CONSTITUTIONALE
Volume 3 Issue 1, January-June 2022: PP: 59-76
Faculty of Law, Universitas Lampung, Bandar Lampung, Indonesia.
http://jurnal.fh.unila.ac.id/index.php/constitutionale
P-ISSN: 2723-2492 E-ISSN: 2745-9322

The Need for Harmonizing Value Added Tax Legislation in Gulf Cooperation Council

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Submitted: Mar 15, 2022; Reviewed: Apr 13, 2022; Accepted: Jun 30, 2022

Article's Information

Keywords:
Value Added Tax; GCC; Harmonizing.

DOI :
https://doi.org/10.25041/constitutionale.v3i1. 2570

Abstract

Abstract

The elimination of discriminatory value added tax (VAT) laws on commodities are required for the proper function of the Gulf Cooperation Council (GCC) single market. The proper function of a single market entails the elimination of discriminatory internal VAT regulations of imported goods or services. Hence, the purpose of this study is to empirically examine the need for harmonizing VAT legislation among GCC countries. The data of this study was collected through a variety of sources, including the ministry's website, VAT law for each *country, published articles, and other online data sources/websites with regards to VAT. The data were statistically evaluated using Microsoft Excel. The dependent variable in this study is Harmonization. The factors affecting Value Added Tax Legislation are also called independent variables. Through this search, they harmonize VAT legislation in the GCC countries to maximize the effectiveness of tax laws. Thus, such a fact process to be helpful to understand the challenges faced by GCC companies due to discriminatory VAT regulations and double taxation. There is a need to harmonize VAT legislation in the GCC countries to maximize the effectiveness of tax laws. This study adds value by assessing the present state and the need for harmonizing VAT legislation in the GCC countries. The timely approach of the study will help policymakers, regulators, and practitioners to understand the importance of harmonizing VAT legislation in the GCC.*

A. Introduction

The business world has changed dramatically in recent years. Countries all across the globe are looking for ways to strengthen their economies (Al-Subhi, 2017). Gulf nations have joined this competition in recent years to maintain the stability of their economies. The Gulf Cooperation Council (GCC), which was founded in 1981, aims to integrate the economics of its six-member countries: Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates (UAE) (Roym & Zarrouk, 2002). Low oil prices have had a significant detrimental impact on nearly all GCC countries (Sturm & Peschel, 2008). The topic of value added tax (VAT) has gotten a lot of interest across the world. VAT is implemented in approximately 160 countries throughout the world. Due to the present oil crisis and the massive economic expansion of the GCC countries, high-level decisions were taken to proceed with the implementation of the VAT. Such a move has already resulted in a slew of issues that GCC governments, businesses, and Citiz will have to deal with (Al-Subhi, 2017). There is little question that VAT has become one of the most widely used types of consumer taxation in the world (Cnossen,1998).

The implementation of the VAT to replace state sales taxes was a significant step forward in the restructuring of domestic and international trade taxes (Poddar & Ahmad, 2009). VAT has evolved into a standalone commercial instrument for achieving economic and social policy goals (De Quatrebarbes, Boccanfuso, & Savard, 2016). As a result, when it comes to VAT harmonization policies within the GCC, a degree of cooperation and coordination must be followed in topics about the items and services that fall under the choice of exemption. However, E-commerce services in the region must be given special attention, notably issues connected to zero-rated or accepted products. This fact is especially crucial in avoiding carousel fraud offenses, as previously indicated because the degree of VAT harmonization in union-based economies has a significant impact on those types of crimes. It might be observed that numerous firms in one GCC member have subsidiaries or branches in other nations or GCC members (Bannaga, 2017).

