



Saudi Arabia Tax Alert: VAT Deemed Supplier Guide



ZATCA issued a new guide on December 2025 regarding VAT deemed suppliers

The Zakat, Tax and Customs Authority (ZATCA) has issued the first edition of the VAT deemed supplier guidance in December 2025, clarifying VAT obligations relating to deemed suppliers.

The guidance aims to enhance clarity and consistency in the application of the VAT regulations without introducing any legislative changes.

It applies to specific VAT scenarios involving deemed suppliers and related obligations under the Saudi VAT framework.

1. Overview

The guidance clarifies the application of VAT provisions to electronic marketplaces, with specific reference to Articles 47 of the implementing Regulations. It explains the roles and obligations of electronic marketplace operators, who are treated as suppliers for VAT purposes when facilitating the supply of goods or services.

2. Key Definitions

Electronic Marketplace: A digital platform that allows suppliers to list, market, and sell goods or services to customers.

Deemed Supplier : Refers to electronic marketplace operators who facilitate the supply of goods or services on behalf of the principal suppliers and are responsible for fulfilling all related tax declaration and payment obligations.

3. Common types of electronic marketplaces and platform

Category	Description
General E-Commerce	Platforms facilitating retail or wholesale transactions for various products and services.
Digital Content	Platforms offering digital media, products, or subscription-based content, including apps and online courses.
Travel & Accommodation	Platforms enabling booking of flights, hotels, and related services.
Transportation	Platforms providing passenger transport services.
Personal Services	Platforms that connect users with individual service providers or freelancers.
Food Delivery	Platforms managing the delivery of prepared meals and beverages to consumers.

4. Operational Framework

The guide outlines different business models adopted by electronic marketplaces, including the following:

- ✓ **Inventory-based model** : where the marketplace purchases goods from suppliers and sells them directly to customers.
- ✓ **Commission-Based Model**: Where the marketplace generates revenue by charging suppliers a commission on completed sales.
- ✓ **Agency Model**: Where the marketplace acts as an intermediary, earning fees for facilitating transactions between suppliers and customers.
- ✓ **Mixed Model** : The electronic platform earns revenue by combining the three supply models, along with value-added services like logistics and third-party supply guarantees.

5. Role of Electronic Marketplace Operators in Facilitating Supply

Operators of electronic marketplaces are regarded as facilitating the supply of goods and services through their platforms when they perform any of the following key activities, which give them a substantial role in initiating or completing transactions:

Participation in the Ordering Process: The marketplace is engaged in the process of customers placing orders for goods or services via the platform and is responsible for ensuring their delivery to customers.

Setting Terms and Conditions: The marketplace determines or controls supply terms, including pricing, payment conditions, return policies, and the rules governing how these terms are set by the primary suppliers.

Control Over Fulfillment: The marketplace exercises direct or indirect control to ensure that the primary supplier delivers the goods or services, or arranges guarantees for such delivery.

Payment Collection: The marketplace collects payments from customers on its own behalf or on behalf of the primary supplier, or delegates this function to a third party, effectively managing the financial transactions associated with supplies through the platform.

Customer Interaction: Handling customer communications related to supply, including complaints, returns, guarantees, and influencing delivery or service provision.

Use of Branding: Applying the marketplace's own brand to supplies, indicating a role beyond merely providing a platform for primary suppliers.

Note: The guide specifies certain exceptions in which electronic marketplaces are not regarded as facilitating the supply of goods or services. For example, if a marketplace's role is limited to processing payments or offering advertising services, without direct involvement in the supply chain, it would not be treated as a deemed supplier.

6. Deemed Supplier Responsibilities and Exceptions for Electronic Marketplaces

- Marketplaces are deemed suppliers when they facilitate supply of goods or services, manage orders, control supply terms, and handle payments.
- Must collect and remit VAT for taxable transactions.
- Contractual agreements with suppliers must reflect actual business practices.
- Exceptions: Not deemed suppliers if only processing payments or providing advertising services.
- Must verify supplier residency to ensure VAT compliance.
- Applies to non-resident suppliers supplying electronic services to customers in the Kingdom.
- Customer location (billing address, IP) determines supply within the Kingdom.
- Ensure non-resident suppliers have no permanent establishment in the Kingdom.

7. VAT Treatment for Non-Resident Suppliers and Marketplaces

Supplier / Customer	Purchase VAT treatments	Sales VAT treatment
Non-resident supplier, Market place in UAE	Marketplace calculates VAT (reverse charge).	Charges VAT on full amount of sale
Non-resident supplier, Market place outside UAE	No VAT on purchase	Customer not VAT-registered : Full amount VAT applied Customer VAT-registered : RCM applies

8. VAT Rules for Non-Resident Suppliers in the Kingdom

If an electronic marketplace is not deemed the supplier, the non-resident supplier must register for VAT.

When reverse charge does not apply, the supplier issues a tax invoice and charges VAT directly.

- Supplies of electronic services to non-registered individuals or consumers are subject to standard VAT; the supplier must register, collect, and report VAT.
- For VAT-registered customers, the reverse charge mechanism (RCM) applies; the customer self-assesses VAT, and the supplier is not liable.
- Invoices to VAT-registered customers should indicate RCM applies if the supplier is registered.

