

# GCC VAT Framework

## Provisions of the GCC VAT Framework ( Saudi Arabia, United Arab Emirates, Oman Kuwait, Qatar, Bahrain)

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# Introduction

- The GCC (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates) signed a VAT Framework agreement on the introduction of VAT.
- The VAT Framework sets out the main rules governing the operation of VAT in the GCC.
- The VAT Framework becomes effective when at least 2 members ratify the Framework. It is currently effective since Saudi Arabia and UAE have now ratified it.
- Each GCC member now has to issue its own local legislation implementing the VAT Framework.
- It is expected that VAT will become applicable from the 1<sup>st</sup> Quarter of 2018 in Saudi Arabia and UAE.
- This document sets out the details of the VAT Framework.

# VAT Rate & Registration Threshold

## Sections: 25,50

- The VAT rate to be applied to supplies and imports in the GCC countries as per the framework is 5% unless exempted or subject to zero rate. The prices declared in the market for goods/services should include VAT.
- Registration is required from residents in the GCC whose supplies exceed or are expected to exceed US \$ 100,000. This limit will be reviewed after 3 years. Suppliers of zero rated goods/services can be exempted from registration.
- Non-residents are required to register for VAT regardless of their turnover if they are liable to VAT in any of the member states. Non-residents can appoint local representatives to handle their VAT obligations.

# VAT Rate & Registration Threshold

## Sections: 51, 52

- Suppliers of goods/services whose turnover does not meet US \$ 100,000 mandatory registration threshold can apply to register for VAT on a voluntary basis. The voluntary registration threshold is 50% of the mandatory registration threshold ( US \$ 50,000).
- The annual supplies should be calculated on either of the following basis:
  - Total supplies (except for exempt supplies) realized at the end of any month in addition to the previous 11 months.
  - Total supplies (except for exempt supplies) realized at the end of any month in addition to the future 11 months.
- The total value of the supplies is composed of the following:
  - The value of the taxable supplies except for the value of capital assets.
  - The value of goods and services supplied to a taxable supplier who is required to pay the VAT on it pursuant to the framework.
  - Supplies between GCC countries that are supplied in a GCC country other than the GCC country where the supplier is resident and which would have been taxed in the country of the supplier if it was supplied in that country.
- Member states can implement rules to combine the supplies of related parties who perform similar or related activities and register them based on the total combined supplies.

# VAT Rate & Registration Threshold

## Sections: 53,54

- Each GCC member state will provide a taxpayer identification number to the taxable suppliers. The GCC Finance & Economic Ministerial Committee will issue the conditions for issuing the taxpayer identification number.
- Registration can be cancelled under any of the following circumstances:
  - Cessation of economic activity.
  - Cessation of making taxable supplies.
  - Reduction of taxable turnover below the registration threshold.
- The registered taxable supplier can apply to deregister if the annual turnover decreases below the mandatory threshold but higher than the voluntary threshold.
- GCC member states can implement rules to require a minimum registration period before registered taxable suppliers can be deregistered.
- GCC member states can issue guidelines to reject deregistration applications or cancel the registration in cases other than those mentioned above.
- Registered taxable suppliers must be notified of the cancellation of the registration and the effective date of the deregistration.

# The Scope of VAT

## Sections: 2,3

- VAT applies to the following transactions:
  - Taxable supplies by taxable suppliers in the GCC countries.
  - Supplies of goods/services to taxable suppliers from non-resident/non-registered supplier in the GCC in the cases where the reverse the charge mechanism is applied.
  - Importation of goods by any person.
- The Julian calendar is to be used in the framework.

# Group Registration

## Section: 4

- Member countries can apply group registration rules under its local VAT laws.
- Group registration is to be applied to 2 or more legal entities who are resident in the same country.



# Supplies of Goods/Services

## Section: 5

- Supply of goods takes place when ownership rights or disposal rights are transferred by owner.
- Transfer of ownership rights includes the following:
  - Disposal of goods based on a contract which transfers ownership of the goods currently or at a later date not to exceed the date of payment of the full consideration.
  - Granting of rights of use of properties.
  - Transfer of ownership rights of goods based on a compulsory decision by the public authorities.