P-ISSN 2723-2492
E-ISSN 2745-9322

As per PWC (2017), all GCC countries will implement their own distinct national VAT legislation, and therefore, the detailed compliance requirements and set of regulations will be defined in each legislation. After the Gulf Cooperation Council adopted the Unified VAT Agreement in 2016, Gulf Arab governments are still in the early phases of establishing a VAT. An international institution like the International Monetary Fund has urged Gulf Arab governments to implement a VAT and has suggested that the introductory tax rate be raised above 5% (Mogielnicki, 2019). According to Mogielnicki (2019), the dynamics of VAT taxes in the region are influenced by local, regional, and worldwide variables. Even though VAT collection in Saudi Arabia and the UAE amounted to less than 2% of the GDP in 2018, the new tax has damaged consumer confidence. Future efforts to integrate tax regulation systems will be complicated by political tensions among regional nations. The VAT has still not been adopted in a coordinated manner across the Gulf. There is a noticeable lack of consistency in the regional policy approach to the VAT, which raises the risk of rivalry within autonomous territories and sovereign nations.

According to Al-Hadrami, and Almoosa (2019), VAT is an indirect tax that must be paid by the end-user rather than the enterprise. The company acts as a middleman, collecting tax from customers and remitting it to the tax authorities. Because VAT is a type of consumption tax. VAT eventually increases the country's revenue. Globalization has compelled a shift in tax policy. Developing nations rely more on trade taxes as one of their primary sources of fiscal income. Due to the significant impact on oil prices, the GCC member nations agreed to implement VAT on goods and services in 2018. Taxation is a novel idea in a few GCC governments, most notably Bahrain and Oman, where the passage of VAT legislation may influence business and taxation. Some GCC customers are unfamiliar with VAT legislation and are uninformed of some VAT ideas and implementation requirements.

If VAT is not carefully administered, it has the potential to produce market distortions and unfair competition among members of an economic union. This is because the GCC framework allowed members to adopt exemptions or zero-rate on several products, a situation that could cause issues of harmonization, especially in sectors such as health, education, real estate, precious metals, local transportation, financial services, and oil and gas (Bannaga, 2017).

In addition, the absence of effective VAT rate harmonization, which may lead to unfair treatment of certain members owing to unfair competitive practices, would be a concern in union-based economies such as the GCC (Swann, 2017). Also, even while VAT generates significant tax revenues, the current VAT structure is weaker in terms of organizing fraud laws and may result in significant tax evasion (Zídková & Šťastná, 2019). Hence, the purpose of this study is to empirically examine the need for harmonizing VAT legislation among GCC countries.

The paper is organized as a literature review, research methodology, findings and discussion, implications, conclusion and limitations of the study. Based on this background, the writer analyzes the effectiveness of tax legislation in the Gulf Cooperation Council. The author examines the functional relationship between harmonization and legislation. This research is expected to contribute to the regulation, especially in the study of policies in tax laws and regulations. The novelty of this research can provide alignment of tax laws and regulations to maximize the effectiveness of discriminatory tax laws and double taxation.

B. Discussion

Peci, and Morina, (2017) investigated the legislative foundation for VAT harmonization, as well as the role and fundamental principles of VAT in the European Union (EU). The paper also discusses the influence of national legal system harmonization and its involvement in the European integration process. It states that reducing trade barriers between nations and ensuring the free movement of persons, commodities, services, and capital appears to be a big step forward and a precondition for the development and effective operation of the single market. The methodologies employed are logical, normative, synthesis, deduction, and comparative directive analysis. Narayanan, (2020) focused on the VAT regimes used by various countries. It focuses on the origins, expansion, and evolution of VAT, as well as the numerous tax model frameworks used in roughly 147 nations throughout the world and the various VAT actions taken by governments during the Covid-19 epidemic (Thottoli, 2021).