9. Deemed Supplier Rules for Electronic Marketplaces (Effective Jan 1, 2026)

- Starting January 1, 2026, the deemed supplier provisions will be expanded to include resident suppliers who are not registered for VAT. Whereas electronic marketplace operators will be considered deemed suppliers and must report these supplies as if they were the principal in the transaction. When facilitating sales from unregistered resident suppliers, the marketplace is deemed to have purchased and resupplied the goods or services in its own name.

10. VAT Treatment When Electronic Marketplace is a Deemed Supplier

Supplier / Customer	Purchase VAT treatments	Sales VAT treatment
Resident and not VAT registered supplier, Market place in UAE	No VAT on purchase.	Charges VAT on full amount of sale
Resident and not VAT registered supplier, Market place outside UAE	No VAT on purchase	Customer not VAT-registered : Full amount VAT applied By the market place

- Exceptions from Deemed Supplier Status: Electronic marketplaces can avoid deemed supplier status for resident unregistered suppliers if they meet all three conditions :
 - ✓ Proper documentation showing the supplier as seller
 - ✓ A direct contractual relationship between supplier and customer, and a strictly limited marketplace role (cannot set terms, prices, collect payments, handle complaints, or offer discounts).
- In such cases suppliers maintain full control and must monitor VAT registration obligations.

11. VAT Declaration and Compliance Obligations

Registration Requirements	Tax Collection Duties	Record Maintenance
<p>Resident marketplaces must register when exceeding mandatory threshold, non-resident when making any taxable supplies to Saudi customers.</p> <ul style="list-style-type: none"> Monitor revenue thresholds continuously for registration. Submit applications when limits exceeded. Obtain VAT registration numbers promptly. 	<p>Collect VAT on taxable supplies within Kingdom, issue compliant tax invoices, and remit collected taxes to authorities.</p> <ul style="list-style-type: none"> Issue tax invoices meeting regulatory requirements. Use simplified invoices for qualifying transactions. Implement electronic invoicing for residents. 	<p>Maintain comprehensive records for six years including invoices, contracts, financial records, and shipping documentation for compliance.</p> <ul style="list-style-type: none"> Preserve all tax invoices and receipts. Maintain contractual agreements with suppliers. Keep detailed financial and shipping records.

VAT & Commission Treatment for Deemed Suppliers: Deemed suppliers are treated as purchasing from basic suppliers and resupplying to customers, acting as principals. Platforms report output VAT on total customer payments and input VAT via reverse charge for non-resident suppliers. Commissions, defined as the difference between purchase and resale price, represent the platform's margin and are taxable. Non-resident platforms with resident VAT-registered customers require the customer to self-assess VAT. All supply values, commissions, and VAT treatments are governed by contractual arrangements, ensuring compliance with deemed supplier rules.

12. INPUT TAX DEDUCTION

Platform Purchase Assumptions verify all platform transactions meet tax deduction criteria

Unregistered Supplier Limitations

Input tax claims restricted for purchases from unregistered vendors

Reverse Charge Requirements

Apply reverse charge mechanism from purchases from non resident vendors

Registered Supplier Exemptions

Standard deductions apply only to invoices from VAT-registered suppliers directly to customers.

13. RETURNS & REFUNDS

- The Guide explains how electronic platforms, acting as deemed suppliers, must handle cancellations, returns, and refunds, including their VAT treatment. It defines the platform's responsibilities for refunds, replacements, tax adjustments, and credit note issuance, while requiring proper VAT reporting and allowing recovery from suppliers to ensure regulatory compliance.

14. PROMOTIONAL DISCOUNTS

- The Guide explains the VAT treatment of promotional discounts and free supplies offered by electronic platforms acting as deemed suppliers. It clarifies that VAT is calculated on the reduced price actually paid by customers, not the supplier's original price, and that free supplies may be treated as deemed supplies subject to VAT if input tax was previously deducted. It also outlines rules for bundled promotional offers, and special treatment when platforms deal with unregistered suppliers, including cases where no VAT arises if related costs are not deducted, ensuring clear and compliant tax treatment of promotional activities.

15. BAD DEBT ADJUSTMENT

- The Guide sets out the VAT obligations of electronic platforms acting as deemed suppliers, requiring them to calculate, declare, and pay VAT in the tax period when the supply is made or the tax invoice is issued, whichever occurs first. It explains common and alternative payment collection models, including cases where customers pay suppliers directly, and provides relief for platforms unable to collect amounts already taxed by allowing output VAT adjustments for bad debts, subject to regulatory conditions.

What Businesses Should Do Now

- ✓ *Identify the platform's role*
- ✓ *Review business models*
- ✓ *Update compliance systems*
- ✓ *Train staff*
- ✓ *Monitor applicable thresholds*

Our GCC Tax Practice is well-positioned to assist clients in reviewing their business model from tax perspective and ensuring full compliance with the Authority's expectations.

Dubai

Office 604, Bay Square 11, Business Bay,
P.O. Box: 118767, Dubai, UAE

T: + 971 4576 5098

 GCC@acquisory.com

Delhi-NCR

1116, 11th Floor, WTT, C-1,
Sector 16, DND Flyway,
Noida – 201301

T: +91 120 614 300

Fax: +91 120 6143033

Mumbai

102, 1st Floor, Naman Centre, BKC,
Near MMRDA Parking, Bandra East,
Mumbai City, Maharashtra, 400051

T: +91 22 68648100

Fax: +91 22 68648132

 info@acquisory.com

Bengaluru

Unit 1003-1004, 10th Floor,
Prestige Meridian - II,
Mahatma Gandhi Rd,
Ashok Nagar, Bengaluru,
Karnataka, 560025

