



TAX ALERT

The Kingdom of Saudi Arabia amends the GCC Unified VAT Agreement

June 2026

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Executive Summary

The Saudi Council of Ministers, chaired by the Custodian of the Two Holy Mosques, King Salman bin Abdulaziz has approved amendments to the Unified Value Added Tax (VAT) Agreement for the Cooperation Council for the Arab States of the Gulf (GCC). This was previously ratified by Royal Decree No. (M/51) dated 3 May 2017.

These updates aim to develop tax implementation frameworks and improve tax and VAT integration across all the GCC member states. Key highlights of these amendments are as follows:

- Enabling tax settlements on intra-GCC supplies
- Regulating intra-GCC supplies to non-registered individuals
- Fixing the minimum standard VAT rate at 5%
- Introducing a new mechanism for the payment of import VAT on goods
- Easy exchange of tax information between member states

Key Amendments to the Unified VAT Agreement

Sr. No.	Article Reference	Amendments
1	Article 12 (4) – Supply of Goods Without Transportation or / and Dispatch :	In cases where goods are moved to another GCC member state without transportation or dispatch, then the country of final destination (where the transport or dispatch ends) now holds the right to settle or recover the tax from the country of origin (i.e. where the transportation commenced) through the GCC customs automatic transfer mechanism or any other mechanism approved by the Ministerial Committee.
2	Article 13 – Intra-GCC Supplies to Non-Registered Persons :	Each member state now has the right to claim the VAT paid in another member state if the supply value exceeds SAR 10,000 (or its equivalent in other currencies of the GCC) to individuals and non-registered persons. Settlement of tax will be processed through the Automated Direct Transfer Mechanism used for customs duties or any other mechanism approved by the Committee. The Member states may also impose VAT at its point of entry to such State if no valid proof is presented that the tax was paid in the originating country.
3	Article 25 – Standard VAT Rate Threshold :	Each member state shall apply its standard VAT rate in accordance with its domestic legislation, provided that it is not less than the baseline rate of 5% of the value of the supply or import (unless such supplies are being exempted or zero rated in this Agreement).

Key Amendments to the Unified VAT Agreement (continued)

Sr. No.	Article Reference	Amendments
4	Article 64 – Payment of Tax on Imports :	<p>VAT due on imported goods must be settled at the first point of entry and deposited in a special tax account. Thereafter, the funds to be transferred to the final destination state via the Customs Duties Automated Direct Transfer Mechanism within the framework of the GCC Customs Union.</p> <p>Alternatively, provisions may be adopted to collect the tax directly at the country of destination while refunding or settling the tax collected at the first point of entry directly to the importer.</p> <p>Additionally, member states can also allow the taxable persons to defer the payment of VAT on goods imported for business purposes. Deferred amounts are required to be disclosed in the relevant VAT return and would be eligible for input tax deduction subject to the provisions prescribed for recovery in the Agreement.</p>
5	Article 71 (4) – Tax Information Exchange :	<p>Allows the competent tax authorities of member states engaged in cross-border intra-GCC transactions to directly access relevant transaction data. This is to maximize information exchange between the tax authorities and verify cross-border transactions.</p>

Acquisory Comment

The amendments to the Unified VAT Agreement underscore the GCC member states commitment to enhance the VAT ecosystem. By adapting to the growth of intra-GCC trade and cross border goods movements, the updates improves VAT collection and refund process, avoid double taxation risks and strengthen integration between Gulf tax and customs administrations, fostering a more efficient and harmonized tax framework.



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