Moreover, Grigore and Gurău (2012) compiled information on the significant aspects of VAT in EU member states and emphasized the essential variations among them. As a result of discrepancies in the execution of community VAT legislation, this poll reveals that there are still possibilities and hazards for enterprises operating across borders. Their necessitated VAT changes. On this basis, the commission issued a Communication mainly on the future of VAT at the end of last year. This study lays out the essential qualities that must underpin the new VAT regime, as well as the priority steps that must be taken to make the EU's VAT system more superficial, more efficient, and more robust. According to Andrejovská and Mihóková (2015), the most often utilized tax is the VAT, a relatively new tax instrument that may result in significant increases in a country's tax collections. VAT has the benefit of being a consumption tax, which means that taxpayers accept it as a standard component of the price. The European Council emphasizes the need to harmonize member states' approaches to VAT rates and tax bases to provide transparency and flexibility in EU ties. The evolution of its rates denotes the states' relative autonomy while illustrating changes in the tax harmonization process, highlighting the importance of further research. Their study examines the evolution of VAT rates in the EU from their inception, focusing on the years 2000–2012. During the crisis, development is measured in terms of harmonization and fiscal consolidation. Simultaneously, the implicit rate of VAT is established, which acts as a gauge of tax collection success for the base.

Alternatively, Sezgin, (2007) investigated the EU’s VAT. The subject of tax harmonization and the legal foundation for it in the context of the EU is examined first. Furthermore, his thesis compares and contrasts VAT law in the EU and Turkey, highlighting discrepancies between the EU and Turkish VAT systems. Finally, his paper examines whether significant harmonization laws are required in the VAT admission process in the context of discovering commonalities between Turkish and EU VAT legislation. In the same way, Cho, Cheong, No, and Vasarhelyi, (2021) discussed the strategic and economic significance of blockchain technology by applying it to the VAT reporting system, focusing on blockchain's unique traceability. By enhancing financial transparency in a significant way, the use of blockchain in the VAT system can help to reduce VAT-related fraud (for example, under-reported VAT) that can occur owing to knowledge asymmetry at various points of the supply chain. However, they demonstrate that governments can boost social welfare by offering subsidies to stimulate

P-ISSN 2723-2492
E-ISSN 2745-9322

blockchain use under specific situations. Also, Kristjánsdóttir (2021) pointed out that first-of-its-kind World Bank data estimate the marginal and nominal effects on the number of visitors visiting Europe. The data sample comprises travelers listed by the World Bank from 1995 to 2016, as well as VAT in Europe from the trade association of restaurants, cafes, and hotels HOTREC trade organization to capture the effects on the tourism sector. A tax increase in the form of VAT does not affect tourist intake to Europe. Likewise, Yang and Zhang, (2021) observed that tax incentives aimed at encouraging corporate investment might have a significant and unanticipated influence on labor market results. They found that businesses in eligible industries and pilot locations (treated firms) that benefited from lower fixed-asset acquisition costs as a result of the change tended to increase capital investment while concurrently reducing employment, compared to firms that did not benefit from tax incentives (the control firms). The treated businesses became more capital-intensive than the control firms while declining labor share in the value-added and average wage.

Furthermore, Vishnuhadevi, (2021) expressed the compliance and administrative expenses of VAT faced by enterprises and governments. According to their studies, VAT compliance expenses are higher than administrative costs in both absolute money terms and relative to tax revenue in both developed and developing countries, and compliance costs are highly regressive in nature, disproportionately affecting small businesses. Moreover, Wu, Lu, and Lv, (2021) investigated the impact of VAT on domestic value-added exports by including VAT in a theoretical model to investigate its impact on intra-firm resource allocation. The VAT pilot reform in China's three northeast regions in 2004 was a natural experiment, resulting in significant variances in effective VAT rates owing to deduction rules. The reform is used as an external shock to determine its impact on the domestic value-added ratio (DVAR) in exports at the company level. The reform has dramatically boosted the businesses' DVAR by enabling higher deductions for fixed asset acquisitions, which decreases the effective VAT rates of the impacted firms. In the same way, Shakkour, Almohtaseb, Matahen, and Sahkkour, (2021); Thottoli, (2022a) seeks to achieve VAT compliance results using behavioral choice theory with the taxpayer's job personal qualities, tax knowledge and taxpayer education, and ability to pay theory with the tax compliance cost and audit system (Thottoli, 2022b; Thottoli and Thomas, 2022) as a linking variable to VAT compliance. Under both theoretical and empirical considerations, the findings suggest a substantial positive association between personal traits, tax compliance, and VAT education and a positive relationship between VAT compliance expense, audit system, and VAT compliance.