# Supplies of Goods/Services

## Section: 6,7

- The transfer by a taxable person of goods which are part of his assets between member states will be treated as a supply of goods.
- The following transactions are excluded from the above:
  - The transfer of goods to another member state as part of the temporary entry schemes under the GCC Unified Customs Law.
  - The transfer of goods as part of another taxable supply of goods in the other member state.

**Any transactions other than the supply of goods will be treated as a supply of services.**

# Supplies of Goods/Services

## Section: 8

- The following supplies are treated as deemed supplies of goods by a taxable person:
  - The supply of goods for non-economic purposes whether with or without consideration.
  - Change in the use of goods from taxable to non-taxable supplies.
  - Retention of goods after cessation of the economic activities.
  - Supply of goods for no consideration unless it is as a sample or gift for immaterial amounts as decided by individual member states.
- The following supplies are treated as deemed supplies of services by a taxable person:
  - The use of goods which are part of his assets for non-economic purposes.
  - Supply of services for no consideration.
- The above rules will apply in the case of a taxable person who has deducted the input tax relating to the above goods/services.
- GCC member states will enact rules to implement the above.

# Reverse the Charge

## Section: 9

- A person who is subject to tax in a GCC country who receives taxable goods/services from a resident in another GCC state is deemed to have supplied these goods/services and will be subject to tax under the reverse the charge mechanism.
- A resident person who is subject to tax in a GCC country who receives services from a supplier who is not a resident of the GCC is deemed to have supplied these services and will be subject to tax under the reverse the charge mechanism.

# Place of Supply of Goods

## Sections: 10, 11, 12

- The place of supply of goods which are not shipped/transported to client is the place and date where it is made available to client.
- The place of supply of goods which are shipped/transported to client is the place where the shipping/transportation commences.
- In the case of goods shipped/transported to clients within the GCC the place of supply will be the place where the shipping/transportation ends in the GCC in the following cases:
  - If the customer is subject to tax.
  - If the customer is not registered for tax but the supplier is registered in the country of the customer.
- If the goods are supplied without shipping/transportation to a customer in the GCC then it is subsequently proven that the goods were shipped/transported to the other GCC member state then this member state can obtain a refund of the VAT from the member state in which the shipping/transportation commenced through the direct transfer process of the GCC Customs Union or any other mechanism approved by the GCC Financial/Economic Ministerial Committee.

# Place of Supply of Goods

## Sections: 12, 13

- The place of supply for goods which are shipped/transported by a registered supplier in a GCC member state to a non-registered client in another GCC member state but not installed/erected will be the place where the shipping/transportation takes place on condition that the supplies to the other GCC member state do not exceed US \$ 100,000 in any 12 month period. If the value of the supplies exceeds this value then the supplier is required to register in the state of residence of the client.
- If the movement between GCC member states cannot be documented in the case of movement of goods to other member states or under the customs temporary clearance regime then the place of supply will be the location of the goods at the date of commencement of transportation or forwarding.
- In the case of supplies between GCC member states for non-registered taxpayers and individuals the member states can claim the tax from the other member state if the supply exceeds US \$ 2725. This would be settled via the direct settlement mechanism of the GCC Customs Union or any other applicable mechanism agreed upon by the member states. The member state can also impose VAT at the point of entry of the goods if proof of payment of the VAT in the other state cannot be produced.

# Supply of Gas, Oil, Water and Electricity

## Section: 14

- The supply of gas, oil, water through pipelines and electricity from a taxable supplier in his GCC country of incorporation to a trader who is subject to tax and is incorporated in another GCC country will be taxed in the place of incorporation of the taxable trader.
- The supply of gas, oil, water through pipelines and electricity to a non-trader who is subject to tax will be taxed in the place of actual consumption.

# Place of Supply of Service

## Sections: 15, 16

- The place of supply of services by a supplier subject to tax will be place of residence of the supplier.
- The place of supply of services between a supplier who is subject to tax and a customer who is also subject to tax will be the place of residence of the customer.



# Place of Supply of Transportation Services

## Sections: 17, 18

- The leasing of transportation facilities by a supplier subject to tax and non-taxable customer then the tax will be due at the place where the transportation facilities are made available to the customer.
- As to passenger and goods transportation services and its related services then the tax will be due at the place where the transportation commences.

