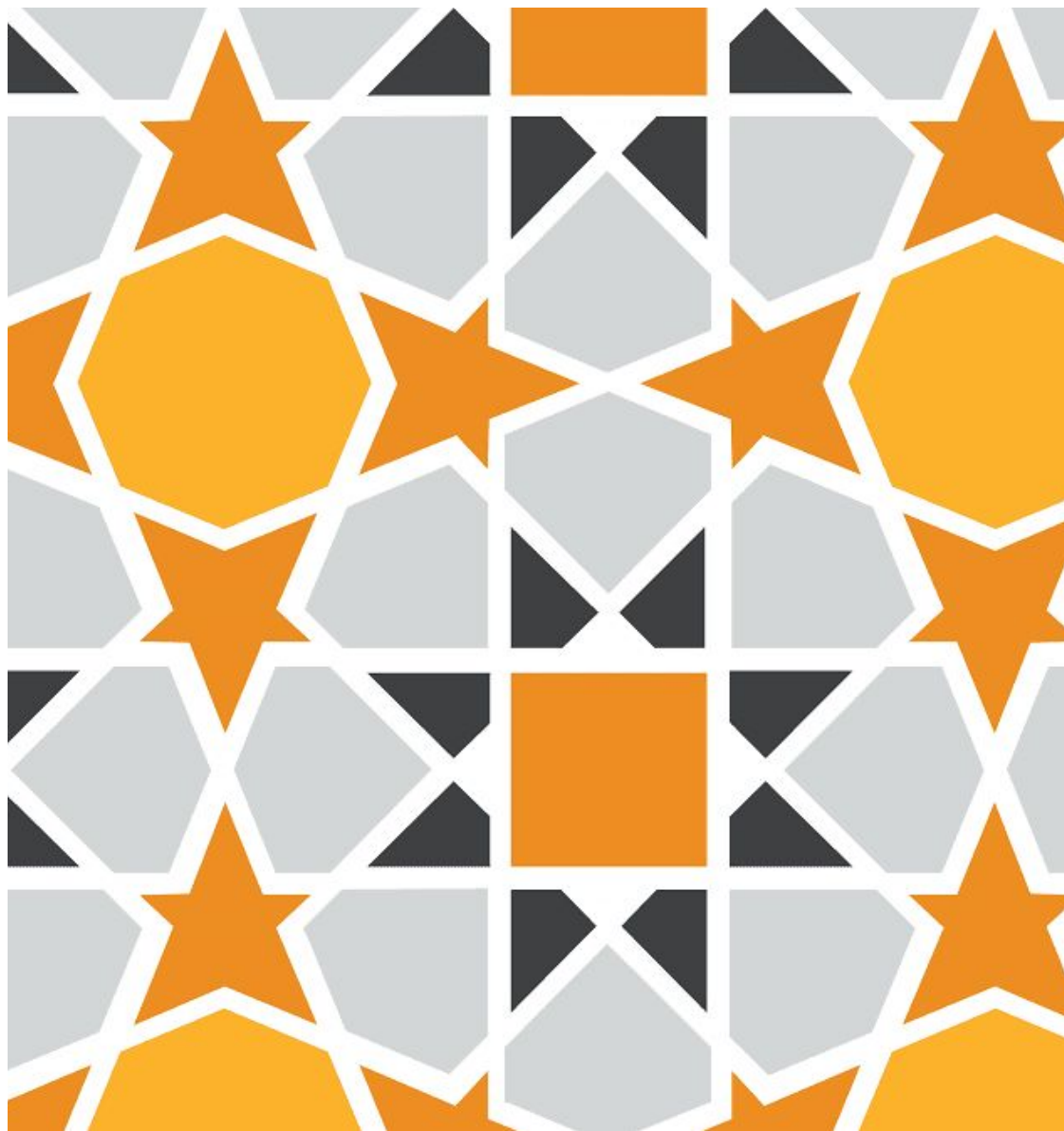


Saudi Arabia: Proposed amendments to Zakat & Tax, Excise, VAT and RETT regulations

June 2023





In brief

In continuation of its efforts to develop a more transparent and efficient tax environment, ZATCA has published proposed amendments to Zakat and Tax regulations, Excise law, VAT law and its Implementing Regulations, as well as Real Estate Transfer tax regulations for public consultation through Istitlaa Portal.