VAT in GCC

VAT is a tax levied on the purchase or use of goods and services. At the point of sale, 5% VAT is collected. Businesses collect and remit taxes on the government's behalf. The GCC-Wide VAT Agreement was signed by all GCC member states in 2016, and it acts as a template for Gulf Council nations to implement almost comparable domestic VAT legislation in their supply chains. On January 1, 2018, the UAE implemented VAT. VAT is levied at a rate of 5%. VAT will bring a new source of revenue to the UAE that will be used to continue providing high-quality public services. It will also assist the government in decreasing dependency on oil and other hydrocarbons as a revenue source. The UAE organizes VAT implementation with other GCC nations because it is linked to them by the "GCC Economic Agreement" and the "GCC Customs Union."

The VAT Law and implementing regulations in Saudi Arabia have been published and are effective as of January 1, 2018. With some exclusions, VAT is charged at a rate of 5% on most products and services. The regular VAT rate was increased by the government to 15% on July 1, 2022. In addition, VAT was first implemented in the Kingdom of Bahrain on January 1, 2019. With effect from 1 January 2022, the Kingdom of Bahrain has implemented a standard rate of 10% VAT. The National Bureau of Revenue (NBR) is the government organization in Bahrain in charge of implementing and collecting VAT. Certain goods and services will be subject to zero-rate (0 percent) VAT, while others will be VAT-free.

Oman had stated its intention to impose VAT. VAT was imposed in Oman on April 16, 2021. The standard VAT rate in Oman is 5%, following the GCC Unified Agreement, in which the Oman VAT Law consists of provisions for exclusions and zero-rating. By worldwide standards, 5% is one of the lowest VAT rates in the world. Also, Kuwait and Qatar are expected to publish the VAT law and its executive regulations in 2022. VAT may have a direct or indirect impact on all businesses in Kuwait and Qatar and will affect most sales of products and services (with limited exceptions such as financial services and insurance). VAT-registered businesses are entitled to a credit for the VAT amount paid on expenses related to their taxable business activities. Therefore, companies may need to consider some activities before adopting the VAT system.

Harmonization of VAT Legislation

As a result of discrepancies in the execution of community VAT legislation, there are still possibilities and hazards for enterprises operating across borders (Grigore, & GURĂU, 2012). According to Andrejovská, and Mihóková (2015), the EC emphasizes the need to harmonize member states' approaches to VAT rates and tax bases to provide transparency and flexibility in EU ties. The evolution of its rates denotes the states' relative autonomy while illustrating changes in the tax harmonization process, highlighting the importance of further research. Reducing trade barriers between nations and ensuring the free movement of persons, commodities, services, and capital appears to be a big step forward and a precondition for the development and effective operation of the single market (Peci, and Morina, 2017). A VAT hike has little effect on the number of European tourists.

Furthermore, contrary to several previous European research studies, the statistics reveal that 'near-to-maturity' tourism in Europe is not more tax-sensitive than tourism in countries that are still developing (Kristjánsdóttir, 2021). In both developed and developing nations, VAT compliance costs are higher than administrative costs in absolute and relative terms to tax income, and the cost of compliance are highly regressive in nature, disproportionately impacting small enterprises (Vishnuhadevi, 2021). The findings suggest a substantial positive association between personal traits, VAT education, and tax compliance, as well as a positive correlation between VAT compliance cost, audit system, and VAT compliance in Jordan (Shakkour, Almohtaseb, Matahen & Sahkkour, 2021).

The data of this study was collected through a variety of sources, including the ministry's website, VAT law for each country, published articles, and other online data sources/websites with regards to VAT. The data were statistically evaluated using Microsoft Excel. The data gathered from secondary sources consists of qualitative data such as the details of VAT law compliant of GCC countries (Saudi Arabia, Bahrain, Oman, United Arab Emirates, Kuwait, and Qatar); prevailing VAT regulations in GCC countries; and applicable common law across

 P-ISSN 2723-2492
E-ISSN 2745-9322

GCC countries has been taken and the evaluation criteria followed. The methodological approach of this study is depicted in figure 1.

