

# Saudi Arabia: Reclassification of the VAT field violations

February 2022



“

This decision of reclassification of penalties related to VAT and e-invoicing aims to ensure proportionality between the violation and the penalty imposed on violators of the legislation.

## In brief

The Board of Directors of Zakat, Tax and Customs Authority ('ZATCA') have issued a decision to reclassify VAT's table of violations to ensure proportionality between the violation and the penalty imposed.

Additionally, ZATCA published a guide (available in [Arabic](#) and [English](#)) to provide additional clarification on the reclassification of VAT field violations and examples relevant to every case of penalties determination.

## In details

ZATCA clarified that the decision to reclassify the table of violations comes as part of their efforts to support the private sector, improve the business environment in the Kingdom, and raise taxpayers' compliance rates. They want to provide an opportunity for establishments to identify and address violations before penalties are applied, seeing how violations begin by first alerting and educating the taxpayer before the fine is issued.

The decision highlights the following:

- Reclassifying violations and determining penalties starts with first alerting and educating the taxpayer before imposing a fine.
- Granting the violator up to 3 months from the date of inflicting the penalty to correct the violation, except when the violation prevents or impedes the Authority's employees from performing their duties and tasks, which will be inflicted consecutively in the event of a repetition by the violator.
- 12 months is the cut-off limit for a non-recurring violation by the violating taxpayer, provided that the violation is treated and not committed again within the 12 months.

There will be no change in assessment of non-field violations resulting from non-compliance or fulfillment of obligations such as:

- Tax evasion
- Failure to file declarations
- Delayed filing of VAT returns
- Failure to pay VAT dues
- Late payment of VAT dues
- Manipulation of VAT returns.

The reclassification of penalties covers both VAT and e-invoicing violations. It starts with a notice to the taxpayer and granting an appropriate time period of up to 3 months to address the violation. After that, penalties will be calculated as follows:

1st time	2nd time	3rd time	4th time	After 4th time
Alerting the taxpayer and giving an appropriate time period of up to 3 months to address the violation	SAR 1,000	SAR 5,000	SAR 10,000	SAR 40,000

# The takeaway

Taxpayers should take note of this important change in the application of violation penalties and strive to best comply with applicable laws and regulations related to VAT and E invoicing.

## Let's talk

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



**Mohammed Yaghmour**

Middle East Tax & Legal Services  
leader

+966 56 704 9675

mohammed.yaghmour@pwc.com



**Mohammed Al-Obaidi**

Zakat and Tax Leader

+966 50 525 6796

mohammed.alobaidi@pwc.com



**Dr. Yaseen AbuAlkheer**

Partner, Zakat and Tax

+966 54 425 0540

yaseen.abualkheer@pwc.com



**Mohammad Amawi**

Partner, Zakat and Tax

+966 55 800 9697

mohammad.h.amawi@pwc.com



**Chadi Abou Chakra**

Indirect Tax Leader

+966 56 068 0291

Chadi.Abou-Chakra@pwc.com



**Guido Lubbers**

Partner - Indirect tax and fiscal policy

guido.lubbers@pwc.com



**Fehmi Mounla**

Partner, Zakat and Tax

+966 56 271 3073

fehmi.mounla@pwc.com



**Mohammad Harby**

Partner, Zakat and Tax

+966 56 907 2618

mohamed.harby@pwc.com



**Fayeze Al Debs**

Partner, Zakat and Tax

+966 54 400 1037

fayeze.aldebs@pwc.com



**Ebrahim Karolia**

Partner, Tax

+966 56 890 3663

karolia.ebrahim@pwc.com



**Suleman Mulla**

Partner, International Tax

+966 54 122 8051

suleman.mulla@pwc.com



**Wael Osman**

Partner, Zakat and Tax

+966 56 699 4653

wael.osman@pwc.com



**Mugahid Hussein**

Partner, Zakat and Tax

+966 54 425 6573

email



**Husain Miyasaheb**

Partner, Transfer Pricing

+966 56 143 0843

husain.m.miyasaheb@pwc.com

# Thank you