

# VAT Alert

## Measures to support taxpayers during the COVID-19 Pandemic

April 2020



As part of the Saudi Arabian Government’s efforts to mitigate the impact of COVID-19 on taxpayers, the General Authority for Zakat and Tax (GAZT) has announced multiple initiatives effective from March 18, 2020:

### 1. Postponing the due date of submitting VAT returns and payment of VAT liabilities:

#### Monthly VAT returns

- Three months’ extension of the due date has been granted to taxpayers filing VAT returns on a monthly basis as set out in the schedule below:

Tax period	Original due date	New due date
February 2020	March 31, 2020	June 30, 2020
March 2020	April 30, 2020	July 31, 2020
April 2020	May 31, 2020	August 31, 2020
May 2020	June 30, 2020	September 30, 2020

- Please note that from the tax period of June 2020, the normal due dates for filing of the VAT returns will resume as follows:

Tax period	Original due date	Comment
June 2020	July 31, 2020	Unchanged
July 2020	August 31, 2020	Unchanged
August 2020	September 30, 2020	Unchanged
September 2020	October 31, 2020	Unchanged

#### Quarterly VAT returns

- Taxpayers filing returns on a quarterly basis should submit them as follows:

Tax period	Original due date	New due date
Jan 1, 2020 to Mar 31, 2020	April 30, 2020	July 31, 2020

- Please note that from the tax period of April 1, 2020 to June 30, 2020, the normal due dates for filing returns resume as follows:

Tax period	Original due date	Comment
April 1, 2020 to June 30, 2020	July 31, 2020	Unchanged

## 2. Payment of VAT due

- Payment of VAT due for returns where the submission deadline is extended is also postponed and is due on the same date as the extended return.
- If the VAT return for which the submission deadline is extended is submitted early, the deadline for payment will remain extended and unchanged.

## 3. Postponing the payment of VAT on the importation of goods:

- The payment of VAT due at importation by VAT registered taxpayers can now be postponed, if the customs clearance occurs between March 18, 2020 and June 30, 2020 and the goods are imported in the ordinary course of business of the taxpayer.
- Taxpayers are not required to seek pre-approval from GAZT or from the Customs Authority in this respect.
- Postponed payments should be reported in the VAT return for the relevant period under the reverse charge section. Non-deductible import VAT should be reported as an adjustment.

## 4. Suspending the application of fines and penalties from 18 March to 30 June 2020

- Registered taxpayers for all taxes (including VAT) will be exempted from penalties and fines where they:
  - Amend returns which results in additional tax due; or
  - Submit returns which did not comply with the deadlines set for filing the declaration.
- Unregistered taxpayers who are required to register for tax will be exempted from penalties and fines provided they register by 30 June 2020.
- In order to obtain these benefits, taxpayers must be registered during the initiative period, submit returns and pay the taxes due or request an installment plan no later than 30 June 2020 in order to cancel the penalties.

- In using this initiative, taxpayers can benefit by being exempted from all penalties, including delay fines as mentioned below:

Delay	Penalties
Delaying submission of VAT returns	Fine of 5% to 25% of the VAT due, for each return.
Delaying payment of due tax	Fine of 5% of the VAT due, for each month or part of month of delay

- This is a unique opportunity provided to taxpayers by the Saudi government to normalize their tax affairs without financial penalties. We would recommend that all taxpayers review their tax position from the introduction of VAT on January 1, 2018 and consider the self-disclosure of VAT errors. The potential cash saving could be substantial.
- Further, considering that, in order to benefit from the suspension of penalties and fines, payment of taxes due must be made by 30 June 2020, such assessment should be undertaken without delay. KPMG would be pleased to provide the necessary support with such an exercise.

## 5. Additional measures

In addition to the above incentives, the tax authority has committed to:

- Expediting payment of VAT refund requests filed by the taxpayers;
- Suspending the requirement to provide bank guarantees to GAZT; and
- Suspending the application of penalties due on adjustment of submitted VAT returns.

For additional details with respect to the above measures, please feel free to connect with our team.

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