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

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Abstract  
The elimination of discriminatory value added tax (VAT) laws on commodities are required for the proper functioning of the Gulf Cooperation Council (GCC) single market. The proper functioning 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
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 citizens 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 major 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 pertaining to 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 type 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).

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 would 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 basic 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. Despite the fact that VAT collection in Saudi Arabia and the UAE amounted to less than 2% of 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, and 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 a number of 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 literature review, research methodology, findings and discussion, implications, conclusion and limitations of the study. Based on this background, the writer tries to analyze the effectiveness of tax legislation in the Gulf Cooperation Council. The author examines the effective 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 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 Gura (2012) compiled the information on the major aspects of VAT in EU member states and emphasized the important 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 mostly 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 simpler, more efficient, and more robust. According to Andrejovska and Mihokova (2015), the most often utilized tax is the VAT, which is 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 normal component of the price. The European Council emphasizes the need of harmonizing member states' approaches to VAT rates and tax bases in order to provide transparency and flexibility in EU ties. The evolution of its rates denotes the states' relative autonomy while also 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, with a focus on the years 2000–2012. During the crisis years, 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 large 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, with a focus 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 blockchain use under specific situations. Also, Kristjansdottir (2021) pointed 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 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 having declined in 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 in exports by including VAT into a theoretical model to investigate its impact on intra-firm resource allocation. The VAT pilot reform in China's three northeast regions in 2004 served as a natural experiment, resulting in large 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 greatly 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, VAT education as well as a positive relationship among 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 achieving its objective of 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 the majority of 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 normal VAT rate in Oman is 5%, in accordance with the GCC Unified Agreement, in which the Oman VAT Law consist 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 of harmonizing member states’ approaches to VAT rates and tax bases in order to provide transparency and flexibility in EU ties. The evolution of its rates denotes the states’ relative autonomy while also illustrating changes in the tax harmonization process, highlighting the importance of further research. Reducing trade barriers between nations and ensuring 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 tourists that visit Europe. 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 greater than administrative costs in both absolute and relative terms to tax income, and the cost of compliances are extremely 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 source 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 GCC countries has been taken and the evaluation criteria followed. The methodological approach of this study has been depicted in figure 1.
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. The majority of the research found similarities in law/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 in place.

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 scope of VAT                       |
|             |                      | VAT Registration                                         |
|             |                      | Taxable and Non-Taxable Supplies                         |
|             |                      | Place of Supply                                          |
|             |                      | VAT Deductions and Refunds                               |
|             |                      | How to Remit VAT                                         |
|             |                      | Proportional Deductions                                  |

Figure 1. Methodological approach
Source: By author.
| Country | Yes/No |
|---------|--------|
| Bahrain | Yes    |
| Oman    | Yes    |

| Topic | Bahrain | Oman |
|-------|---------|------|
| The Reverse Charge Mechanism (RCM) | ✔️ | ✔️ |
| VAT Invoicing | | ✔️ |
| VAT Records and Books of Accounts | ✔️ | ✔️ |
| Special VAT Issues | | ✔️ |
| Penalties | ✔️ | ✔️ |
| Reviews and Appeals | ✔️ | ✔️ |
| Transitional Provisions | ✔️ | ✔️ |
| Final Note | ✔️ | ✔️ |
| 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 Invoice 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 | ✔️ | ✔️ |
| 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**

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. The majority 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 as (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 has similarity under ‘pursuant to the provisions of the agreement and local law’. Taxable Supplies has similarity under ‘accordance with the provisions of the Agreement, whether at the standard rate or zero-rate and for which associated Input Tax’. Intra-GCC Supplies has 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 similarity 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 a VAT regulation in place.

| VAT Regulations | GCC | Details |
|-----------------|-----|---------|
| First Point of Entry | Saudi Arabia | Accordance with the Common Customs Law. |
| Final Destination Point of Entry | Bahrain | Accordance with the Common Customs Law. |
| Exempted Supplies | Oman | Accordance with the Common Customs Law. |
| Taxable Supplies | United Arab Emirates | Accordance with the Common Customs Law. |
| Intra-GCC Supplies | Kuwait | NA |
| Supplies of Goods or Services that are | Qatar | NA |

Table 2. VAT Regulation in GCC
| 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. The majority of the research found that 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 unified agreement for VAT for the GCC countries; the unified law (regulation) for combating commercial fraud in 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 common 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, with the exception of 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 certain products and services that is levied on sales of such goods and services at all stages of the manufacturing and distribution process (Jenkins, & Kuo, 2000). That financial 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 outcomes of research show a significant positive association between the 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), as a result of 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 the EC emphasizes the need of harmonizing Member States' approaches to VAT rates and tax bases in order to provide transparency and flexibility in EU ties. The evolution of its rates denotes the states' relative autonomy while also illustrating changes in the tax harmonization process, highlighting the importance of further research. Through this research, it was found that the Gulf countries have unified laws and legislations to reduce risks, provide transparency and flexibility in relations, and develop the single market among them and operate it effectively. This makes it easier for gulf companies to know the challenges they face due to the discriminatory regulations of VAT 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.

Through an examination of 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, as well as the current state of their VAT tax systems, common characteristics exist within countries, which have been outlined in this study and used to recommend a common VAT law. This research study established that all GCC member countries can benefit from new efficient and effective application of VAT legislations.

While regional and international factors influenced the adoption of the VAT in the Gulf, domestic factors had a larger role in deciding the time of implementation 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, which is the Harmonization, was found to have an impact on VAT legislation in this study. The study has collected the data 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. 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 appears to be a more significant factor. Non-tax policies affecting investment in the GCC region, including as common customs law of the GCC states; "common law on antidumping, countervailing measures, and safeguard measures."; common industrial regulatory law; the unified agreement for VAT for the GCC countries; the unified law (regulation) for combating commercial fraud in 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 common 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. In the absence of sufficient empirical evidence, policymakers and their experts can differ over the effectiveness of various sorts of tax incentives. VAT tax incentives, on the other hand, should be subject to normal 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 draw conclusions 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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