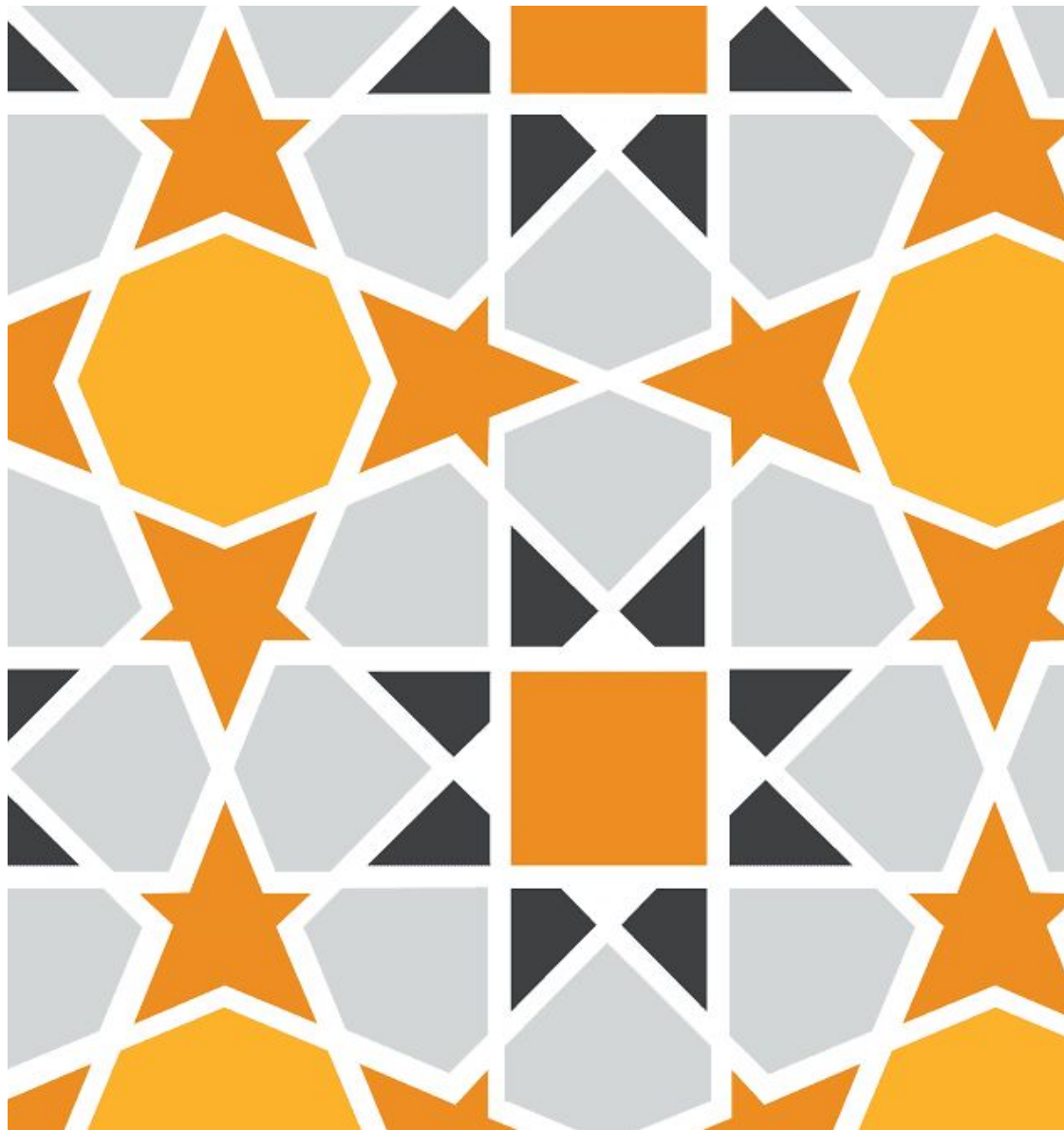


Saudi Arabia: Proposed amendments to the provisions of Chapter Sixteen of VAT Law - Tax evasion and penalties

February 2023





In brief

The Zakat, Tax and Customs Authority ('ZATCA') have proposed amendments to the provisions of Chapter Sixteen of the KSA VAT Law related to Tax Evasion and Penalties and also suggested the addition of a new article under the same chapter.