The public consultation closing dates are as follows:

Zakat By-Law, Income Tax By-Law, VAT Implementing Regulations and Excise Tax Implementing Regulations	13 June 2023
Income Tax Law, VAT Law and Excise Tax Law	28 June 2023
Real Estate Transaction Tax Regulations	13 June 2023

In detail

The proposed amendments could be summarized in the following key points:

Proposed Amendments to Income Tax Law:

- The economic and commercial justification is a criterion for attributing the income derived by the non-resident from similar activity to his permanent establishment in Saudi.
- Intra-group relief on transfer of assets is applicable in case of transferring the asset between resident legal persons, among other criteria.
- Guidelines or explanatory rulings will not be applicable retroactively except for certain cases and could be binding to ZATCA subject to meeting some conditions.
- The statutory period for filing the CIT return is 180 days instead of 120 days following the taxable year-end.
- Related parties are to be defined according to the Transfer pricing guidelines according to the cases whereby the persons are classified as related persons or subject to common control.
- The statute of limitation to be 3 years instead of 5 years for both income tax and withholding tax returns; it may be extended to 10 years in case of tax evasion or not filing the return.

Proposed Amendments to Income Tax By-Law:

- Capitalized loan charges will not be subject to the interest formula.
- The appeal process is subject to the provisions of the operating rules of the Tax Violations and Dispute Resolution Committees.
- The articles related to the organization of the preliminary and appellate committees are to be eliminated.
- Technical and consulting services and international telecommunication services are subject to 5% WHT regardless they are provided by a third or related party.
- Payments for air ticket purchases are subject to 5% WHT for the flights only departing from the Kingdom.

Proposed Amendments to Zakat By-Law:

- The statutory period for filing the Zakat return is 180 days instead of 120 days following the zakatable year-end.
- The statute of limitation to be 3 years instead of 5 years.
- Guidelines or explanatory rulings will not be applicable retroactively except for certain cases and will be binding to ZATCA subject to meeting some conditions.



ZATCA continues its relentless efforts to develop the tax environment to create more transparent and efficient investment climate as one of the key objective of the Kingdom's Vision 2030.





Proposed Amendments to the VAT law:

- Taxpayers will be allowed to make payment of due tax liability in installments subject to certain conditions. Installment plan does not exempt taxpayers from penalties where applicable.
- Issuance or publication of ruling/guidance/circulars shall be binding to ZATCA provided that it is in line with the VAT law and its Implementing Regulations.

Proposed Amendments to the VAT Implementing Regulations:

- Taxpayers operating online stores will be required to display their VAT Certificates on the online platform.
- Conditions have been proposed for the economic activities performed by government entities in their capacity as a public authority as well as for workers under service secondment contracts which will be considered as salaried employees.
- Fees and commissions paid in relation to life insurance contract have been proposed to be exempt from VAT.
- In order to apply a 0% VAT on qualifying means of transport, the customer will be required to submit a certificate to ZATCA as well as to the supplier. The customer must assess whether the supply is qualifying means of transport based on the criteria proposed.
- Supplies provided to diplomatic missions will be subject to 0% VAT.
- In case of making an adjustment on account of bad debts, ZATCA will allow the submission of other supporting documents from entities not required to appoint an auditor.
- Government entities will be allowed to subject their taxable supplies on a cash basis provided that the Government entities secured prior approval from ZATCA.
- The limit of correcting errors in subsequent VAT returns will be increased to SAR 15,000.
- The statutory limitation period will be reduced from 5 to 3 years with respect to the tax period where ZATCA can conduct an audit.

Proposed Amendments to the Real Estate Transaction Tax ('RETT') Regulations:

- The scope of exemption from RETT application in case of transfer of real estate by natural personal will be extended to include investment fund subject to certain prescribed conditions.
- Exemption from RETT for transfer between companies having the same ownership has been clarified further. Exemption from RETT will also be granted in case of transfer of real estate between company and investment fund subject to certain conditions.
- A period not exceeding three years from the date of the real estate transfer for the purposes of calculating the tax due has been proposed to be added by ZATCA in order to estimate the value of the real estate transfer with a fixed value.
- A period not exceeding three years from the date of the real estate disposal for the purposes of calculating the tax due has been proposed to be added to estimate the value of the real estate transfer of an indefinite value.
- ZATCA shall demand payment of the tax due within a period not exceeding three years from the date of the real estate disposal or from the date of its knowledge of the undocumented or undisclosed real estate disposal, has been proposed to be added.
- The proposed period does not affect the right of ZATCA to claim payment of the tax due in cases where the time restrictions specified in Article 3 of the Regulations are breached.



