



A Guide to Value Added Tax in the GCC

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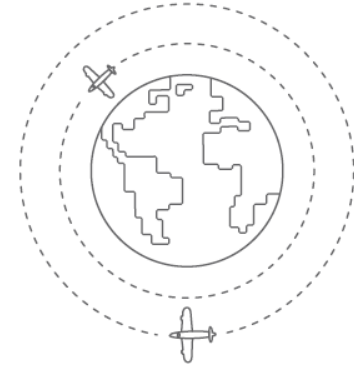
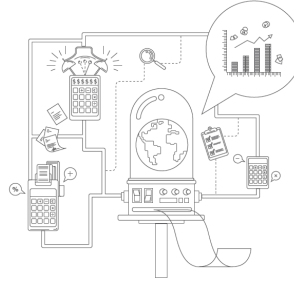
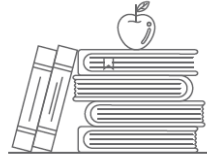
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The Different Categories of VAT



STANDARD-RATED SUPPLIES

Most local supplies of goods and services in a country are generally included in this category

Ex. wholesale and retail sales, the consumption of food in a restaurant, the provision of services by law, and accounting firms.

ZERO RATED SUPPLIES

Goods and services exported out of a country may be zero-rated, that is, are subject to VAT at a rate of 0%.

EXEMPT SUPPLIES

The following businesses are often exempt from VAT in order to reduce the impact on the population: financial services, including both banks and life insurance companies; and sale or lease of residential property.

OUT OF SCOPE SUPPLIES

Supplies where goods and services are delivered by an overseas supplier to another overseas person are generally included in this category as are private and non-business transactions.

VAT Rates- Food Items

	Bahrain	KSA	UAE
Basic Food Items	0%	5%	5%
All Other Food Items	5%	5%	5%

VAT Rates- Healthcare Sector

	Bahrain	KSA	UAE
Preventative Healthcare Services	0%	0%/5%*	0%
Elective Healthcare Services	5%	5%	5%
Qualifying Medical Goods	0%	0%	0%

*Charged at 0% for KSA citizens.

VAT Rates- Education Sector

	Bahrain	KSA	UAE
Public Education	0%	0%	0%
Private Education	0%	5%	5%
Higher Education	0%	0%/5%*	0%/5%*
Education related goods & services (e.g. uniforms, electronic devices and stationery, non-curriculum related field trips)	TBC	5%	5%

* Charged at 0% where the institution is more than 50% government owned or funded.

VAT Rates- Transportation Sector

	Bahrain	KSA	UAE
Domestic Transport*	0%	5%	Exempt
International Transport* (passengers & goods)	0%	0%	0%

Note: Refers to transport by land, sea, and air.

VAT Rates- Insurance Sector

Note: The executive regulations shall confirm the VAT rates for the Bahrain insurance sector when issued.

	Bahrain	KSA	UAE
Life Insurance and Reinsurance	Exempt	Exempt	Exempt
All Other Insurance and Reinsurance Services	5%	5%	5%

VAT Rates- Real Estate Sector

Note: The executive regulations shall confirm the VAT rates for the Bahrain real estate sector when issued.

	Bahrain	KSA	UAE
Sale of Bare Land	Exempt	5%	Exempt
Sale of Land (other than bare land)	Exempt	5%	5%
Residential Real Estate (Rent)	Exempt	Exempt	Exempt
Residential Real Estate (sale of new build)	Exempt	0%*/0%**	0%

* Charged at 5% to non-citizens.

**Government will bear the cost of VAT for KSA citizens up to SR 42,500.

VAT Rates- Real Estate Sector

Note: The executive regulations shall confirm the VAT rates for the Bahrain real estate sector when issued.

	Bahrain	KSA	UAE
Residential Real Estate (subsequent sale)	Exempt	Exempt	Exempt
Commercial Real Estate Transactions (sale & rent)	TBC	5%	5%
Construction of new buildings	0%	5%	5%

VAT Rates- Financial Products

	Bahrain	KSA	UAE
Margin-based products	Exempt	Exempt	Exempt
Fee-based products	5%	5%	5%

