



## Harmonizing Value Added Tax Legislation in the Gulf Cooperation Council: A Necessity for Economic Integration

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Article's Information	Abstract
<p><b>Keywords:</b> <i>Value Added Tax; GCC; Harmonizing.</i></p> <p><b>DOI :</b> <i><a href="https://doi.org/10.25041/constitutionale.v3i1.2570">https://doi.org/10.25041/constitutionale.v3i1.2570</a></i></p>	<p><b>Abstract</b></p> <p><i>The proper functioning of the Gulf Cooperation Council (GCC) single market necessitates the elimination of discriminatory value-added tax (VAT) laws on commodities. This study aims to empirically assess the imperative for harmonizing VAT legislation among GCC countries. Data for this investigation were gathered from diverse sources, including ministry websites, VAT laws of each country, published articles, and other online repositories related to VAT. Statistical analysis was conducted using Microsoft Excel, with harmonization as the</i></p>



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*dependent variable and factors influencing Value Added Tax Legislation as independent variables. The findings underscore the significance of harmonizing VAT legislation in GCC nations to optimize the efficacy of tax laws and address challenges faced by companies due to discriminatory VAT regulations and double taxation. This study contributes by evaluating the current state and necessity for harmonizing VAT legislation in the GCC, providing timely insights for policymakers, regulators, and practitioners to comprehend its importance..*

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## A. Introduction

The landscape of the business world has undergone profound changes in recent years, prompting nations worldwide to seek strategies to bolster their economies (Al-Subhi, 2017). Gulf nations have increasingly engaged in this pursuit to uphold economic stability. Established in 1981, the Gulf Cooperation Council (GCC) aims to integrate the economies of its six member countries: Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates (UAE) (Roym & Zarrouk, 2002). The considerable decline in oil prices has inflicted significant damage on almost all GCC nations (Sturm & Peschel, 2008).

The subject of value-added tax (VAT) has garnered substantial attention globally, with approximately 160 countries worldwide implementing it. Given the current oil crisis and the expansive economic growth of GCC countries, decisive measures have been taken to adopt VAT. However, this move has already presented a myriad of challenges for GCC governments, businesses, and citizens to address (Al-Subhi, 2017). It is undeniable that VAT has emerged as one of the most prevalent forms of consumer taxation internationally (Cnossen, 1998).

The introduction of VAT to supplant state sales taxes marked a significant stride in restructuring domestic and international trade taxes (Poddar & Ahmad, 2009). VAT has evolved into a distinct commercial instrument aimed at achieving economic and social policy objectives (De Quatrebarbes, Boccanfuso, & Savard, 2016). Consequently, cooperation and coordination are imperative concerning VAT harmonization policies within the GCC, particularly regarding exemptions for certain items and services. Notably, special attention must be devoted to e-commerce services in the region, particularly issues concerning zero-rated or exempted products. This is crucial in preventing carousel fraud offenses, as the level of VAT harmonization in union-based economies significantly influences such crimes. It is evident that numerous firms within GCC member states have subsidiaries or branches in other nations or GCC members (Bannaga, 2017).

According to PWC (2017), all GCC countries will enact their own distinct national VAT legislation, leading to the definition of detailed compliance requirements and regulatory frameworks within each jurisdiction. Despite the Gulf Cooperation Council's adoption of the Unified VAT Agreement in 2016, Gulf Arab governments are still in the nascent stages of implementing VAT. International institutions such as the International Monetary Fund have advocated for VAT implementation in Gulf Arab nations, suggesting an initial tax rate higher than 5% (Mogielnicki, 2019). Mogielnicki (2019) highlights that the dynamics of VAT taxation in the region are influenced by various local, regional, and global factors. Despite VAT collection in Saudi Arabia and the UAE amounting to less than 2% of GDP in 2018, the introduction of the tax has had a detrimental effect on consumer confidence. Political tensions among regional nations will complicate future efforts to harmonize tax regulation systems. The adoption of VAT across the Gulf region has not occurred in a coordinated manner, leading to a

noticeable lack of consistency in regional policy approaches to VAT, thereby increasing the risk of competition among autonomous territories and sovereign nations.

As explained by Al-Hadrami and Almoosa (2019), VAT is an indirect tax borne by the end-user rather than the enterprise. Companies act as intermediaries, collecting tax from customers and remitting it to tax authorities. VAT, being a consumption tax, ultimately enhances a country's revenue. Globalization has necessitated a shift in tax policy, with developing nations increasingly relying on trade taxes as a primary source of fiscal income. In light of significant fluctuations in oil prices, GCC member nations agreed to implement VAT on goods and services in 2018. The introduction of VAT legislation, particularly in Bahrain and Oman where taxation is a relatively new concept, may significantly impact business and taxation practices. Some GCC consumers remain unfamiliar with VAT legislation and lack awareness of certain VAT concepts and implementation requirements.

