



As part of the measures taken by the Kingdom of Saudi Arabia to mitigate the financial and economic effects of the COVID-19 pandemic, the Ministry of Finance announced, via its press statement issued on 11 May 2020 about the measures taken by the government to absorb the economic shocks resulting from the decline in global demand of oil, which affected the prices and revenues, the precautionary measures taken to preserve the lives of citizens and residents, which affected number of economic activities, in addition to unplanned emergency needs in the aspect of spending on the Healthy to support preventive and curative ability. The measures included the following:

- Increase the VAT rate from 5% to 15% from 1 July 2020.
- Suspended the cost of living allowance from 1 July 2020.
- Forming a ministerial committee to restructure the financial benefits for the contractors with government agencies.
- Canceling, reducing, and postponing some items of operational expenses for several government entities.

The value-added tax (VAT) applied in the Kingdom of Saudi Arabia starting from January 1, 2018, at a rate of 5%, according to Article 25 of the unified value-added tax agreement for the Gulf Cooperation Council countries (GCC).

The new adjusting to the VAT rate will require some procedures, including:

- Adjust the ERP system to comply with the new tax rate
- Revise the invoices.
- Review contracts
- Review the budget and pricing policies if the tax is part of the cost.
- Revisit the cash flow policies and budget.

Please do not hesitate to contact us if you have any questions.

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