VAT Rates- Imports & Exports

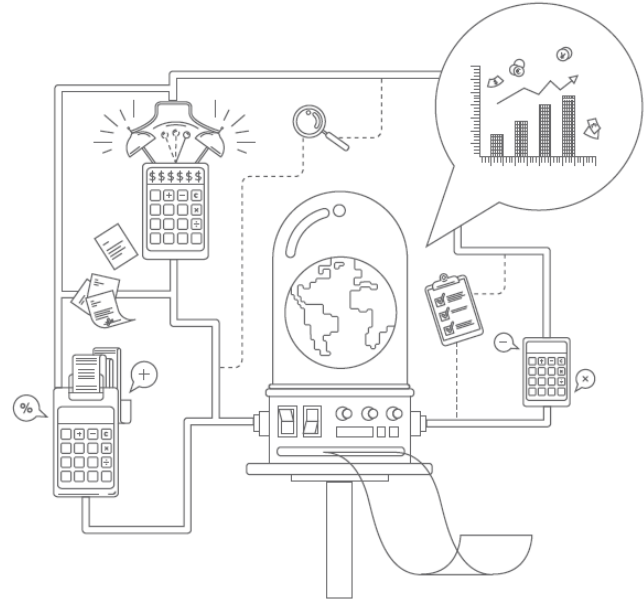
	Bahrain	KSA	UAE
Imports	Subject to 5%	Subject to 5%	Subject to 5%
Exports	Charged at 0%	Charged at 0%	Charged at 0%

VAT Rates- Oil & Gas

	Bahrain	KSA	UAE
Crude oil & natural gas (offshore exploration)	0%	5%	0%
Oil & gas (sold at petrol stations)	0%	5%	5%

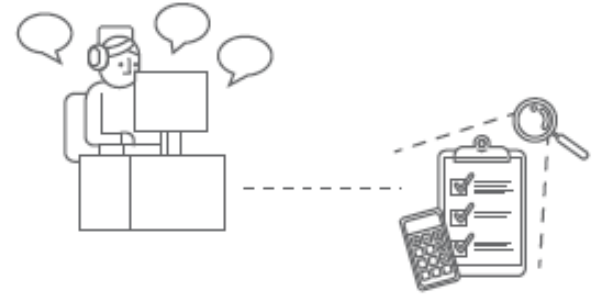
Registration Thresholds

- The threshold for **mandatory registration** for VAT is an annual revenue of USD 100,000 (**BD 37,500**) or its equivalent in the Member State's currency.
- **Voluntary registration** is also available to businesses making taxable supplies and whose annual revenue is below the threshold for mandatory registration. These businesses may choose to register for VAT on a voluntary basis. The minimum annual revenue for voluntary registration is **BD 18,750**.