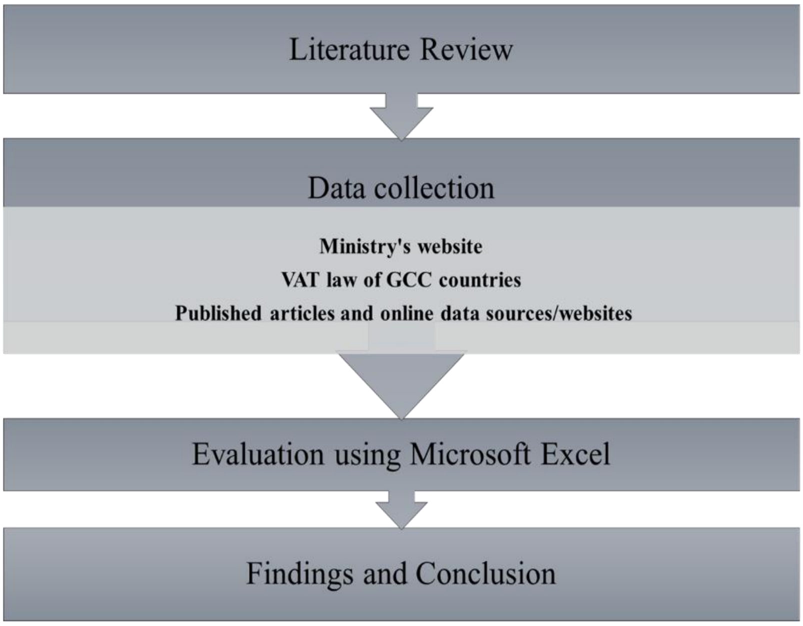

Figure 1. Methodological approach
Source: By author.

Contents of VAT Law in GCC Countries

Latest research studies regarding the similar contents of VAT law in EU countries (Kowal & Przekota, 2021; Sidorova, Nazarova, Khoruzhy, Khoruzhy & Ponyrko, 2020) validate the findings of this study in terms of the similar contents of VAT legislation in GCC nations. Most of the research found similar laws/regulations for specific union countries, indicating a need for harmonization to improve regulatory operations among the same member countries.

The contents of VAT laws reported by GCC nations during the research study period are summarized in Table 1. The contents of VAT law in four GCC member countries (Saudi Arabia, Bahrain, Oman, and the United Arab Emirates) were reported as 16 for Saudi Arabia, 21 for Bahrain, 13 for Oman, and 17 for the United Arab Emirates. The remaining two countries (Kuwait and Qatar) did not have a VAT law.

Table 1: Contents of VAT law

GCC	Existence of VAT Law	Contents of VAT law
Saudi Arabia	Yes	Key terms used in the guide
		Goods and services in the scope of VAT
		VAT Registration
		Taxable and Non-Taxable Supplies
		Place of Supply
		VAT Deductions and Refunds

		How to Remit VAT
		Proportional Deductions
		The Reverse Charge Mechanism (RCM)
		VAT Invoicing
		VAT Records and Books of Accounts
		Special VAT Issues
		Penalties
		Reviews and Appeals
		Transitional Provisions
		Final Note
Bahrain	Yes	preliminary provisions
		Tax scop and rate
		Supply of Goods and Services
		Tax due date
		Place of Supply
		Imports
		Value of Supply
		Registration
		Tax Period and Tax Return
		Tax Invoices and similar documents
		Deduction and Adjustment of Tax
		Payment of Tax
		Domestic Reverse Charge Mechanism
		Supplies subject to zero rate
		Exemptions
		Refund of Tax
		Judicial obligations
		Assessment of Net Tax
		General Provisions
		Transitional Provisions
		Final Provisions
Oman	Yes	Definitions and General Provisions
		Taxation
		Tax due
		The Taxable Value
		Tax Calculation
		Exempted Supplies and Taxable Supplies at zero rate
		Registration
		Tax Invoices, Records, and Returns
		Tax Supervision and Inspection
		Tax Collection and Refunds
		Tax disputes
		Punishments

