government entities entered before VAT implementation can be zero-rated until the earlier of contract expiry or 31 December 2023 	Consideration set in contracts for continuous supplies entered prior to VAT implementation with no VAT clause will be deemed inclusive of VAT
Registration	Businesses with turnover below SAR1M were exempted from registration until 1 January 2019	N/A	<ul style="list-style-type: none"> – Staggered registration: – Turnover above BHD 5M – 1 Jan 2019 – Turnover above BHD 500K – 1 July 2019 – Turnover above BHD37,500 – 1 Jan 2020 	To be announced in a ministerial decision



Penalties



Offence	Penalties
Failure to register for VAT within prescribed time frame	SAR10,000
Error in VAT return (amount paid less than the amount due)	50% of any under-reported VAT
Failure to pay VAT	5% of the unpaid tax for each month or part thereof
Failure to file a VAT return within the required period	5%-25% of value of any tax to be declared
Issuance of tax invoice by an unregistered person	Could go up to SAR100,000
Provision of incorrect information (i.e. TIN)	SAR1,000 or double the amount of VAT
Failure to maintain books and records	Could go up to SAR50,000
Failure to cooperate with the tax authority	Could go up to SAR50,000
Failure to comply with tax invoice requirements	Could go up to SAR50,000



Offence	Penalties
Administrative Penalties	
Failure to register for VAT within prescribed time limit	No less than AED500 and no more than three times the amount of Tax levied
Error in VAT return (amount paid less than the amount due)	
Failure to file a VAT return within the required period	
Failure to register within prescribed time frame	AED20,000
Tax Evasion Penalties	
Failure to cooperate with the tax authority	
Issuance of tax invoice by an unregistered person	Prison sentence (and/or) 5 x amount of tax evaded
Deliberately providing false information and data to the Authority	

Bahrain - Administrative offences



Administrative offences	Penalties
Late payment (if paid within 60 days of due date)	5%-25% of the amount due, and publication of your name and nature of offence in a local newspaper at your expense
Failure to register (within 60 days of deadline)	Up to BHD10,000 and publication of your name and nature of offence in a local newspaper at your expense
Incorrect information leading to under declared tax	2.5%-5% of unpaid tax, and publication of your name and nature of offence in a local newspaper at your expense
Failure to cooperate with the tax authority	
Failure to update registration details	
Failure to display prices as inclusive of VAT	
Failure to submit requested information	Up to BHD5,000, and publication of your name and nature of offence in a local newspaper at your expense
Failure to comply with tax invoice rules and procedures	
Offences not specifically provided under the law	

Bahrain - Tax evasion



Offence

Penalties

Failure to register within 60 days of the deadline

Failure to pay tax due within 60 days of the due date

Incorrect input tax recovery

Presenting fake documents

- 3-5 years imprisonment
- penalty equal to 1-3 times the tax

Recovering input tax if ineligible

Not issuing tax invoices

Charging VAT on non-taxable supplies

Failure to keep proper records



Offence

Penalties

Deliberate refrain by the taxable person to nominate a responsible person

Deliberate refrain by the responsible person to notify the authority and obtain its approval to appoint another responsible person during his period of absence from the country for more than (90) ninety days

Deliberate refrain by the responsible person to notify the authority of any amendments to the registration information

Deliberate refrain by the responsible person from attending to the request of the authority

Deliberate refrain by the responsible person from submission of the tax return for any tax period

Deliberate failure to maintain accounting records and books

Deliberate failure to maintain tax invoices and documents for the prescribed period

Deliberate refraining from issuance of a tax invoice

Deliberate issuance of a tax invoice with an incorrect tax amount

Committing or refraining from an act which shall prevent or obstruct the employees of the authority or its agents from performing their responsibilities and duties

Deliberate failure from submitting any documents, data, records, accounting books or tax invoices

Deliberate inclusion of inaccurate data or information in the tax return



- Two months to one-year imprisonment; and/or
- A penalty of OMR 1,000 -10,000

Repeating the violation may lead to double the penalty and increase in the prison sentence.





Offence	Penalties
Deliberate refrain from registering with the authority	
Deliberate refrain from reporting correct data in relation to taxable value and the tax due on it in the tax returns	
Submission of forged tax returns, documents or records to evade payment of tax in full or in part	<ul style="list-style-type: none"> - 1-3 years imprisonment; and/or - A penalty of OMR 5,000 to OMR 20,000
Deliberate destruction, concealment or disposal of any documents, records, accounts, statements or otherwise requested by the authority to be submitted, if such destruction, concealment or disposal is done within (1) one year from the receipt of the notice from the authority	Repeating the violation may lead to double the penalty and increase in the prison sentence.
Deliberate instigation or assistance of the taxable person in submitting incorrect returns, documents or records in relation to tax liability of the taxable person.	

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