

## VAT and Banking Services

Supplies of financial services, including banking services, are exempted from VAT, except in cases where the consideration payable in respect of the service is by way of an explicit fee, commission or commercial discount.

### The banking services exempted from VAT are as follows:



The issue, transfer or receipt of, or any dealing with, money, any security for money or any note or order for the payment of money.



The operation of any current, deposit or savings account, including deposited funds.



In cases where ownership of goods is transferred temporarily as a part of a Shari'ah compliant financial product or as collateral in relation to a financing or other arrangement, but possession of those goods is not intended to pass permanently to the recipient of the financial product, the transfer of the underlying goods is not considered a separate supply of goods. A separate supply of goods which has been transferred as collateral shall be considered to be made upon the transferee becoming entitled to exercise full rights of disposal of the goods or the transferee otherwise is acting in such a way that the transfer may no longer be considered temporary.



Financial instruments, such as derivatives, options, swaps, credit default swaps and futures.



Islamic finance products, being financial products under contract which are Shari'ah compliant and which simulate the intention and achieve effectively the same result as a non-Shari'ah compliant financial product will be treated in the same manner as the equivalent non-Shari'ah financial product for the purpose of applying exemption from VAT.



The provision of any credit or credit guarantee.



Interest or lending fees charged with an implicit margin for any form of lending, including loans and credit cards.



Interest or lending fees charged with an implicit margin for a mortgage or under a diminishing Musharaka arrangement.



Interest or lending fees charged with an implicit margin for finance, including finance leasing, hire purchase products or under a Murabaha contract.



Cash withdrawal services from ATM inside the Kingdom. In contrast, VAT will be implemented on cash withdrawal from ATM outside the Kingdom.

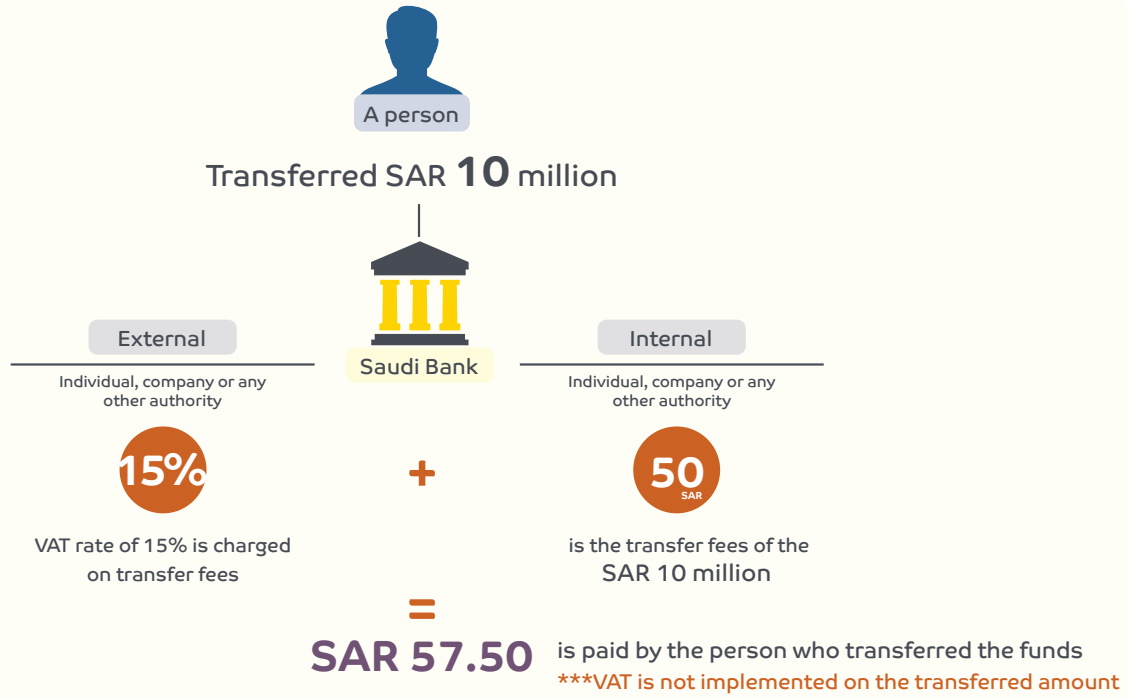


The use of Points of Sale services inside the Kingdom to pay for goods and services; however, the user will incur the amount of tax if the provided goods or services are subject to VAT.

VAT is not implemented on deposited amount in current or savings accounts of different forms

E.g. depositing SAR 10,000 salary in personal account

## Transfer fees are subject to VAT



## These banking services are subject to VAT rate of 15%

Finance	Credit and Lending	Money\Cash Transfer	Card Services	Bank Accounts
Financial Lease (including hire-purchase)	General credit and advances	General money transfer	Debit cards	Current account
	Mortgage loans (including other assets-backed financing)	Cash (management) services	Credit cards	Saving account
		Electronic banking	Pre-paid cards	Deposit account
				Electronic funds transfer
				Cheque books
				Certification
				Bank Statement charges