# Place of Supply of Services for Real Estate

## Section: 19

- The place of supply of services related to real estate is the place where the real estate is located.
- Services related to real estate include the services that are closely linked to the real estate including:
  - Services of real estate agents and experts.
  - Rental and use of real estate.
  - Construction services related to the real estate.

# Place of Supply of Wireless/Non-Wireless Services and Electronic Services

## Section: 20

- The place of supply of Wireless, Telecommunications, and Electronic Services will be the place of actual use or benefiting from these services.

# Place of Supply (Other Services)

## Section: 21

- The place of supply for the following services will be the place of actual performance:
  - Restaurants, Hotels and other places for providing goods/drinks.
  - Cultural, Artistic, Sports/Athletics, Educational and Entertainment services.
  - Services relating to goods which are supplied by a supplier who is subject to tax and resident in a GCC member state to a customer not subject to tax who is a resident in another GCC member state.

# Importation of Goods

## Section: 22

- VAT is due at the first point of entry into the GCC.
- VAT on goods imported under any Customs temporary entry regimes will be due in the state where the goods are released from the temporary entry regime.

# Due Date of VAT

## Section: 23, 24

- VAT is due on the date of supply of the goods/services or the date of issuance of the invoice or the date of payment of the full or part of the consideration whichever occurs first.
- In the case of goods which are not transported/shipped to the customer then the due date of the VAT is the date the goods are put at the disposal of customer.
- In the case of goods that are shipped/transported to customer then the due date of the VAT is the date of commencement of the shipping/transportation of the goods.
- In the case of goods that are installed/assembled then the due date of the VAT is the date of completion of the installation/assembly.
- In the case of services then the due date of the VAT is the date of completion of the services.
- In the case of deemed supply of goods/services then the due date of VAT is the date that the deemed supply takes place.
- In the case of continuous supply then the due date of the VAT is the date in the invoice or the date of actual settlement whichever is earlier and at least once every 12 months.
- Each GCC Member state can determine dates for supplies other than those mentioned above.
- In the case of imported goods then the due date for VAT is the date of importation of the goods to the GCC member state.

# Value of Supplies

## Section: 26

- Fair Market Value between independent parties is to be used to determine the value of supplies. The value of supplies excludes the VAT and includes any non-cash value determined under fair market value.
- The value of supplies includes any additional costs charged by supplier on customer and any other applicable fees or taxes (including Excise taxes) but excluding VAT.
- In the case of deemed supplies and transporting of goods between GCC member states the value would be the cost or purchase price or if not possible to determine then fair market value would be utilized.
- GCC member states would draft guidelines on adjusting prices between related parties.

# Value of Supplies

## Section: 26,27,28

- The value of supplies can be reduced based on (a) price reductions/discounts (b) subsidies granted by the state (c) Amounts paid by the supplier on behalf of the customer (in such a case the customer cannot offset the VAT on these amounts).
- If the value of the supplies are in foreign currency then these amounts are converted to local currency based on official market rate at the date the VAT is due.
- The VAT paid can be subsequently reconciled in the following cases which occur at a date subsequent to the date of supply:
  - Cancellation of the whole or part of the supply.
  - Reduction in the value of the supply.
  - Non-collection of the full/part of the value and in compliance with bad debt rules in the member states.
- The value of imported goods is the value declared for the Unified GCC customs purposes plus the amount of customs due, excise tax and any other applicable fees excluding VAT.
- In the case of goods that are exported on a temporary basis outside the GCC to complete its manufacturing or repair then the VAT will be due on the added value of the goods as determined under the Unified GCC customs rules.



# Exemptions/Zero Rated Supplies

## Section: 29

- The following sectors can be either exempted or zero rated by the individual GCC countries based on conditions determined by the individual states:
  - Education
  - Healthcare
  - Real Estate
  - Local Transportation
- GCC member states can subject the oil/natural sector/ petroleum products to VAT at zero rate in accordance with rules to be adopted by each member state.

