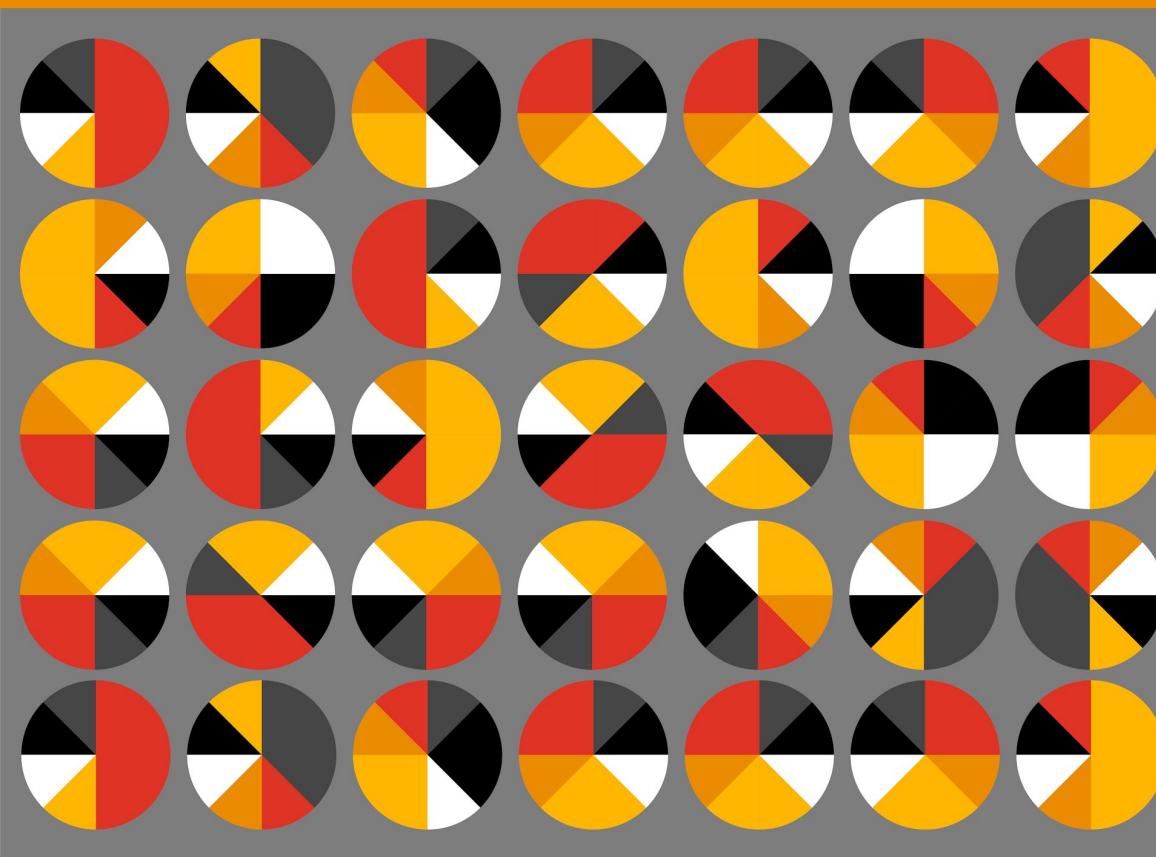


Saudi Arabia: Contracts reporting requirement

July 2020



In brief

The General Authority of Zakat and Tax ('GAZT') has enabled an 'e-services' option on their portal for taxpayers allowing them to report contracts entered into between commercial establishments and Government authorities exceeding the threshold value of SAR 100,000. Such contracts need to be reported within three months of the execution date.

Although there are specific provisions in the Saudi Income Tax law which govern this contract reporting along with consequential penalties, there are no specific provisions available covering this reporting requirement in the VAT law and Implementing Regulations.

GAZT has issued a detailed guidance in this respect which can be accessed below:

<https://gazt.gov.sa/ar/HelpCenter/guidelines/Documents/%D8%A7%D9%84%D8%AF%D9%84%D9%8A%D9%84%20%D8%A7%D9%84%D8%AA%D8%B9%D8%B1%D9%8A%D9%81%D9%8A.pdf>

In detail

Income Tax

Notifying GAZT about the contracts

Under article 61(c) of the Saudi Income Tax Law and Article 58 (I) of the related by-laws, all entities and government bodies are required to provide GAZT with information relating to contracts exceeding the threshold value of SAR 100,000, entered into or their amendments within three months of the date of the contracts or amendment thereto.

If a contract comes to an end, GAZT should be informed within 30 days of the cessation and its consequences on all parties of the contract. If the party responsible to notify GAZT of this obligation within the statutory period, fails to report such contract, all contracting parties shall be jointly responsible for the tax payable on such contracts and any consequential delay fines.

Similar provisions have been introduced for entities subject to zakat by GAZT earlier in 2017.

Value Added Tax

In accordance with the guidance issued by GAZT on the contract reporting requirement, although not specifically covered in the VAT law or Implementing Regulations, all entities are now also required to report contracts, exceeding the aforementioned threshold, entered into between commercial establishments and with the Government authorities from a VAT perspective.

The guidance refers to Article 51 of the VAT law enabling GAZT to require taxpayers to submit contract related information. There are no specific penalties prescribed by GAZT, however we are of the view that GAZT may impose general penalties as per Article 45 of the VAT law in case of non-compliance.

Key Takeaway

Taxpayers are recommended to take note of this compliance requirement and should start reporting the contracts in the manner explained by GAZT. Taxpayers should familiarize themselves with the entire reporting process detailed in the guide issued by GAZT.

Let's Talk

For a deeper discussion of how this issue might affect your business, please contact:

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