

Saudi Arabia: Amendments to Article (63) of the Income Tax By-Laws

August 2022



In brief

Amendments to Article (63) of the Income Tax By-laws

On August 25, Zakat, Tax and Customs Authority (ZATCA) announced proposed amendments to Article (63) of the Income Tax By-laws, as a part of the ongoing transformation and development of the tax practice in the Kingdom of Saudi Arabia (KSA).

In detail

- Article (63), in particular, addresses the Withholding Tax imposed on non-residents who earn income from a source in KSA.
- The proposed amendments are to paragraph (5) of the aforementioned article, which is related to international telecommunication services, and by doing so, ZATCA has clarified which type of international telecommunication services are in scope and subject to withholding tax under the international telecommunication definition.
- Services that are not in the scope of withholding tax as per the amendments:
 - Payments against passing, transferring or delivering call services; AND
 - Payments against roaming services.
- The content of Article (63) paragraph (5) defining telecommunications services based on the proposed amendments will be as follows:

"Payments for international telecommunications services: refer to any amounts paid to a non-resident party in exchange for services related to the provision of international telecommunications services from the Kingdom, excluding amounts paid for a local telecommunications company's use of an international telecommunications company's network to pass, transfer, or deliver calls made by a subscriber residing in the Kingdom, when requesting an international connection, and any amounts paid to the international telecommunications companies for international roaming services."

The takeaway

Telecommunication companies are recommended to assess the withholding tax impact on the services excluded from the withholding tax scope under the proposed amendments.

Let's talk

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

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Thank you