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		Final Provisions
United Arab Emirates	Yes	Definitions
		Supply
		Registration
		Rules Relating to Supplies
		Profit Margin Scheme
		Supplies Subject to the Zero Rate
		Exempt Supplies
		Accounting for Tax on Certain Supplies
		Designated Zones
		Calculation of Due Tax
		Apportionment of Input Tax
		Capital Asset Scheme
		Tax Invoices and Tax Credit Notes
		Tax Returns and Tax Periods
		Recovery of Excess Tax
		Other Provisions Relating to Recovery
		Closing Provisions
Kuwait	No	Not Applicable
Qatar	No	Not Applicable

Source: Adapted from official websites of GCC member countries.

VAT Regulations in GCC

Latest research studies regarding the similar contents of VAT regulations in EU countries (Sidorova et al., 2020; Kovova, Malyshkin, Vicen, Shulyarenko, Semenova & Shpyrko, 2018) validate the findings of this study in terms of the similarity of VAT regulations among GCC nations. Most of the research found similarities in any law regulations for specific union countries, indicating a need for harmonization to improve regulatory operations among the same member countries.

The contents of VAT regulations reported by GCC nations during the research study period are summarized in Table 2. The study has considered eight similar VAT regulations (first point of entry; final destination points of entry; exempted supplies; taxable supplies; intra-GCC supplies; import; export and deductible tax). The contents of VAT regulations in four GCC member countries (Saudi Arabia, Bahrain, Oman, and the United Arab Emirates) were reported.

The first point of entry and final destination points of entry has similarity under ‘accordance with the common customs law’. Exempted Supplies have similarity under ‘according to the provisions of the agreement and local law’. Taxable Supplies has similarity under ‘accordance with the Agreement provisions, whether at the standard rate or zero-rate and for which associated Input Tax’. Intra-GCC Supplies have similarity under ‘supplies of goods or services that are made by a supplier that has a place of residence in Saudi Arabia to a customer resident in a GCC state or vice versa. Import and Export have similarities under 'accordance with the provisions of the Common Customs Law'. Deductible Tax has similarity under 'accordance with the Agreement and Local Law.' However, the remaining two countries (Kuwait and Qatar) did not have VAT regulations.

Table 2. VAT Regulation in GCC

VAT Regulations	**GCC**					
	Saudi Arabia	Bahrain	Oman	United Arab Emirates	Kuwait	Qatar
First Point of Entry	Accordance with the Common Customs Law.	Accordance with the Common Customs Law.	Accordance with the Common Customs Law.	Accordance with the Common Customs Law.	NA	NA
Final Destination Point of Entry	Accordance with the Common Customs Law.	Accordance with the Common Customs Law.	Accordance with the Common Customs Law.	Accordance with the Common Customs Law.	NA	NA
Exempted Supplies	Pursuant to the provisions of the Agreement and Local Law.	Pursuant to the provisions of the Agreement and Local Law.	Pursuant to the provisions of the Agreement and Local Law.	Pursuant to the provisions of the Agreement and Local Law.	NA	NA
Taxable Supplies	Accordance with the provisions of the Agreement, whether at the standard rate or zero-rate, and for which associated Input Tax.	Accordance with the provisions of the Agreement, whether at the standard rate or zero-rate, and for which associated Input Tax.	Accordance with the provisions of the Agreement, whether at the standard rate or zero-rate, and for which associated Input Tax.	Accordance with the provisions of the Agreement, whether at the standard rate or zero-rate, and for which associated Input Tax.	NA	NA
Intra-GCC Supplies	Supplies of Goods or Services	Supplies of Goods or Services	Supplies of Goods or Services	Supplies of Goods or Services	NA	NA

