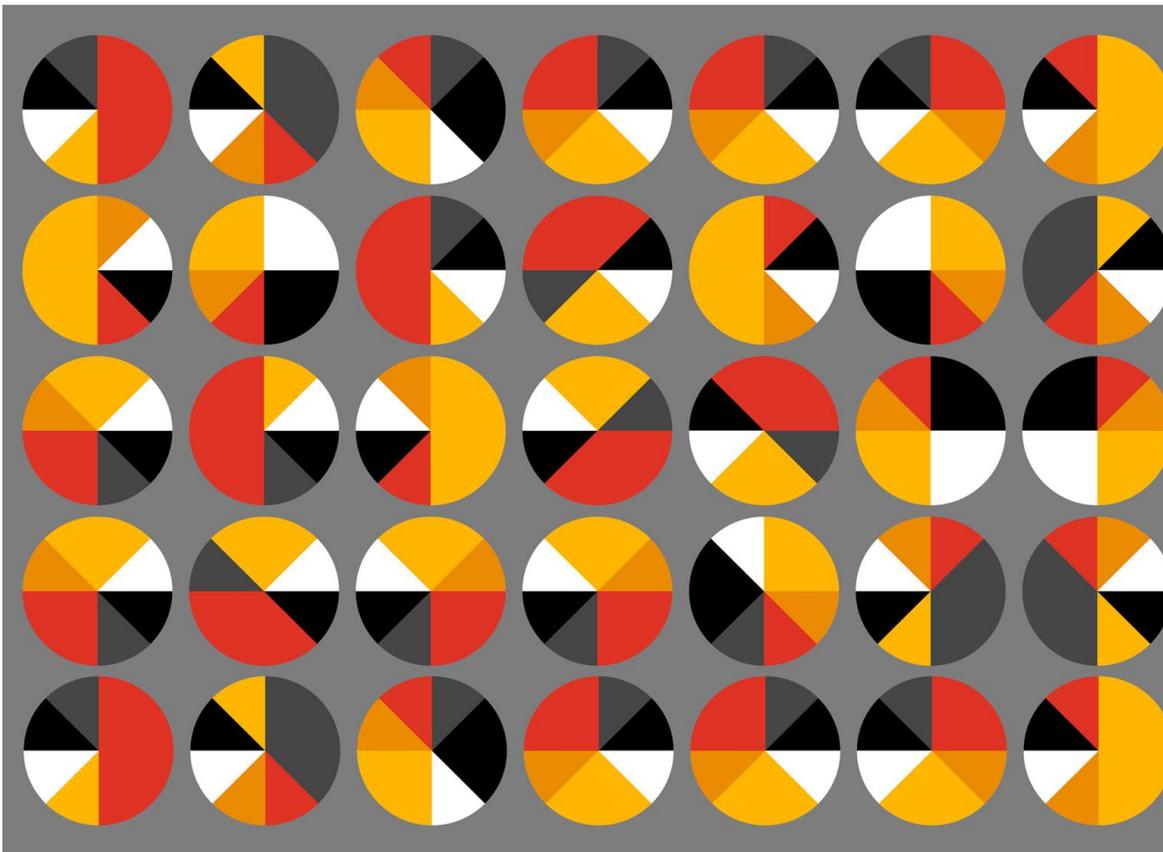


Saudi Arabia: The penalty waiver extended for six additional months

January 2021



In brief

The KSA Minister of Finance has issued a new Resolution aiming at extending the tax amnesty initiative launched earlier in 2020 for an additional six months. This would provide taxpayers with a full or partial waiver of Corporate Income Tax, Withholding tax, Value Added Tax and Excise tax penalties up until 30 June 2021. The waiver percentage (i.e. 100%, 75% or 50%) to be applied depends on the time the tax due is paid in full.

In detail

The KSA Minister of Finance has issued resolution No. 2303 dated 07/06/1442 AH (corresponding to 21 January 2021) in an objective to extend further support to the private sector and as a continuation of the fiscal stimulus initiatives package launched earlier in accordance with the Royal Decree No. 45089 dated 23/07/1441AH corresponding to 18 March 2020 and Royal Decree No.64539 dated 01/12/1441 AH corresponding to 22 July 2020.

This resolution applies a full or partial exemption from the penalties applied on Corporate Income Tax, Withholding Tax, Value Added Tax and Excise Tax under certain conditions.

The waiver applies to the following types of penalties:

- Late payment penalties (all taxes)
- Late submission of tax returns penalties (all taxes)
- Tax return correction penalties (VAT only)

It is not clear however whether the waiver of late payment penalties apply as well to the Real Estate Transaction Tax that has been recently introduced on 4 October 2020.

Penalties waiver conditions and percentages

In order to benefit from the penalty waiver, the resolution requires the full payment of the tax liability associated with the tax return. A full or partial waiver is granted according to the period in which the full payment is made.

Tax liability payment period	Percentage of penalty waiver
January 2021 – March 2021	100%
April 2021 – May 2021	75%
June 2021	50%

The aforementioned waiver also applies to penalties assessed by the General Authority of Zakat and Tax ('GAZT') on a tax return due to be filed before this resolution comes into force.

Taxpayers who paid their tax obligation due in full before this resolution entered into force will benefit from 100% of the unsettled penalties. GAZT also commits to waive these penalties if the conditions are met. Penalties already paid by the taxpayer prior to this resolution date will not be waived.

The resolution enters into force from the date of its issuance and would not apply to any violation related to tax evasion.

Key takeaway

The extension of the tax amnesty initiative provides an opportunity for taxpayers to correct legacy tax positions, amend tax returns with no penalties, improve their cash flow position and obtain a waiver for penalties yet unpaid.

Let's talk

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

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