

VAT brief | Education

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The Saudi VAT law has now been ratified. GAZT has released its calendar of VAT deadlines moving towards the 1 January implementation date. The Saudi implementing regulations have been finalised. The UAE has released its federal decree on VAT. Implementing regulations are expected imminently. Key decision makers should now be more aware than ever that we are entering into a new tax era. Businesses in the UAE and Saudi Arabia now have less than 75 working days to prepare for the implementation of VAT.

What is VAT?

- VAT is a tax on consumption, not income or profits.
- The GCC countries have agreed a standard VAT rate of five percent.
- Goods and services can be exempt, zero-rated or standard-rated (five percent).
- Registered suppliers will add VAT to the price of a good or service they supply, collect the tax and pay it to the tax authority on a regular basis.
- Registered businesses should (where the supplies they make are either standard or zero-rated) be able to recover the VAT they have incurred in the course of making those supplies.
- Registered businesses that make supplies that are exempt from VAT will not be able to recover the VAT they have incurred in the course of making those supplies.
- Registered businesses that make supplies that are zero-rated will usually be in a refundable position.

How will VAT affect the education sector?

- GCC states have discretion in the VAT treatment of education supplies.
- In many parts of the world, education is either exempt or zero-rated. However, in Saudi Arabia's VAT implementing regulations, education services are subject to VAT at the standard rate (five percent).
- While education service providers should be able to claim input tax incurred in the provision of their services, they must consider the impact of charging their customers VAT.
- Education service providers will need to carefully watch their competition to see how they respond to VAT and to remain competitive.

What should education providers be doing now?

- Consider VAT's impact on pricing.
- Carefully examine place of supply issues, particularly in relation to overseas students from global campuses.
- Review capital expenditure from a VAT perspective



Important note

These briefs are based on a translation of Saudi Arabia's VAT legislation, the UAE federal law, the Saudi implementing regulations and general VAT principles and are provided for information purposes only. Saudi Arabia and the UAE continue – as of the date of release of this brief – to work towards an implementation date of 1 January 2018. This brief is not a substitute for professional advice. You should seek appropriate professional advice from a tax advisor before making any decision relating to your particular circumstances.

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