# Exemption with a right to credit/refund

## Section: 30

- GCC member states can exempt the following sectors but also allow them to claim a refund for any input VAT:
  - Government entities as determined by each member state.
  - Non for profit organizations as determined by each member state.
  - Exempted companies under agreements to host international events.
  - Citizens of the member states who are constructing their personal residences.
  - Farmers and fishermen who are not registered for VAT.

# Zero Rated Supplies

## Section: 31, 32

- Food products to be subject to 5% VAT standard rate however the GCC member states can agree on a unified list of food products which would be subject to zero VAT rate.
- Medicine and Medical equipment subject to conditions to be approved by the GCC health Ministers.
- Goods/Passenger transportation between GCC member states and the services related to it.
- International goods/passenger transportation to and from GCC member states and the services related to it.

# Zero Rated Supplies

## Section: 32

- Naval, Aviation and Land transport equipment dedicated to passenger and goods transportation for a fee and commercial purposes.
- Goods and service related to the supply of the above which is dedicated to the operation, repair, maintenance, or the conversion of these equipment.
- Supply of rescue/assistance airplanes and boats.
- Fishing boats.

# Zero Rated Export Services

## Section: 34

- Export of goods outside the GCC member states.
- Supply of goods to/within the customs suspension regime of the GCC Unified Customs rules.
- Reexporting of goods imported on a temporary basis to the GCC for repairs, maintenance, conversion or rehabilitation and the added services to these goods.
- Supply of service by a supplier who is subject to tax and resident in the GCC to a GCC non-resident customer to benefit from the service outside of the GCC in accordance with rules implemented by the GCC member states.
- Supply of goods/services outside the GCC member states if the supply of these goods/services is exempt in the GCC member state.

# Investment Gold, Silver & Platinum

## Section: 35

- Gold, Silver and Platinum qualifies as investment grade if it has a 99% purity grade and can be traded in international commodities market.
- Supplies of Investment Gold, Silver and Platinum is subject to VAT at zero rate.
- Zero rate is applied after the extraction of the gold, silver and platinum.

# Financial Services

## Section: 36

- Banks and Financial Services organizations are exempted from VAT on the licensed services it supplies under the applicable laws of the GCC member states.
- Banks and Financial Services organizations can claim back input VAT based on claim back ratios determined under the laws of the GCC member states.
- GCC member states can enact tax rules other than those mentioned above.

# Used Goods

## Section: 37

- Member states are to formulate rules relating to the VAT treatment of used goods based on the profit margin scheme.



# Importation

## Section: 38

- Goods will be exempt at importation if they are exempt or zero rated at the final destination country.
- The following customs exemptions will also apply to VAT:
  - Diplomatic exemptions
  - Military exemptions
  - Personal goods and used home appliances imported by citizens of the GCC and non-citizens coming to live in the GCC for the first time.
  - Imports of goods for not for profit organizations which are exempt from VAT under local law.
  - Importation of goods that were exported on a temporary basis.
  - Personal belongings and gifts that are brought in by traveling passengers in accordance with the rules of the individual states.
  - Goods relating to individuals with special needs in accordance with the rules of the individual states.

# Suspension of VAT

## Section: 39

- VAT is suspended on goods that are imported under the Unified GCC suspended customs rules eg temporary importation to be reexported.
- Individual states can require that a guarantee be provided as insurance for the payment of the VAT in case the temporary importation regime ceases to exist.

# Payment of VAT

## Section: 40, 41, 42, 43

- The taxable person is liable to pay the VAT on the supply of goods or services to the Tax Authority in the GCC member state where the supply takes place.
- Any person who issues an invoice which includes VAT is liable to remit the tax to the Tax Authority in the GCC member state where the supply takes place.
- In the case of the reverse the charge where the supplier is not resident in the country where the supply takes place then the taxable customer in that country is liable to settle the tax due. The VAT under the reverse the charge should be settled via the VAT return or by a different form as determined by each individual state.
- The importer of record as outlined under the Unified GCC Customs law is liable to settle the VAT due on the imported goods.
- Joint liability will apply between any person who intentionally participated in the violation of the obligations arising under this agreement and local law and the person who is liable to settle the tax or any other payments arising due to the violation of the agreement and local law. Individual GCC member states can include other situations where joint liability arises.