Poorly administered VAT could lead to market distortions and unfair competition within an economic union. This risk is exacerbated by the flexibility granted to members in adopting exemptions or zero-rates for various products within the GCC framework, particularly impacting sectors like health, education, real estate, precious metals, local transportation, financial services, and oil and gas (Bannaga, 2017). The absence of consistent VAT rate harmonization may result in unfair treatment of certain members due to disparities in competitive practices, particularly concerning union-based economies such as the GCC (Swann, 2017). Additionally, while VAT generates significant tax revenues, the current structure lacks robust fraud prevention measures, potentially leading to substantial tax evasion (Zídková & Šťastná, 2019). Consequently, this study aims to empirically assess the necessity of harmonizing VAT legislation among GCC countries.

The paper follows a structured format encompassing a literature review, research methodology, findings and discussion, implications, conclusion, and limitations. Drawing from this foundation, the author scrutinizes the efficacy of tax legislation within the Gulf Cooperation Council, exploring the interplay between harmonization and legislation. This research endeavors to contribute to regulatory improvements, particularly in the realm of tax laws and regulations. The novelty lies in aligning tax laws and regulations to optimize the effectiveness of anti-discriminatory tax laws and prevent double taxation.

## **B. Discussion**

Peci and Morina (2017) investigated the legislative foundation for VAT harmonization and the fundamental principles of VAT within the European Union (EU), alongside the influence of harmonizing national legal systems on European integration. They argue that reducing trade barriers and facilitating free movement of goods, services, persons, and capital are crucial for the single market's development and effectiveness. Their methodologies included logical, normative, synthesis, deduction, and comparative directive analysis. Narayanan (2020) focused on VAT regimes across various countries, exploring their origins, expansion, and evolution, as well as different tax model frameworks used globally. Additionally, the paper examines the VAT actions taken by governments during the Covid-19 pandemic (Thottoli, 2021).

Grigore and Gurău (2012) gathered data on significant aspects of VAT in EU member states, highlighting crucial variations among them. Due to disparities in implementing community VAT legislation, their survey reveals ongoing opportunities and risks for businesses operating across borders, necessitating VAT adjustments. Consequently, the commission issued a Communication outlining the future of VAT, focusing on essential qualities to underpin a new VAT regime and priority steps to enhance the EU's VAT system's transparency, efficiency, and resilience. Meanwhile, Andrejovská and Mihóková (2015) emphasize VAT as the most

frequently used tax, capable of significantly boosting a country's tax revenues. VAT's advantage lies in its nature as a consumption tax, accepted by taxpayers as a standard component of prices. The European Council stresses the importance of harmonizing member states' VAT rates and tax bases to enhance transparency and flexibility in EU relations. Their study examines the evolution of VAT rates in the EU from inception, particularly focusing on the years 2000–2012, during which the crisis prompted developments in harmonization and fiscal consolidation. Additionally, they establish the implicit rate of VAT as a measure of tax collection success for the base.

Sezgin (2007) delved into the EU's VAT, beginning with an examination of tax harmonization and its legal foundations within the EU context. His thesis further scrutinized the differences between VAT laws in the EU and Turkey, highlighting disparities in their respective VAT systems. Additionally, his paper assessed the necessity of significant harmonization laws in the VAT admission process, aiming to identify commonalities between Turkish and EU VAT legislation. Similarly, Cho, Cheong, No, and Vasarhelyi (2021) explored the strategic and economic implications of blockchain technology applied to the VAT reporting system, with a focus on blockchain's unique traceability. By enhancing financial transparency significantly, blockchain integration in the VAT system can mitigate VAT-related fraud, such as under-reported VAT, stemming from knowledge asymmetry along the supply chain. They also demonstrated that governments could enhance social welfare by providing subsidies to promote blockchain adoption under specific circumstances. Additionally, Kristjánsdóttir (2021) highlighted pioneering World Bank data estimating the marginal and nominal effects on European visitor numbers. Analyzing data from 1995 to 2016, the study utilized VAT information from HOTREC trade organization to assess the impact on the tourism sector. Interestingly, a VAT increase did not affect tourist influx to Europe. Similarly, Yang and Zhang (2021) observed that tax incentives aimed at fostering corporate investment could have significant and unforeseen effects on labor market outcomes. Their findings indicated that businesses in eligible industries and pilot locations (treated firms) experiencing lower fixed-asset acquisition costs due to tax incentives tended to increase capital investment while concurrently reducing employment, compared to firms not benefiting from such incentives (control firms). This led to treated firms becoming more capital-intensive, reducing labor share in value-added and average wage..