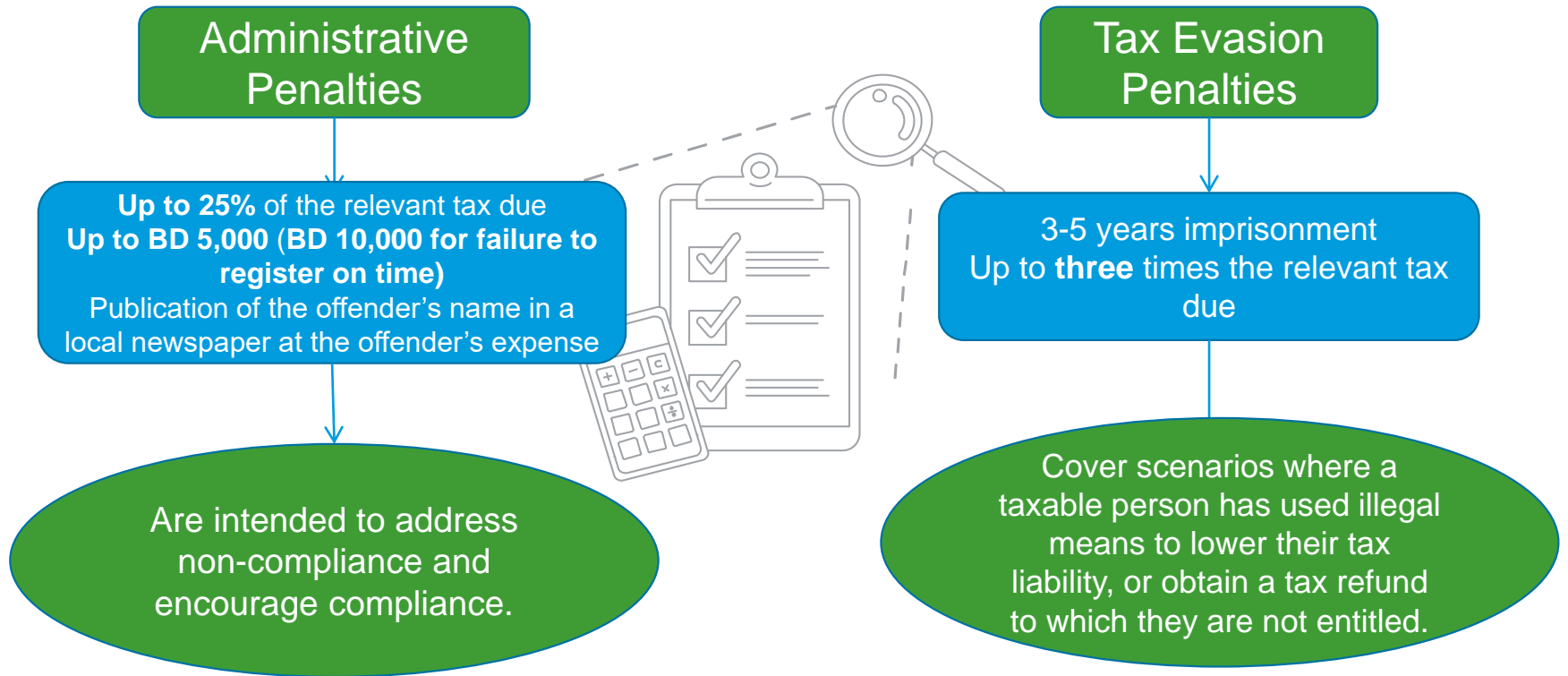


Retention of Records

- Tax invoices, records and accounting documents shall be kept for a period of **five years (six years for KSA)** from the end of the tax year.
- This period shall be extended to **15 years** when the tax invoices, books, records, and documents are related to real estate properties.



VAT Penalties- Bahrain



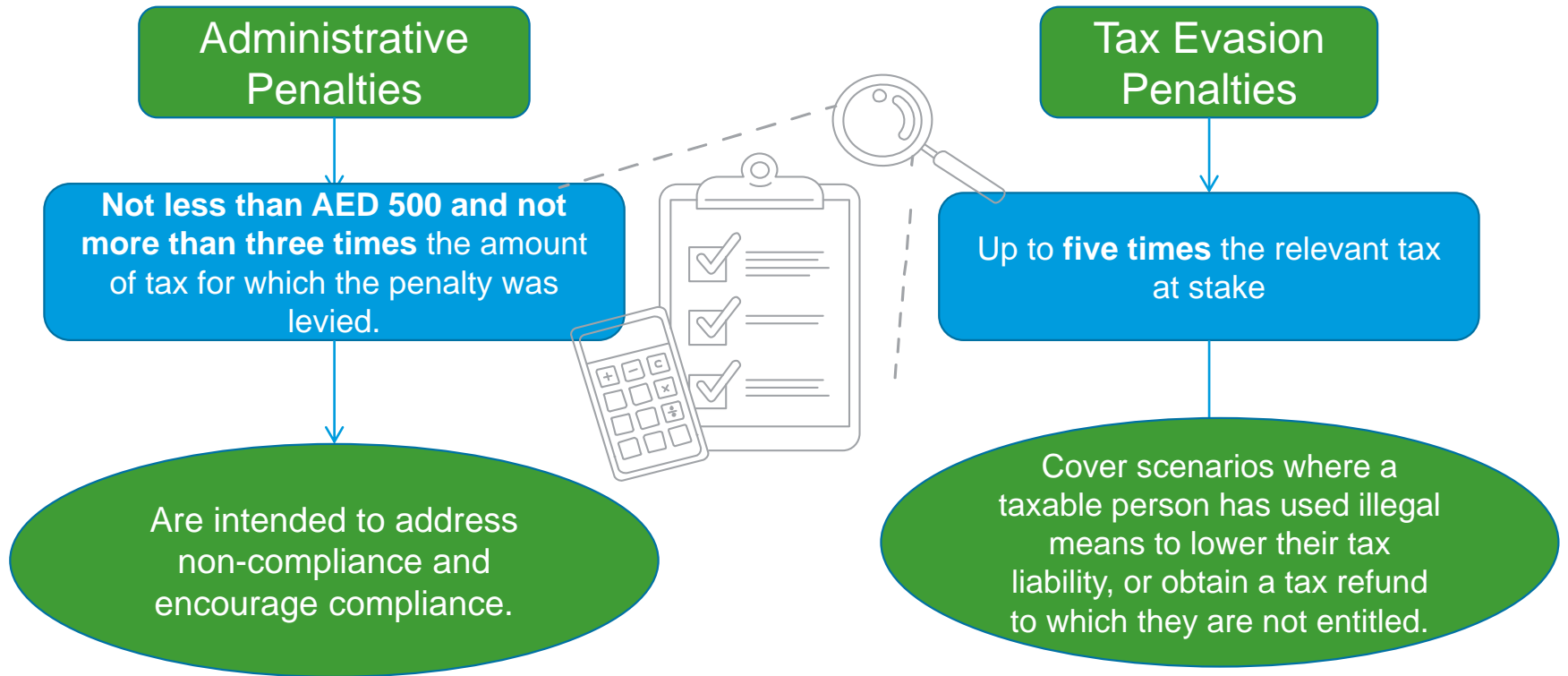
Note: The above list is not exhaustive. The executive regulations shall confirm the penalties for non-compliance.

