

## THE EXECUTIVE REGULATIONS FOR THE COLLECTION OF ZAKAT

ISSUED BY MINISTERIAL RESOLUTIONS NO. (2216)  
DATED 07/07/1440 H CORRESPONDING TO 13/03/2019 G

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## SECTION I: DEFINITIONS AND GENERAL PROVISIONS

### Article One.

- Unless the context otherwise requires, the following words and phrases -wherever stated herein- shall have the meaning ascribed to it below:

The “**Authority**”: the General Authority of Zakat and Tax.

The “**Minister**”: the Minister of Finance

The “**Governor**”: the Governor of General Authority of Zakat and Tax

The “**Regulations**”: The Implementing Regulations for zakat Collection

“**Zakat Payer**”: a natural or legal person who carries on Activities subject to Zakat under the Regulations, whether a sole proprietorship, corporate or a person engaged in a business activity under a license issued by a competent authority.

“**Zakat Year**”: Zakat Payer’s fiscal year, whether Hijri or Gregorian, short or long, at the commencement or closing of business dates.

A “**Declaration**”: A statement provided by the Zakat Payer in a form approved by the Authority showing fiscal items of the zakat account and zakat due in accordance with the Zakat Regulations.

An “**Assessment**”: A decision issued by the Authority accepting a Declaration or otherwise adjusting it in accordance with the information available with and practices adopted by the Authority.

“**Activity**”: work done for the purpose of generating profit, whether such work is trading, the provision of services, industrial work, or other activity.

“**Kingdom**”: The territory of the Kingdom of Saudi Arabia, including the territorial land and waters, the sea bottom, underground natural resources, and the airspace, divided territories with neighboring states over which it has sovereignty rights, and marine and semi-marine areas outside its territorial waters in which the Kingdom practices the rights of sovereignty over it pursuant to its laws and international law.

“**Resident**”: A natural or legal person meeting residency requirements stated in Article 3 of the Regulations hereof.

“**Commercial Records**”: Book of accounts and financial/accounting records maintained by the Zakat Payer in which, all commercial transactions are recorded as per the Commercial Books Law issued by Royal Decree No. (M/61) dated 17/12/1409H (21/02/1989G) and its implementing regulations and any amendments thereto.

## Article Two.

- The following persons who engage in an Activity are subject to these Regulations:
  1. Resident Saudi natural persons and nationals of a member state of the Gulf Cooperation Council for the Arab States of the Gulf (“GCC”) accorded similar treatment as Saudi nationals.
  2. Resident Companies in respect of shares held by Saudi partners’ or citizens of a GCC member state accorded similar treatment to Saudi nationals, and any person who carries out an Activity pursuant to a license issued by a competent government or administrative body in accordance with the criteria set by the Authority.
  3. Shares held by non-Saudi partners in Resident Saudi companies listed on a Saudi stock exchange -other than founding shareholders or their successors or assigns as per the company’s articles of association or other statutory documents- and the shares held by Saudi government agencies and authorities.
  4. Permanent establishments of Saudi nationals who are not Residents [of the Kingdom] and of other persons afforded similar treatment to nationals, provided the permanent establishment meets the requirements of the principal place of management. The kingdom is deemed the principal place of management if at least two of the following conditions are met:
    - a. the board convene/hold their periodical ordinary meetings in the Kingdom

during which decisions and policies relating to management and operations of the entity are taken/set, regardless of the form of the meeting or the method in which it is convened.

b. Chief executive decisions relating to the management of the company's functions -such as decisions of the chief executive officers and their deputies- are made in the Kingdom.

c. The entity's operations/business generating over 50% of its revenue occur in the Kingdom.

In such case, zakat shall be calculated on the worldwide Activities carried by the permanent establishment and its branches.

**5.** The following shall be excluded from the provisions of this article :

a. Resident capital companies in respect of the shares owned directly or indirectly by a natural or legal person engaged in the production of oil and hydrocarbons regardless of whether such person is a Resident. However, such exclusion shall not apply to shares in capital companies that are listed in the Saudi Stock Exchange owned -directly or indirectly- by persons working in the production of oil and hydrocarbons, nor [shall the exclusion apply to] the shares owned -directly or indirectly-by such companies in capital companies<sup>1</sup>.

b. A Zakat Payer who is not subject to zakat pursuant to a decision issued by the Authority.

<sup>1</sup>The Text (except for shares...) in paragraph 5 (a) of this Article was added pursuant to Ministerial Resolution ("MR") No. (5123) dated 241441/12/.



### Article Three.

#### ■ Concept of Residency:

**1.** A natural person is deemed a Resident of the Kingdom during the Zakat Year if any of the following conditions are met:

**a.** Such person has a permanent residence in the Kingdom and the person is physically present in the Kingdom for no less than 30 days, whether consecutive or aggregated, during the Zakat Year; or

**b.** Such person is physically present in the Kingdom for no less than 183 days, whether consecutive or aggregated, during the Zakat Year;

For the purpose of this Paragraph, presence in the Kingdom for a part of the day shall be deemed as presence for a full day. However, a person is not considered physically present in the Kingdom during transit in the Kingdom for a day or a part thereof between two destinations outside the Kingdom shall not be considered a full day stay.