# Offsetting of Input VAT

## Section: 44, 45, 46

- Taxable persons are entitled to offset from any VAT due in any member state the VAT paid in that state while providing taxable supplies. The right of offset arises when the VAT which can be offset becomes due.
- Taxable persons who are liable to VAT based on the reverse the charge can offset the VAT related to it on condition that the VAT due was declared for reverse the charge purposes.
- Individual GCC member states will formulate the conditions for offsetting of VAT.
- Input VAT cannot be offset in the following conditions:
  - If it is incurred for non-economic purposes as determined by each member country.
  - If it is incurred on prohibited goods as determined by the laws of each member country.
- In the case of input VAT relating to goods/services which are used in taxable and non-taxable supplies offset of input VAT can only apply within the percentage relating to taxable supplies.
- Individual GCC member states can determine the methods for calculating the percentage relating to taxable supplies and the conditions for treating input VAT which cannot be offset as equal to zero.

# Offsetting of Input VAT

## Section: 47

- Input VAT which was offset when receiving the goods and services must be adjusted/reconciled due to the following conditions:
  - The supply was cancelled or rejected.
  - The value of the supply is reduced/discounted after the date of supply.
  - The proceeds relating to the supply is not settled fully or partly.
  - Change in the use of capital assets.
- Input VAT is not required to be adjusted/reconciled under the following conditions:
  - The supplied goods are destroyed or stolen.
  - The supplied goods are used as samples or gifts with minimal value.

# Offsetting of Input VAT

## Section: 48, 49

- In order to apply the offsetting of input VAT the taxable person must have the following documents:
  - A Tax Invoice obtained pursuant to this framework.
  - Customs documents that prove that the taxable person is the importer in accordance with the GCC Unified Customs Law.
- Member states may permit the offsetting of input VAT if the Tax Invoice is not available or it does not meet the conditions outlined in this framework. Other methods can be used to provide documentary support for the input VAT.
- Taxable persons can offset the input VAT on goods/services supplied prior to the date of their VAT registration if the following conditions are met:
  - Receiving of the goods/services for purposes of performing taxable supplies.
  - The capital assets are not fully depreciated prior to the date of registration.
  - The goods are not supplied prior to the date of registration.
  - Receipt of the services within a specific time period prior to the date of registration to be determined by each member state.
  - The goods/services are not subject to any restrictions on the offsetting of input VAT included in this framework.
- For purposes of this agreement the input VAT related to capital assets is offset based on the net book value of the assets at the date of registration as determined by each member state.

# VAT Invoices

## Section: 55, 56

- Taxable suppliers must issue a VAT invoice or similar document in the following conditions:
  - Supply of goods and services including deemed supplies.
  - Receipt of the total consideration or part of it before the date of supply.
  - GCC member states can exempt taxable suppliers from issuing VAT invoices for exempt supplies except for supplies between GCC members.
- GCC member states can issue rules allowing taxable suppliers to issue summarized VAT invoices which includes all supplies of goods/services that were issued to a single client and the VAT was due within one month.
- GCC members states must accept invoices in form whether issued manually or electronically in accordance with the conditions and procedures determined by each member state.
- GCC member states must determine the contents of the VAT invoice and the time period for its issuance. The GCC Ministerial Finance & Economic Cooperation Committee must determine the minimum details that should be included in the VAT invoice. GCC member states can issue guidelines allowing for the issuance of simplified invoices.
- VAT invoices can be issued in any currency on condition that the VAT is recorded in the currency of the GCC member state in which the supply took place. The official exchange rate applied in that state at the date the tax is due should be used.

# VAT Invoices

## Section: 57, 58, 59

- Taxable suppliers who adjust the proceeds of the supply must include this adjustment in a document (debit/credit note) which adjusts the original VAT invoice. This debit/credit note is to be treated the same treatment as the original VAT invoice in accordance with the rules formulated by each member state.
- The customer who receives goods/services from a taxable supplier can issue VAT invoices subject to the approval of the taxable supplier and the invoice must indicate that is a self-issued invoice. The GCC member state must approve this issuance. The self issued invoice would be treated as an invoice issued by the taxable supplier.
- The taxable supplier can assign/outsource to another party to issue VAT invoices on his behalf. This must be approved by the tax authority in the member state and that it meets all the conditions/obligations included in this framework.
- VAT invoices and the accounting records must be retained for a period of at least 5 years from the end of the year to which these invoices/records relate to. The retention period is extended to 15 years for invoices/records relating to property.



