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Saudi Arabia to triple VAT to support economy – 13th May, 2020

Level 4

Saudi Arabia will triple the rate of value added tax on goods and services. It will rise to fifteen 15 per cent. The government said this was necessary because of the effects of coronavirus on the economy. The pandemic has damaged the oil-rich nation's finances. Oil prices and demand for oil have fallen. Saudi started VAT for the first time in 2018. Oil revenue this year has fallen by almost a quarter when compared to the same period last year.

Saudi's Finance Ministry also suspended the cost of living allowance. This is paid to state workers to help with rising prices and expensive petrol. The Finance Minister said: "These measures are...necessary to maintain financial and economic stability over the medium to long term...and to overcome the unprecedented coronavirus crisis with the least damage possible." The measures would impact consumption and could lower revenues.

Level 5

Saudi Arabia will triple the rate of value added tax (VAT) imposed on goods and services. VAT will go up from five to 15 per cent in July. The government said this drastic measure is necessary to curb the effects of coronavirus on the economy. The cut is also part of wider austerity measures. The oil-rich nation's finances have been badly hit by the pandemic. Oil prices and demand for oil have plummeted. Saudi Arabia introduced VAT for the first time in 2018. Analysts report that oil revenues this year have fallen by almost a quarter when compared to the same period last year.

Saudi's Finance Ministry has also suspended the cost of living allowance in a bid support the economy. This is paid to state employees to help with rising prices and more expensive petrol. The Finance Minister said: "These measures are painful but necessary to maintain financial and economic stability over the medium to long term...and to overcome the unprecedented coronavirus crisis with the least damage possible." A Gulf expert said the measures would impact consumption and could lower revenues. He said Saudi needs pro-growth measures, not pro-austerity ones.

Level 6

Saudi Arabia is going to triple the rate of the value added tax (VAT) it imposes on goods and services. VAT will increase from 5 per cent to 15 per cent on the 1st of July. The tax was introduced in Saudi Arabia for the first time in 2018. Government authorities say this drastic measure is necessary to curb the effects of the coronavirus pandemic on the economy. The cut is also part of wider austerity measures to help the economy. Finances of the oil-rich nation have been badly hit as the pandemic has seen oil prices and demand for oil plummet. Analysts are reporting that oil revenues this year have fallen by almost a quarter when compared to the same period last year.

Another measure the finance ministry has taken in a bid to shore up the economy is the suspension of a cost of living allowance. This is a payment of about \$256 per month to state employees. It was introduced to help offset rising prices and more expensive petrol at the pump. Saudi's Finance Minister said: "These measures are painful but necessary to maintain financial and economic stability over the medium to long term...and to overcome the unprecedented coronavirus crisis with the least damage possible." A gulf expert said: "The move will impact consumption and could also lower the expected revenues. These are pro-austerity and pro-revenue moves rather than pro-growth ones."