P-ISSN 2723-2492
E-ISSN 2745-9322

	that are made by a Supplier that has a Place of Residence in the Saudi Arabia to a Customer resident in a GCC state or vice versa.	that are made by a Supplier that has a Place of Residence in the Bahrain to a Customer resident in a GCC state or vice versa.	that are made by a Supplier that has a Place of Residence in the Sultanate to a Customer resident in a GCC state or vice versa.	that are made by a Supplier that has a Place of Residence in the United Arab Emirates to a Customer resident in a GCC state or vice versa.		
Import	Accordance with the provisions of the Common Customs Law.	Accordance with the provisions of the Common Customs Law.	Accordance with the provisions of the Common Customs Law.	Accordance with the provisions of the Common Customs Law.	NA	NA
Export	Accordance with the provisions of the Common Customs Law.	Accordance with the provisions of the Common Customs Law.	Accordance with the provisions of the Common Customs Law.	Accordance with the provisions of the Common Customs Law.	NA	NA
Deductible Tax	Accordance with the Agreement and Local Law.	Accordance with the Agreement and Local Law.	Accordance with the Agreement and Local Law.	Accordance with the Agreement and Local Law.	NA	NA

Source: Adapted from official websites of GCC member countries.

Common Law in GCC Countries

The latest research studies regarding common law in EU countries (Schmidt, 2020; Śledzińska-Simon & Bárd, 2019) validate the findings of this study in terms of the common law GCC nations. Most of the research found the similarity of common law for specific union countries, indicating a need for harmonization to improve legal operations among the same member countries.

There are ten common laws (common customs law of the GCC states; "common law on antidumping, countervailing measures, and safeguard measures."; common industrial regulatory law; the cooperative agreement for VAT for the GCC countries; the unified law (regulation) for combating commercial fraud in the GCC; unified personal status law for the GCC; the unified civil code of the GCC; the unified trade law of the GCC; commercial law in the GCC; and family disputes in the ordinary law courts of the GCC) reported by GCC nations during the research study period are summarized in Table 1. Common law in six GCC member countries (Saudi Arabia, Bahrain, Oman, United Arab Emirates, Kuwait, and Qatar) was reported. It was discovered that every common law is uniformly applied to all six GCC member nations, except for Kuwait and Qatar, which have yet to adopt the law 'Unified Agreement for Value Added Tax for the GCC Countries.

Table 3. Common Law in GCC

Common Law	**GCC**					
	Saudi Arabia	Bahrain	Oman	Kuwait	United Arab Emirates	Qatar
Common Customs Law of the GCC States.	Yes	Yes	Yes	Yes	Yes	Yes
Common Law on Antidumping, Countervailing Measures, and Safeguard Measures.	Yes	Yes	Yes	Yes	Yes	Yes
Common Industrial Regulatory Law.	Yes	Yes	Yes	Yes	Yes	Yes
The Unified Agreement for VAT for the GCC Countries.	Yes	Yes	Yes	Not Yet	Yes	Not Yet
The Unified Law (Regulation) for Combating Commercial Fraud in GCC.	Yes	Yes	Yes	Yes	Yes	Yes
Unified Personal Status Law for the GCC.	Yes	Yes	Yes	Yes	Yes	Yes
The Unified Civil Code of the GCC.	Yes	Yes	Yes	Yes	Yes	Yes
The Unified Trade Law of the GCC.	Yes	Yes	Yes	Yes	Yes	Yes
Commercial law in the GCC	Yes	Yes	Yes	Yes	Yes	Yes
Family disputes in the common law courts of the GCC	Yes	Yes	Yes	Yes	Yes	Yes

Source: Adapted from official websites of GCC member countries.