# Tax Period

## Section: 60, 61

- GCC members states will each individually determine the tax period so long as it is not less than 1 month.
- GCC member states will each individually determine the periods and conditions for filing of VAT returns for each tax period. The GCC Financial & Economic Ministerial Committee will determine the minimum that needs to be included in the VAT return.
- GCC members states will each individually determine the rules/conditions for amending previously filed VAT returns.

# Settlement/Payment of the VAT

## Section: 63, 64

- GCC member states will each individually determine the periods and conditions for settlement of the net tax due from the taxable person.
- VAT will be settled on imported goods at the first port of entry in the GCC and will be deposited in a special tax account. The tax will be transferred to the final destination country in accordance with the direct transfer mechanism for customs fees under the GCC Unified Customs framework. The GCC Financial & Economic Ministerial Committee can propose other mechanisms for transferring the funds.
- GCC member states can formulate terms/conditions that defer the settlement of the VAT due on goods imported for economic activities. The VAT would be declared in the VAT return and can be offset under the rules of the GCC framework.

# Refund of VAT

## Section: 65,66,67

- GCC member states will individually determine the terms/conditions for the refund of net VAT or carryforward to future periods.
- Taxable persons in a GCC member state can apply for a refund of tax paid in another GCC member state in accordance with the terms/conditions determined by the GCC Financial/Economic Ministerial Committee.
- GCC member states can allow non-resident persons of the GCC to apply for a VAT refund if all the following conditions are fulfilled:
  - The non-resident persons does not supply goods/services on which VAT is due in a GCC member state.
  - The non-resident persons are registered for VAT in their country of residence if it applies VAT or a similar tax system.
  - The VAT is borne by the non-resident persons in a GCC member state for economic activity purposes.

# Refund of VAT

## Section: 68, 69

- GCC individual member states can refund VAT to tourists in accordance with rules included in its local VAT law.
- A tourist is defined as a natural person who meets all the following conditions:
  - The tourist must be non-resident of the GCC countries.
  - The tourist must not be a member of a flight crew that leaves any of the GCC member states.
- GCC individual member states member can determine terms/conditions for granting foreign governments, international organizations, diplomatic/consular missions and military missions to claim a refund of the VAT paid on goods/services in the member state pursuant to international agreements or reciprocal treatment.
- GCC individual member states can apply 0% on the supply of goods/services to foreign governments, international organizations, diplomatic/consular missions and military missions in accordance with terms/conditions set by each member state.

# Exchange of Information

## Section: 70

- The Tax Authorities in the GCC member states will exchange information related to this framework or with the administration of the local VAT laws.
- The confidential information obtained by the Tax Authorities should be treated in the same manner as information obtained under the local VAT laws. This information cannot be disclosed except to individuals or authorities (including administrative bodies/courts) engaged in the assessment/collection of tax or implementation or filing lawsuits related to it or determining the appeals related to it or supervision of it. This information can be disclosed in judicial proceedings in public courts or in the judicial rulings. In addition to the above information obtained by the Tax Authorities for other purposes can be used for such other purposes if the laws of both countries allows such use and the Tax Authority in the country providing the information allows that.

# Exchange of Information

## Section: 70

- The exchange of information provisions cannot be interpreted to impose on any GCC member state any of the following:
  - Implement administrative procedures which are in violation of the administrative procedures/practices in that country or another GCC member state.
  - Submission of information that cannot be obtained pursuant to the procedures or administrative rules in that country or another GCC member state.
  - Submission of information which may disclose any secrets relating to commerce/business/industry, commercial, professional or trading operations or information whose disclosure can be in violation of public policy (public order).
  - If a GCC member state requests information based on these provisions the other member state must implement its procedures for collecting the required information even if such information was not required by it. This obligation is subject to limitations mentioned above however these limitations cannot be interpreted to grant a GCC member state the authority to withhold such information due to the lack of local benefit in such information.
  - The above limitations cannot be interpreted to allow a GCC member state to withhold information on the basis that the information are held by a bank, financial institution, authorized person or a person who is operating on an agency basis or credit basis or because it is related to the ownership rights in an entity.