VAT Penalties- KSA

Failure to register on time	SR 10,000
Charging VAT by unregistered businesses	Up to SR 100,000
Providing the tax authority with incorrect information	SR 1,000 or twice the relevant tax due (whichever higher)
Failure to maintain books and records, Failure to comply with tax invoice requirements, Failure to cooperate with the tax authority	Up to SR 50,000
Filing incorrect VAT returns (where the amount paid is less than the amount due)	Up to 50% of the underpaid tax due
Failure to file VAT returns on time	Up to 25% of the relevant tax due
Failure to pay VAT liability	5% of the relevant tax due for each month on a pro-rata basis

Note: The above list is not exhaustive and may be subject to change.

VAT Penalties- UAE



Note: The above list is not exhaustive and may be subject to change.



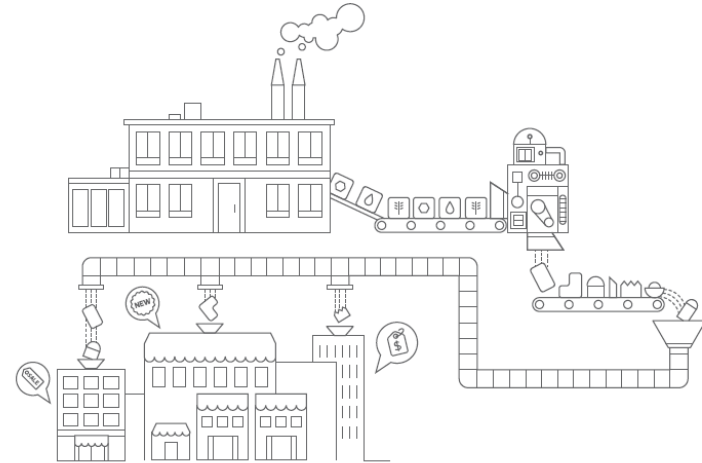
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COMMERCIAL IMPLICATIONS OF VAT



Commercial Implications of VAT

- ❖ Business processes
- ❖ Pricing policy
- ❖ Invoicing
- ❖ Cut-off procedures
- ❖ Inventory as at 31 December 2018
- ❖ IT and other related systems
- ❖ Supply chain
- ❖ Cash flows
- ❖ Human resources
- ❖ Legal contracts and existing agreements
- ❖ Marketing
- ❖ Fiscal and accounting
- ❖ Intercompany transactions
- ❖ Educating customers
- ❖ Maintenance and retention of records



RSM Recommended Approach

Phase I

Impact Assessment

- ❖ Identify taxability on inputs and outputs
- ❖ Review contracts
- ❖ Review information systems
- ❖ Assess training needs

Phase II

Implementation

- ❖ Set up VAT policies and procedures
- ❖ Advise on the system and reports to be generated
- ❖ Testing of the VAT IT system
- ❖ Staff training

Phase III

Support

- ❖ Ensure VAT compliance and efficiency
- ❖ Monitor new developments
- ❖ Ensure that VAT books are well maintained for audits
- ❖ Ongoing training of staff

Our Services

Audit and Assurance

- Statutory audits
- Review engagements
- Service organisation control attestation
- Assurance and other related services

Consulting

- Financial Management
- Human Resources
- Operations
- Performance Efficiency
- Technology Consulting

Legal

- Incorporation of new business entities
- Receivership and turnaround advice
- Litigation support and forensic accounting
- Voluntary liquidation and insolvency
- Statutory and regulatory filings

Outsourcing

- Bookkeeping
- Preparation of budgets and forecasts
- Design of accounting systems
- Preparation of accounting manuals
- Payroll services
- Translation of financial statements



RSM – THE GLOBAL
DESTINATION FOR YOUR
AUDIT, TAX AND
CONSULTING NEEDS

Risk

- Internal audit: co-sourcing and outsourcing
- IT and information system audits
- Corporate governance consulting
- Fraud prevention
- SOX compliance

Transactions

- Due diligence (financial, legal, tax)
- Value Added Tax Services
- Equity and debt financing transactions
- Valuations of businesses, shares, and assets

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