

VAT Refunds for Non-Resident Businesses in Saudi Arabia

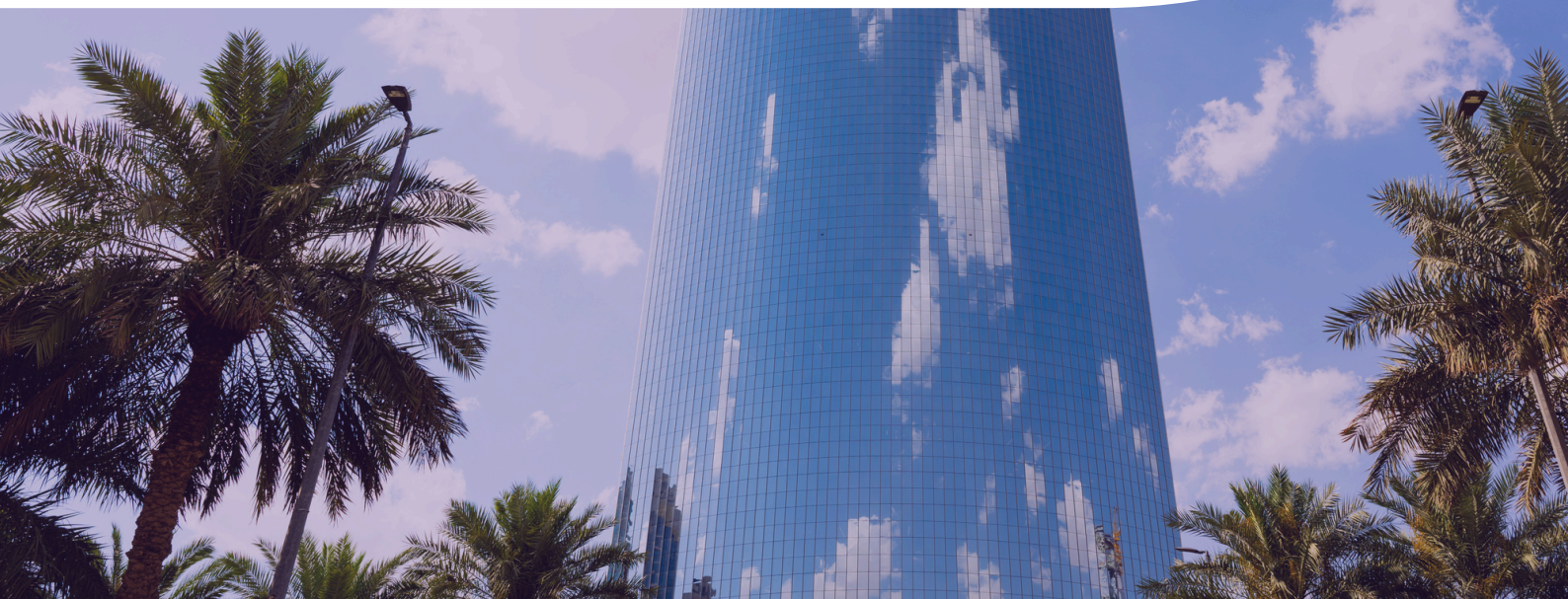
A practical overview of the ZATCA refund mechanism, eligibility, and how non-resident companies can recover Saudi VAT.

Foreign businesses that incur Value Added Tax (VAT) on costs in Saudi Arabia but are not established or registered for VAT in the Kingdom are often unaware that the VAT they pay need not be a sunk cost. The Zakat, Tax and Customs Authority (ZATCA) operates a dedicated refund mechanism that enables eligible non-resident businesses to recover Saudi VAT incurred on qualifying expenditure. The scheme is designed to ease the indirect tax burden on foreign companies that engage with the Saudi market without establishing a taxable presence, and it forms part of the broader policy framework supporting the Kingdom's openness to international trade, professional services, and inbound investment.

Who is eligible

The refund route is intended for businesses that operate outside Saudi Arabia and do not have a Saudi taxable footprint. In broad terms, an applicant is expected to satisfy each of the following conditions. The business must not have a place of residence or a fixed establishment in Saudi Arabia, and it must not be registered, or required to register, for VAT in the Kingdom.

The costs on which VAT is being reclaimed must relate to business activities carried out outside Saudi Arabia. The VAT itself must have been charged correctly by the Saudi supplier in accordance with the applicable VAT regulations, and the applicant must be able to support the claim with valid tax invoices, evidence of payment, and commercial registration documents from its home jurisdiction. In some cases, eligibility is also subject to reciprocity, meaning that the applicant's country of establishment must offer an equivalent VAT or similar indirect tax refund to Saudi businesses.



Eligible expenditure

Recoverable costs typically include those that non-resident businesses incur in the ordinary course of engaging with the Saudi market. These commonly include consultancy and professional service fees, exhibition and conference costs, accommodation, transportation, and other business-related expenses incurred in the Kingdom. Certain categories of expenditure are restricted from recovery under the VAT regulations, and applicants should review the nature of their costs carefully before assembling a claim, as the eligibility of each line item is determined by reference to the underlying rules rather than the applicant's commercial intent.

The application process

Refund applications are submitted electronically through the ZATCA portal, accompanied by the required supporting documentation. During its review, ZATCA may request additional clarifications or further supporting information before approving the claim. Applicants should anticipate this and ensure that records are maintained in a manner that allows the connection between each invoice, the underlying business purpose, and the corresponding payment to be evidenced clearly. Well-organised documentation materially improves the speed and the outcome of the review.

Why the mechanism matters

For foreign companies engaging with Saudi Arabia, the refund mechanism delivers a set of tangible commercial benefits. It reduces operating costs by removing VAT from the effective price of qualifying inputs. It improves cash flow by returning amounts that would otherwise sit unrecovered on the balance sheet. It prevents Saudi VAT from becoming an additional, non-recoverable expense embedded in the cost base of international operations.

It supports international companies participating in projects, events, and commercial activities within the Kingdom by ensuring that indirect tax does not act as a barrier to entry. Taken together, these effects enhance the attractiveness of the Saudi market for foreign investors and service providers, and they reinforce the broader objective of positioning the Kingdom as an open and competitive destination for international business.

Our View

Non-resident businesses operating with, or into, Saudi Arabia should treat the VAT refund position as a routine element of their financial management rather than an afterthought. Reviewing the VAT position in advance of incurring significant Saudi costs, maintaining proper supporting documentation from the outset, and applying within the prescribed periods are the practical steps that determine whether the refund opportunity is realised in full. Where these steps are not embedded in standard processes, recoverable VAT is frequently lost through administrative rather than technical reasons.

Engage With Us

Our tax team advises non-resident companies on the full lifecycle of the VAT refund process, from assessing eligibility and reviewing the underlying expenditure, to preparing and submitting applications and managing correspondence with ZATCA through to resolution.

Our VAT advisory team works with international clients across professional services, technology, events, construction, and other sectors that routinely incur Saudi VAT without a local taxable presence.

To discuss how the refund mechanism applies to your business, or to review a specific claim, contact us.



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