Proposed amendments to the Excise Tax Law:

- ZATCA will have the discretion, based on justifications and conditions set up in the regulations, to approve the discharge of Excise Tax liability by the registered person through instalments. Also, ZATCA has the right to cancel an instalment plan if it is determined that public treasury rights might be lost.
- The approved instalment plan above shall not exempt the registered person from his liability to settle the late payment penalties according to Article 23 of the Excise Tax law.
- ZATCA might, at its discretion, issue private or public rulings to clarify the tax treatment related to a transaction. The ruling will take the form of an interpretive decision binding to ZATCA and will indicate the period where it applies.
- ZATCA shall comply with the interpretations provided in its rulings, guidance and circulars for the period that succeeds the date of their issuance, amendments or publication with no retrospective application provided that it is in line with the Excise Tax law and its Implementing Regulations.
- The previous points shall not apply in the following cases:
 - Violation of law.
 - The actual facts differ from those specified in the guidelines.
 - Misrepresentation of material facts.
 - Transactions that do not meet the requirements contained in the guidelines.

Proposed amendments to the Excise Tax Implementing Regulations:

- The period for ZATCA to conduct or amend audits on Excise taxpayers, namely for taxpayers that have been refunded or exempted from Excise Tax, will be reduced from 5 years to 3 years.

The takeaway

Tax and Zakat payers are highly recommended to cooperate with ZATCA and provide their feedback regarding the proposed amendments through the Istitla portal: (<https://istitlaa.ncc.gov.sa/ar/Finance/GAZT/Pages/default.aspx>) in order to support ZATCA in its positive endeavors to develop the tax environment in Saudi in line with the Kingdom's Vision 2030.

If you wish to explore this further, please feel free to reach out to us for support.

www.pwc.com/me

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

KSA Market Leader

+966 50 525 6796

mohammed.alobaidi@pwc.com

Dr. Yaseen AbuAlkheer

Partner, Zakat and Tax

+966 54 425 0540

yaseen.abualkheer@pwc.com

Chadi Abou Chakra

Indirect Taxes Network Leader

+966 56 068 0291

Chadi.Abou-Chakra@pwc.com

Guido Lubbers

Partner - Indirect Tax

+966 54 110 0432

guido.lubbers@pwc.com

Fehmi Mounla

Partner, Zakat and Tax

+966 56 271 3073

fehmi.mounla@pwc.com

Hafez Yamin

Partner, Indirect Tax

+966 54 033 7096

hafez.yamin@pwc.com

Mohamad Najjar

Partner, Indirect Tax

+966 56 367 9392

mohamad.x.najjar@pwc.com

Mugahid Hussein

Partner, Zakat and Tax

+966 54 425 6573

mugahid.hussain@pwc.com

Fayez Al Debs

Partner, Zakat and Tax

+966 54 400 1037

fayez.aldebs@pwc.com

Mohammad Harby

Partner, Zakat and Tax

+966 56 907 2618

mohamed.harby@pwc.com

Zachary Noteman

Partner, Transfer Pricing

+966 54 020 2902

zachary.noteman@pwc.com

Ebrahim Karolia

Partner, Tax

+966 56 890 3663

karolia.ebrahim@pwc.com

Wael Osman

Partner, M&A / International Tax

+966 56 699 4653

wael.osman@pwc.com

Khurram Iqbal

Partner, Zakat and Tax

+966 54 004 6348

khurram.iqbal@pwc.com

Mohammad Amawi

Partner, Zakat and Tax

+966 55 800 9697

mohammad.h.amawi@pwc.com

Suleman Mulla

Partner, International Tax

+966 54 122 8051

suleman.mulla@pwc.com

Mohammed Alkhashi

Partner, M&A / International Tax

+966 56 648 0014

mohammed.x.alkhashi@pwc.com

Thank you

©2023 PwC. All rights reserved. PwC refers to the PwC network and/or one or more of its member firms, each of which is a separate legal entity. Please see www.pwc.com/structure for further details. This publication has been prepared for general guidance on matters of interest only, and does not constitute professional advice. You should not act upon the information contained in this publication without obtaining specific professional advice. No representation or warranty (express or implied) is given as to the accuracy or completeness of the information contained in this publication, and, to the extent permitted by law, PricewaterhouseCoopers, its members, employees and agents do not accept or assume any liability, responsibility or duty of care for any consequences of you or anyone else acting, or refraining to act, in reliance on the information contained in this publication or for any decision based on it.