The [proposed amendments](#) have been published on the Public Consultation Platform of the National Competitiveness Center on 12 February 2023 - for public consultation.

Interested stakeholders and taxpayers are encouraged to express their opinion on this platform and share feedback on the proposed amendment no later than 12 March 2023.

In detail

Following amendments/ additions have been proposed by ZATCA:

Article	What has been proposed?
42(3)	Proposal to impose a penalty of 2% of the tax value due to be paid as against the current range of 5%-25% in case of failure to submit a tax return with a maximum cap of 24% of the value of tax required to be paid. The same percentage will be applicable in case taxpayer submit the return or an assessment is issued by ZATCA.
42(4) New	Proposal to add a non-obstante clause by way of adding a new sub article whereby a minimum fine of SAR 1,000 will be imposed for failure to submit tax return followed by SAR 500 for exceeding one month period. The fine will be doubled if the violation is repeated during the same calendar year.
43	Proposal to impose a fine equivalent to 2% of the unpaid tax value for each month with a maximum of 50% of the unpaid tax value as against 5% in the prevailing clause with no upper range. The fine will be calculated: <ul style="list-style-type: none"> - from the day following the end of specified payment period; - on imports where payment is due; and - for refund from the day following the date on which amount was refunded.



ZATCA has proposed to reduce the percentages of certain penalties and at the same time also proposed stringent measures to recover taxes due.

The public consultation period will end on 12 March 2023.





Article	What has been proposed?
43 cont'd.	<p>An additional fine equivalent to (1%) of the unpaid tax value will be imposed for each month where additional VAT liability is required to be paid by the taxpayer as part of an assessment being conducted by ZATCA.</p> <p>The fine will be calculated at the later of:</p> <ul style="list-style-type: none"> - 30 days from the date of notification of the amendment by ZATCA; or - 30 days from the date of the approved amendment to the VAT Law coming into force. <p>The same penalty stipulated in this Article will be imposed on eligible persons who illegally refund VAT. The fine will be imposed after 30 days have passed since the date of notification of the refund amount.</p>
New	<p>For the purposes of collecting the amounts due and not paid by taxable persons in accordance with the provisions of the Law and Regulation, ZATCA proposed the following provisions to apply:</p> <p>Seizure of properties Under this provision, ZATCA proposed to seize the taxable persons' movable and immovable properties in the event of the non-payment of tax due.</p> <p>ZATCA will start the seizure process within 60 days from serving a notice to the taxpayer. All persons, financial institutions, etc. who possess belongings of the taxpayer to whom the notice has been served, shall comply with the instructions of ZATCA to reserve/ freeze the assets.</p> <p>Those who will not follow ZATCA's order will be required to pay underlying amounts upto the value of the reserved assets.</p> <p>Assets that are related to the taxable person's trade or personal furniture not exceeding SAR 300k value would not be reserved by ZATCA.</p>



Article	What has been proposed?
New	<p>Sale of seized properties ZATCA may sell the property seized in accordance with the applicable laws. The amount obtained will be used to pay the fees associated with the reserving process and sale, followed by required tax payment, fines and thereafter the remaining amount will be returned to the taxpayer.</p> <p>The taxpayer is prohibited from selling any belongings while being audited by the administrative or judicial assessment on which the reservation was made, excluding:</p> <ul style="list-style-type: none"> ● Perishable property ● The property that the taxpayer requests ZATCA to sell <p>Reservation of VAT due which was paid by the taxable person ZATCA may issue notices to third parties, instructing them to pay directly to ZATCA any amounts owed by the third party to the taxable person.</p> <p>The reservation will not be made on the value of the monthly expenses that the taxable person is obligated to pay, nor his living expenses that are required by the provisions of other applicable laws.</p> <p>Relinquish The responsibility of every person who adheres to the provisions of this article is released from any obligation before the taxable person or any other person related to the value of the property subject to seizure from the time of his commitment</p>

The takeaway

The public consultation forum presents a unique opportunity for interested stakeholders to share views and highlight any improvement areas regarding the proposed amendment. Any feedback should be shared with ZATCA no later than 12 March 2023 through the prescribed channel.

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Let's talk

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

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Thank you

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