Vishnuhadevi (2021) addressed the challenges of VAT compliance and administrative expenses encountered by both enterprises and governments. Their research revealed that VAT compliance costs exceed administrative expenses in both developed and developing countries, disproportionately burdening small businesses. Additionally, Wu, Lu, and Lv (2021) investigated the impact of VAT on domestic value-added exports, incorporating VAT into a theoretical model to analyze its effect on intra-firm resource allocation. The VAT pilot reform in China's northeastern regions in 2004 served as a natural experiment, resulting in significant variations in effective VAT rates due to deduction rules. This reform substantially increased businesses' domestic value-added ratio in exports by allowing higher deductions for fixed asset acquisitions, thereby reducing effective VAT rates for affected firms. Similarly, Shakkour, Almohtaseb, Matahen, and Sahkkour (2021), as well as Thottoli (2022a), employed behavioral choice theory and the ability to pay theory to explore VAT compliance outcomes. Their findings suggest a strong positive association between personal traits, tax compliance, and VAT

education, as well as a positive relationship between VAT compliance expense, audit systems, and VAT compliance.

### **VAT in GCC**

Value Added Tax (VAT) is a taxation imposed on the purchase or utilization of goods and services. At the point of sale, a 5% VAT is collected. Businesses act as intermediaries in collecting and remitting these taxes on behalf of the government. The GCC-Wide VAT Agreement, endorsed by all GCC member states in 2016, serves as a blueprint for implementing comparable domestic VAT legislation within Gulf Council nations. The UAE inaugurated VAT on January 1, 2018, at a rate of 5%, aiming to diversify revenue sources for sustaining high-quality public services and reducing reliance on oil and other hydrocarbon revenues. Collaborating with other GCC nations, the UAE coordinates VAT implementation, connected through the "GCC Economic Agreement" and the "GCC Customs Union."

Saudi Arabia's VAT Law and accompanying regulations came into effect on January 1, 2018. Levied at a rate of 5% on most goods and services, the government raised the standard VAT rate to 15% on July 1, 2022. Bahrain implemented VAT on January 1, 2019, with a standard rate of 10% as of January 1, 2022, managed by the National Bureau of Revenue (NBR). Zero-rating and VAT exemptions apply to certain goods and services.

Oman, adhering to the GCC Unified Agreement, implemented VAT on April 16, 2021, with a standard rate of 5%. Kuwait and Qatar are anticipated to publish their VAT laws and executive regulations in 2022, with VAT likely to impact most business transactions, excluding financial services and insurance. VAT-registered entities can claim credits for VAT paid on expenses related to taxable business activities, necessitating careful consideration before transitioning to the VAT system.

### **Harmonization of VAT Legislation**

Discrepancies in the implementation of community VAT legislation present both opportunities and risks for enterprises operating across borders (Grigore & GURĂU, 2012). Andrejovská and Mihóková (2015) highlight the European Commission's emphasis on harmonizing member states' VAT rates and tax bases to enhance transparency and flexibility in EU relationships. The evolution of VAT rates reflects states' relative autonomy and changes in tax harmonization, underscoring the need for further investigation. Facilitating trade and ensuring the free movement of goods, services, and capital are crucial for the development and efficiency of the single market (Peci & Morina, 2017). Contrary to prior studies, recent statistics indicate that European tourism is not significantly impacted by VAT hikes, regardless of whether the destination is nearing maturity or still developing (Kristjánsdóttir, 2021).

Across developed and developing nations, VAT compliance costs outweigh administrative expenses in absolute and relative terms, with these costs disproportionately affecting small businesses (Vishnuhadevi, 2021). Research in Jordan reveals a positive correlation between personal traits, VAT education, and tax compliance, as well as between VAT compliance costs, audit systems, and overall VAT compliance (Shakkour, Almohtaseb, Matahen & Sahkkour, 2021).

Data for this study were collected from various sources, including ministry websites, VAT laws, published articles, and online databases related to VAT. Statistical analysis was conducted using Microsoft Excel. Qualitative data on VAT compliance in GCC countries (Saudi Arabia, Bahrain, Oman, United Arab Emirates, Kuwait, and Qatar), prevailing regulations, and common law across GCC nations were assessed according to predetermined criteria, as illustrated in Figure 1.