# Electronic Service System

## Section: 71

- Each GCC individual member must implement an electronic service system in order to implement the requirements related to the tax. The GCC General Secretariat must implement the required procedures for establishing a tax information center and operating a central electronic platform to monitor the information related to GCC supplies and exchange such information with the Tax Authorities in the GCC member states. The electronic platform must include the following data at least:
  - The Tax Identification Number (TIN) for the supplier and customer.
  - The number of the VAT invoice and its date.
  - Description of the transaction.
  - The value of the transaction.
- If the information registered by the supplier and customer are compatible then both are granted a confirmation number which must be retained for audit purposes by the Tax Authority and for purposes of confirming this information with the information included in the tax returns and other related information submitted in accordance with the framework agreement.
- The electronic system must be safe and secure and cannot be accessed by the supplier/customer except for information that they have access to.
- The Tax Authority in individual GCC member states must be able to access the information related to supplies between GCC member states carried out between taxable persons who are registered for VAT. The system must provide for ability to follow up the movement of goods to the country of final destination.

# Cooperation between Member States

## Section: 72

- The GCC General Secretariat can make proposals to the GCC Financial/Economic Ministerial Committee for procedures for administrative cooperation between GCC member states including but not limited to the following:
  - Exchange of information in order to determine the applicable tax based on the request of individual states.
  - Agree on the performance of parallel tax audit procedures and participation in tax audits performed by any member state subject to the approval of the relevant member state.
  - Assistance in the collection of VAT and implement the necessary collection procedures.
- Subject to the international agreements which the individual member state is a party to, each GCC member state is required to oblige its employees not to disclose or use information obtained during their work from other member states for purposes other than those for which the information was obtained. GCC Member states are to determine the penalties for violating these rules.



# Transitional Rules

## Section: 73

- GCC Member states must include in their local laws transitional rules which are applicable to the following areas:
  - VAT will be due on the supply of goods/services and the importation of good from the effective date of the local VAT law.
  - Each GCC Member state will determine the time frame for registration of the taxable persons who are required to register at the effective date of the local law.
  - Regardless of any provision of the GCC VAT framework in the case of the issuance of an invoice or payment of the proceeds prior to the effective date of the local VAT law or the date of registration and the supply was made after such dates then individual member states can ignore the date of the invoice or payment of the proceeds and treat the tax due date as the date of supply. This provision applies to supplies between a taxable supplier resident in a GCC member state and a customer in another GCC member state.
  - In the case of continuous supplies that are partially performed prior to the effective date of the local VAT law or the date of registration and partly after these dates then VAT will not apply to the part performed prior to these dates.

# Objections & Appeals

## Section: 74

- Each GCC Member state will set the conditions for appealing the decisions of the Tax Authorities including the right of appeal to the local courts of law.

# Final Rules

## Section: 75

- The GCC Financial/Economic Ministerial Committee will be responsible for the issues relating to the implementation/interpretation of the GCC VAT Framework and its decisions will be binding on the GCC Member states.
- The GCC Member states will work to resolve any disputes relating to the GCC Framework on an amicable basis and if they are unable to reach an agreement to refer the matter to arbitration based on arbitration rules agreed by both parties.

# Amendments to the GCC Framework

## Section: 77

- Subject to the agreement of all GCC member states and based on the proposal of any of the members the GCC the framework can be amended. The amendments will be subject to the ratification process of each GCC member state.

# Ratification of the Framework

## Section: 78

- The framework will come into effect when the ratification documents of the second state to ratify the framework are deposited with the GCC General Secretariat.
- Each GCC member state will implement internal procedures to issue local laws with the objective of bringing the rules of the framework into effect including implementing policies/procedures to implement the VAT without any conflicts with the Framework.
- Every member state which has not implemented a local VAT law will be considered outside the framework until a local law is implemented.

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