Following the ratification of the Unified VAT Agreement by the GCC in 2016, Gulf Arab governments are still in the early phases of establishing a VAT (Mogielnicki, 2019). A VAT is an indirect tax on specific products and services levied on sales of such goods and services at all stages of the manufacturing and distribution process (Jenkins, & Kuo, 2000). That financial

P-ISSN 2723-2492
E-ISSN 2745-9322

system is one of a series of economic changes implemented by Gulf Arab governments following the 2014 oil price shock to diversify government budgets and increase non-oil revenue through fees and new taxes (Mogielnicki, 2019). So, one of the criteria for the effective development and operation of the GCC single market is harmonized VAT legislation. The research outcomes show a significant positive association between harmonization and VAT legislation. The research results of the study address the challenges faced by GCC companies due to discriminatory VAT regulations and double taxation. According to Grigore and GURĂU (2012), due to discrepancies in the execution of community VAT legislation, there are still possibilities and hazards for enterprises operating across borders. As well as Andrejovská and Mihóková (2015) observed that the EC emphasizes the need to harmonize Member States' approaches to VAT rates and tax bases to provide transparency and flexibility in EU ties. The evolution of its rates denotes the states' relative autonomy while illustrating changes in the tax harmonization process, highlighting the importance of further research. This research found that the Gulf countries have unified laws and legislations to reduce risks, provide transparency and flexibility in relations, develop a single market, and operate it effectively. This makes it easier for gulf companies to know the challenges they face due to discriminatory VAT regulations and double taxation.

C. Conclusion

There is a need to harmonize VAT legislation in the GCC countries to maximize the effectiveness of tax laws. This study adds value by assessing the present state and the need for harmonizing VAT legislation in the GCC countries. The timely approach of the study will help policymakers, regulators, and practitioners to understand the importance of harmonizing VAT legislation in the GCC.

Examining existing VAT rules and regulations, the need for GCC nations to harmonize VAT laws has been identified and suggested options for further fruitful operations of revenue-boosting and VAT tax policies. While member nations differ in their political and economic frameworks and the current state of their VAT tax systems, common characteristics exist within the countries outlined in this study. They are used to recommend a common VAT law. This research study established that all GCC member countries can benefit from the new efficient and practical application of VAT legislation.

While regional and international factors influenced the adoption of the VAT in the Gulf, domestic factors had a more significant role in deciding the implementation time and the precise tax policy ideas. The VAT was conceived as a united accord among GCC member nations, and the International Monetary Fund (IMF) has urged Gulf Arab countries to move forward with tax implementation (Mogielnicki, 2019). The purpose of this study is to empirically examine the need for harmonizing VAT legislation among GCC countries. The independent variable, Harmonization, was found to impact VAT legislation in this study. The study has collected the data through various sources, including the ministry's website, VAT law for each country, published articles, and other online data sources/websites regarding VAT. The data were statistically evaluated using Microsoft Excel. This research has recommended harmonizing VAT legislation in the GCC countries to maximize the effectiveness of tax laws. That helps to know the challenges faced by GCC companies due to discriminatory VAT regulations and to avoid double taxation.

Most emerging and developed countries, including the EU, were harmonizing a range of legislation. These EU countries have recently undergone democratic and economic transitions and hence provide a perfect laboratory for the need for harmonizing VAT in GCC countries. Although technical capabilities may be a stumbling block, inadequate policy management is a significant factor. Non-tax policies were affecting investment in the GCC region, including a common customs law of the GCC states; "common law on antidumping, countervailing measures, and safeguard measures."; common industrial regulatory law; the cooperative agreement for VAT for the GCC countries; the unified law (regulation) for combating commercial fraud in the GCC; unified personal status law for the GCC; the unified civil code of the GCC; the unified trade law of the GCC; commercial law in the GCC; and family disputes in the ordinary law courts of the GCC reduces barriers.

According to this study, the GCC countries should increase transparency and review the costs and benefits of the VAT tax system. Without sufficient empirical evidence, policymakers and their experts can differ over the effectiveness of various tax incentives. On the other hand, VAT tax incentives should be subject to usual budgetary constraints. This implies there are few eligibility requirements and only a few pieces of information that recipients must disclose to the Tax administration.

The authors can conclude only from the survey findings and the limited website information. Further limitations to this research study should be recognized, which might be interpreted as research opportunities. More quantitative or qualitative research, such as interviews with higher officials of VAT administrators in GCC nations, should be added to the scope of future studies

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