

## Saudi Arabia to triple VAT to support economy

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Saudi Arabia is going to triple the rate of the value added tax (VAT) it imposes on goods and services. VAT will increase from 5 per cent to 15 per cent on the 1st of July. The tax was introduced in Saudi Arabia for the first time in 2018.

Government authorities say this drastic measure is necessary to curb the effects of the coronavirus pandemic on the economy. The cut is also part of wider austerity measures to help the economy. Finances of the oil-rich nation have been badly hit as the pandemic has seen oil prices and demand for oil plummet. Analysts are reporting that oil revenues this year have fallen by almost a quarter when compared to the same period last year.

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

Sources: yahoo.com / bbc.com / msn.com

## Writing

Only companies should pay tax, ordinary people shouldn't. Discuss.

## Chat

Talk about these words from the article.

triple / tax / goods / services / authorities / drastic measure / pandemic / oil / demand / finance ministry / economy / cost of living / rising prices / stability / expert / austerity

## True / False

- VAT in Saudi Arabia is set to increase three-fold. T / F
- The value added tax in Saudi Arabia will go up on June the 1st. T / F
- Saudi Arabia first introduced VAT in 2018. T / F
- Saudi Arabia's oil revenues have fallen by a half in the pandemic. T / F
- The Finance Ministry has abolished a cost of living allowance. T / F
- Saudi Arabia's Foreign Minister acknowledged the measures were painful. T / F
- The Foreign Minister said the measures were for the short-term. T / F
- An expert on the Gulf said the measures will raise revenues. T / F

## Synonym Match

(The words in **bold** are from the news article.)

- |                         |                   |
|-------------------------|-------------------|
| 1. <b>imposes</b>       | a. attempt        |
| 2. <b>introduced</b>    | b. actions        |
| 3. <b>drastic</b>       | c. income         |
| 4. <b>measures</b>      | d. extreme        |
| 5. <b>plummet</b>       | e. affect         |
| 6. <b>bid</b>           | f. applies        |
| 7. <b>offset</b>        | g. unheard of     |
| 8. <b>unprecedented</b> | h. nosedive       |
| 9. <b>impact</b>        | i. established    |
| 10. <b>revenue</b>      | j. counterbalance |

## Discussion – Student A

- What do you think about what you read?
- How is your country's economy doing?
- Should state employees have preferential tax treatment?
- What painful things have happened to your finances?
- What damage has the pandemic done to your country's economy?
- What can governments do to encourage economic growth?
- Who should pay the most tax?
- What questions would you like to ask a tax expert?

## Phrase Match

1. the value added tax (VAT) it imposes
  2. this drastic measure is necessary
  3. The cut is also part of wider
  4. Analysts are reporting that oil revenues
  5. when compared to the same
  6. Another measure the finance
  7. in a bid to shore
  8. It was introduced to help offset
  9. over the medium
  10. These are pro-austerity and
- a. austerity measures
  - b. pro-revenue moves
  - c. period last year
  - d. ministry has taken
  - e. up the economy
  - f. on goods and services
  - g. to long term
  - h. this year have fallen
  - i. rising prices
  - j. to curb the effects

## Discussion – Student B

- a) What do you think of VAT?
- b) What do governments do with the VAT they collect?
- c) What do you think of tax?
- d) What is the worst tax?
- e) How would a tripling of VAT affect your life?
- f) Have there been austerity measures in your country?
- g) Are plummeting oil prices a good or bad thing?
- h) Should only companies pay tax?

## Spelling

1. tax it sispemo on goods and services
2. Government tuhartseio
3. ratiscd measure
4. wider tiesratuy measures
5. demand for oil elptmmu
6. oil svrnueee
7. Another measure the finance tnyiirms has taken
8. a cost of living lcolwnaea
9. financial and economic sbtilyti
10. the ecenrepddteun coronavirus crisis
11. The move will impact tconomusnip
12. could also lower the tepcdeex ...

### Answers – Synonym Match

1. f	2. i	3. d	4. b	5. h
6. a	7. j	8. g	9. e	10. c

## Role Play

### Role A – Income Tax

You think income tax is the worst tax. Tell the others three reasons why. Tell them why their tax isn't so bad. Also, tell the others which is the most important of these (and why): corporation tax, sales tax or inheritance tax.

### Role B – Corporation Tax

You think corporation tax is the worst tax. Tell the others three reasons why. Tell them why their tax isn't so bad. Also, tell the others which is the most important of these (and why): income tax, sales tax or inheritance tax.

### Role C – Sales Tax (VAT)

You think sales tax is the worst tax. Tell the others three reasons why. Tell them why their tax isn't so bad. Also, tell the others which is the most important of these (and why): corporation tax, income tax or inheritance tax.

### Role D – Inheritance Tax

You think inheritance tax is the worst tax. Tell the others three reasons why. Tell them why their tax isn't so bad. Also, tell the others which is the most important of these (and why): corporation tax, sales tax or income tax.

## Speaking – Tax

Rank these with your partner. Put the worst at the top. Change partners often and share your rankings.

- tax on water
- tax on income
- tax on petrol
- tax on books
- tax on luxury goods
- tax on company profits
- tax on inheritance
- tax on investments

### Answers – True False

a	T	b	F	c	T	d	F	e	F	f	F	g	F	h	F
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Answers to Phrase Match and Spelling are in the text.