



Definitions, Scope of Tax, Calculation of Dates, VAT Group

Article(1)

Definitions

In the application of the provisions of this Agreement, the following words and expressions shall bear the meanings set forth against each of them unless the context otherwise requires:

Council: Gulf Cooperation Council.

Agreement: The Common VAT Agreement of the States of the GCC.

Tax: Value Added Tax (VAT) imposed on the import and supply of Goods and Services at each stage of production and distribution, including “Deemed Supplies”.

Member State: Any country with full membership of the GCC in accordance with the Council’s statute. .

GCC Territory: All territories of the GCC Member States.

Local Law: The VAT Law and any relevant legislation issued by each Member State.

Person: Any natural or legal person, public or private, or any other form of partnership.

Taxable Person: A Person conducting an Economic Activity independently for the purpose of generating income, who is registered or obligated to register for VAT in accordance with the provisions of this Agreement.

Economic Activity: An activity that is conducted in an ongoing and regular manner including commercial, industrial, agricultural or professional activities or Services or any use of material or immaterial property and any other similar activity.

Taxable Trader: A Taxable Person in any Member State whose main activity is the distribution of Oil, Gas, Water or Electricity.

Place of Business: The place where a business is legally established, or where its



actual management center is located where key business decisions are made if different from the place of establishment.

Fixed Establishment: Any fixed location for a Business other than the Place of Business, in which the business is carried out and is distinguished by the permanent presence of human and technical resources in such a way as to enable the Person to supply or receive Goods or Services.

Place of Residence of a Person: The location of Place of Business or any other type of Fixed Establishment is. In the case of a natural person, if he does not have a Place of Business or Fixed Establishment, it will be his usual place of residence. If a Person has a Place of Residence in more than one State, the place of residence will be considered to be in the place most closely connected with the supply.

Resident Person: A person will be resident in a State if he has a place of residence therein.

Non-Resident Person: A person is not resident in a State if he has no Place of Residence therein.

Supplier: A Person who supplies Goods or Services.

Customer: A Person who receives Goods or Services.

Reverse Charge: A mechanism by which the Taxable Customer is obligated to pay the Tax due on behalf of the Supplier and is liable for all the obligations provided for in this Agreement and the Local Law.

Related Persons: Two or more Persons where one of them has supervisory or directive control over the others in such a way that he has administrative power that enables him to influence the business of the other Persons from a financial, economic or regulatory aspect. This includes Persons who are subject to the authority of a third Person that enables him to control their businesses from the financial, economic or regulatory aspect.

Supply: Any form of supply of Goods or Services for consideration in accordance with the cases provided for in Chapter Two of this Agreement.

Deemed Supply: Anything that is considered a Supply in accordance with the cases provided for in Article 8 of this Agreement.



Input Tax: Tax borne by a Taxable Person in relation to Goods or Services supplied to him or imported for the purpose of carrying on the Economic Activity.

Common Customs Law: The Common Customs Law of the States of the GCC.

First Point of Entry: First customs point of entry through which Goods enter the GCC Territory from abroad in accordance with the Common Customs Law.

Final Destination Point of Entry: Customs point of entry through which Goods enter the Final Destination State within the GCC Territory.

Consideration: Everything collected or to be collected by the Taxable Supplier from the Customer or a third party for the Supply of Goods or Services inclusive of the VAT.

Exempted Supplies: Supplies on which no Tax is charged and for which associated Input Tax is not deducted pursuant to the provisions of the Agreement and Local Law.

Taxable Supplies: Supplies on which Tax is charged in accordance with the provisions of the Agreement, whether at the standard rate or zero-rate, and for which associated Input Tax is deducted in accordance with the provisions of the Agreement.

Intra-GCC Supplies: Supplies of Goods or Services by a Supplier who resides in a Member State to a Customer who resides in another Member State.

Goods: All types of material property (material assets), including water and all forms of energy including electricity, gas, lighting, heating, cooling and air conditioning.

Import of Goods: The entry of Goods into any Member State from outside the GCC Territory in accordance with the provisions of the Common Customs Law.

Export of Goods: Supply of Goods from any Member State to the outside of the GCC Territory in accordance with the provisions of the Common Customs Law.

Competent Tax Administration: The relevant Government entity in each Member State responsible for the administration, collection and enforcement of the Tax.

Deductible Tax: Input Tax that may be deducted from Tax Due on supplies for each Tax Period in accordance with the Agreement and Local Law.



Capital Assets: Material and immaterial assets that form part of a business's assets allocated for long-term use as a business instrument or means of investment.

Tax Period: The period of time for which the Net Tax must be accounted.

Net Tax: Tax resulting from deducting the Deductible Tax in a Member State from the Tax due in that State within the same Tax Period. Net Tax may either be payable or refundable.

Mandatory Registration Threshold: The minimum limit of the value of actual supplies at which the Taxable Person becomes obligated to register for Tax purposes.

Voluntary Registration Threshold: The minimum limit of the value of actual supplies at which the Taxable Person may apply to register for Tax purposes.

Ministerial Committee: The Financial and Economic Cooperation Committee of the Council States

Article (2)

Scope of Tax

The Agreement shall come into effect in the GCC and Tax shall be imposed on the following transactions:

1. Taxable Supplies by a Taxable Person in the Member State Territory.
2. Receipt by a Taxable Customer of Goods or Services supplied to him by a Non-Resident and non-Taxable Person in the Member State in instances where Reverse Tax Mechanism applies.
3. Importation of Goods by any Person.

Article (3)

Calculation of Dates

Dates and Timeframes stipulated in the Agreement shall be calculated according to the Gregorian Calendar.

Article (4)



VAT Group

Each Member State may treat the VAT Group as a single Taxable Person in accordance with the rules and conditions it puts in place for that purpose. A VAT Group means two or more Corporate Persons who are Residents of the same Member State.