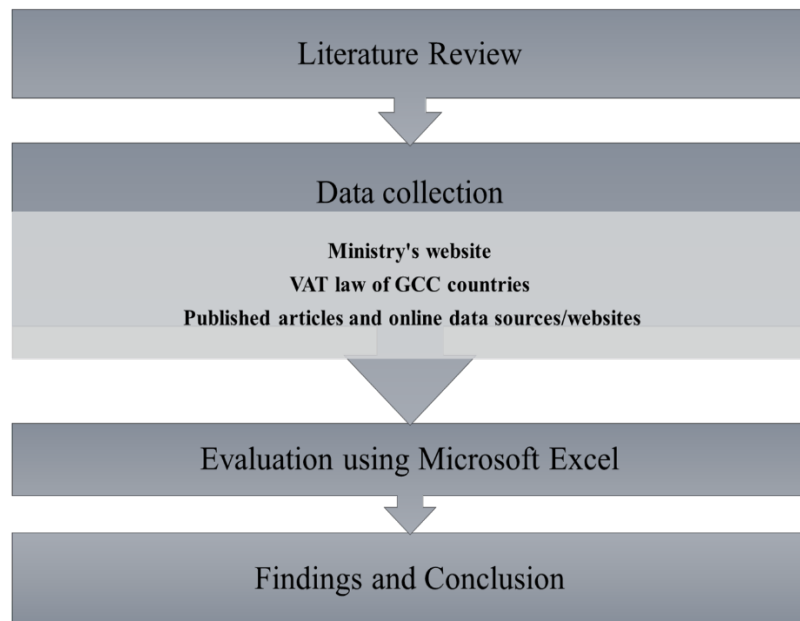


Figure 1. Methodological approach

Source: By author.

### Contents of VAT Law in GCC Countries

Recent research studies by Kowal & Przekota (2021) and Sidorova, Nazarova, Khoruzhy, Khoruzhy & Ponyrko (2020) echo the findings of this study regarding the similarities in VAT legislation across EU countries. These studies validate the need for harmonization to enhance regulatory consistency among member nations.

Table 1 summarizes the contents of VAT laws reported by GCC nations during the research period. Specifically, Saudi Arabia reported 16 elements, Bahrain reported 21, Oman reported 13, and the United Arab Emirates reported 17. Kuwait and Qatar did not have VAT laws at the time of the study. These findings underscore the importance of aligning VAT regulations within the GCC to streamline operations and promote economic integration.

**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
		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

Recent studies by Sidorova et al. (2020) and Kovova et al. (2018) reinforce the findings of this study regarding the similarities in VAT regulations across EU countries. These studies highlight the necessity of harmonization to enhance regulatory efficiency among member nations.

Table 2 provides a summary of the VAT regulations reported by GCC nations during the research period. The study identified 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. These regulations were examined in four GCC member countries: Saudi Arabia, Bahrain, Oman, and the United Arab Emirates.

Key similarities were observed among these regulations. The first point of entry and final destination points of entry align under "accordance with the common customs law." Exempted supplies are governed by "according to the provisions of the agreement and local law." Taxable supplies adhere to "accordance with the Agreement provisions, whether at the standard rate or zero-rate and for which associated Input Tax." Intra-GCC supplies are regulated by "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 are guided by "accordance with the provisions of the Common Customs Law." Deductible tax follows "accordance with the Agreement and Local Law."

However, Kuwait and Qatar did not have VAT regulations during the study period, indicating potential gaps in regulatory oversight within the GCC. These findings underscore the importance of further harmonization efforts to promote consistency and efficiency in VAT regulations across member countries.



**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 that are made by a Supplier	Supplies of Goods or Services that are made by a Supplier	Supplies of Goods or Services that are made by a Supplier	Supplies of Goods or Services that are made by a Supplier	NA	NA

	that has a Place of Residence in the Saudi Arabia to a Customer resident in a GCC state or vice versa.	that has a Place of Residence in the Bahrain to a Customer resident in a GCC state or vice versa.	that has a Place of Residence in the Sultanate to a Customer resident in a GCC state or vice versa.	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 on common law in EU countries (Schmidt, 2020; Śledzińska-Simon & Bárd, 2019) corroborates the findings of this study concerning common law in GCC nations. The research indicates a significant similarity in common law across specific union countries, highlighting the necessity for harmonization to enhance legal operations among member nations.

During the study period, ten common laws were identified in GCC nations, as outlined in Table 1: common customs law of the GCC states, common law on antidumping, countervailing measures, and safeguard measures, common industrial regulatory law, cooperative agreement for VAT for GCC countries, unified law for combating commercial fraud in the GCC, unified personal status law for the GCC, unified civil code of the GCC, unified trade law of the GCC, commercial law in the GCC, and family disputes in the ordinary law courts of the GCC.

Among the six GCC member countries—Saudi Arabia, Bahrain, Oman, United Arab Emirates, Kuwait, and Qatar—each common law is uniformly applied, with the exception of Kuwait and Qatar, which have yet to adopt the Unified Agreement for Value Added Tax for 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.

After the ratification of the Unified VAT Agreement by the GCC in 2016, Gulf Arab governments are still in the nascent stages of implementing a VAT system (Mogielnicki, 2019). VAT, an indirect tax on specific products and services, is levied on sales at all stages of production and distribution (Jenkins & Kuo, 2000). This financial reform is part of a series of economic measures undertaken by Gulf Arab governments post the 2014 oil price shock, aimed at diversifying government revenues and reducing reliance on oil income through the introduction of fees and new taxes (Mogielnicki, 2019).

One crucial criterion for the effective development and operation of the GCC single market is the harmonization of VAT legislation. Research indicates a significant positive correlation between harmonization efforts and VAT legislation. The study's findings address the challenges faced by GCC companies due to discriminatory VAT regulations and double taxation. Discrepancies in the implementation of community VAT legislation, as noted by Grigore and

GURĂU (2012), continue to pose risks and challenges for cross-border enterprises. Similarly, Andrejovská and Mihóková (2015) highlight the European Commission's emphasis on harmonizing VAT rates and tax bases among Member States to enhance transparency and flexibility in EU relations. The evolution of VAT rates reflects states' relative autonomy and changes in the tax harmonization process, underscoring the need for further research. This study reveals that Gulf countries have unified laws and regulations to mitigate risks, enhance transparency and flexibility in relations, foster the development of a single market, and ensure its effective operation. This unified framework enables Gulf companies to better navigate challenges stemming from discriminatory VAT regulations and double taxation.

### **C. Conclusion**

There is a pressing need to harmonize VAT legislation among GCC countries to optimize the efficacy of tax laws. This study provides valuable insights by evaluating the current status and the necessity for harmonizing VAT legislation in the GCC. Its timely analysis will aid policymakers, regulators, and practitioners in comprehending the significance of harmonizing VAT legislation in the GCC. By scrutinizing existing VAT rules and regulations, the study identifies the imperative for GCC nations to harmonize VAT laws and proposes strategies for enhancing revenue generation and VAT tax policies. While member nations exhibit variations in their political, economic frameworks, and the maturity of their VAT tax systems, commonalities exist, suggesting the feasibility of a unified VAT law. This research underscores that all GCC member countries stand to benefit from the efficient and consistent application of VAT legislation.

While regional and international dynamics influenced the adoption of VAT in the Gulf, domestic factors played a pivotal role in determining implementation timelines and specific tax policy formulations. The concept of VAT was conceived as a collective agreement among GCC member nations, with the International Monetary Fund (IMF) advocating for its adoption (Mogielnicki, 2019).

This study empirically examines the necessity for harmonizing VAT legislation among GCC countries, with harmonization identified as the independent variable influencing VAT legislation. Data collection involved various sources, including ministry websites, VAT laws of each country, published articles, and online databases, with statistical analysis conducted using Microsoft Excel. The study recommends harmonizing VAT legislation in the GCC to optimize tax law effectiveness, thereby aiding in understanding challenges faced by GCC companies due to discriminatory VAT regulations and mitigating double taxation.

Most emerging and developed countries, including the EU, have undergone harmonization across a spectrum of legislation. The recent democratic and economic transitions in these EU countries serve as a pertinent case study for the necessity of harmonizing VAT in GCC nations. While technical capabilities may pose challenges, inadequate policy management remains a significant obstacle. Non-tax policies, such as those governing customs, antidumping measures, industrial regulations, and civil laws, also influence investment in the GCC region, underscoring the importance of reducing such barriers.

This study suggests that GCC countries enhance transparency and conduct thorough cost-benefit analyses of the VAT tax system. Policymakers should base decisions on empirical evidence, considering budgetary constraints and eligibility requirements for VAT tax incentives. Future research should explore quantitative or qualitative methods, such as interviews with VAT administrators in GCC nations, to address the limitations of this study and uncover further insights into VAT harmonization.

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