**2.** A Zakat Payer, other than a natural person, shall be deemed a Resident of the Kingdom during the Zakat Year if such person meets one of the following conditions:

**a.** The Zakat Payer is incorporated under the applicable laws of the Kingdom; or

**b.** The Zakat Payer's principal place of management is located in the Kingdom.

## SECTION II: CALCULATING THE ZAKAT BASE FOR ZAKAT PAYERS WITH COMMERCIAL RECORDS

### Article Four.

- The following expenses can be deducted to determine the net result of activity:
  1. Expenses ordinary and necessary for an entity to engage in business activity, subject to meeting the following criteria:
    - a. Expenses should be actual expenses as supported by relevant documents and other evidential matter to enable the Authority to verify the accuracy of expenses, even if related to prior years.
    - b. Expenses should be related to Zakat Payer's business activity rather than personal expenses or other than Zakat Payer's own activities.
    - c. Expenses shall not be of capital nature. Where a capital expenditure is included in the expenses such expenditure shall be adjusted against the result of activity, added to fixed assets and accordingly depreciated as applicable.
  2. Owner's salaries and allowances registered with General Organization of Social Insurance (GOSI) and the remuneration paid to Chairman, deputy chairman and directors provided that the bonuses should not exceed those paid to independent persons.

## Article Five.

- The following items shall be deducted from the zakat base of a Zakat Payer who maintains Commercial Records:
  1. Net fixed assets and equivalents, including, for example though not limited to, the following:
    - a. Fixed assets obtained for use in the Zakat Payer's Activity at the book value appearing in the financial statements.
    - b. Payments for the purchase of fixed assets.
    - c. Spare parts and materials not for sale.
    - d. Lessee's assets related to build-operate-transfer (BOT) projects, build-own-operate (BOO) projects, build-own-operate-transfer (BOOT) projects, or any similar project where the assets are financed pursuant to financial lease agreements.
  2. Work in progress (WIP) carried out for use in business activities rather than selling them, subject to paragraph 9 of the article hereof.
  3. Intangible assets, recognized in Zakat Payer's accounting books, generated internally or otherwise purchased for other than trading purposes.
  4. Investments in an entity in the Kingdom for purposes other than trade, if the entity invested in is registered with the Authority and is subject to Zakat according to these Regulations. Assets that are the object of a financial lease and are booked

as such in the lessor's Commercial Records shall not be a deductible investment from Zakat Base regardless of its classification in the financial statements. loans receivable, subordinate loans, supplemental financing and similar items granted to the entity invested are not a zakat-deductible investment.

**5.** Investments in an entity outside the Kingdom for purposes other than trade, provided that the Zakat Payer pays and remits Zakat on such investments to the Authority pursuant to a certificate prepared in accordance with the provisions of these Regulations and certified by a chartered accountant licensed in the Kingdom, and provided that the minimum Zakat base of such investments is the Zakat Payer's share of the net profit reported in the financial statements of such investments regardless of whether or not profits are distributed. If the Zakat Payer does not calculate and pay the Zakat accordingly, such investments is not deductible from the Zakat base.

**6.** Net incorporation, pre-incorporation expenses and similar capital expenditures.

**7.** Net adjusted loss for Zakat Year in accordance with the provisions of the Regulations hereof.

**8.** Net adjusted accumulated losses adjusted for zakat collection purposes in accordance with the provisions of these Regulations, after adding the lesser of

provisions by which losses were previously reduced in the year the provisions were created, and accumulated losses as per the Zakat Payer's Commercial Records.

**9.** The value of for-sale real estate under development that classified as non-current assets in the financial statements and intended to be sold upon completion of development, unless the real estate is available for sale in its current condition, or for which the total sales and advance payments received from customers exceeds 25% of its value as recorded in the financial statements of the Zakat Year to which the Declaration pertains. The Authority may revise and amend the aforementioned percentage based on market conditions and circumstances.

**10.** Statutory deposits for insurance and reinsurance companies.

**11.** Agricultural inputs (in stock) of a Zakat Payer engaged in agricultural activity, purchased for use in production purposes, where Zakat Payer is accounted for in respect of trading stocks.

### **Article Six.**

- The Zakat Base shall be calculated by adding the items listed in Article (4) of these Regulations and deducting items listed in Article 5 of these Regulations in accordance with the following criteria:

Net fixed assets and equivalents, including, for example though not limited to, the following:

1. The Zakat Payer's zakat Base may not be less than net profit adjusted for zakat purposes in accordance with the provisions of these Regulations.
2. A Zakat Payer, of which a partner has deceased or otherwise transferred his shareholding and other partners have been introduced in replacement, whether heirs or other than heirs, shall be accounted for on one full Zakat Year basis where the respective Zakat Payer has continued operation.
3. The sole proprietorship shall be accounted against Zakat Year in which, the ownership is fully transferred to other owners on a proportionate basis for the financial period, according to Article (14) hereof, whether the ownership is transferred by sale or assignment. The collection of zakat due by sole proprietorship for the years preceding the Zakat Year shall not be affected. The proportionate accounting shall not be applicable to any form of the Zakat Payer's conversion from a structure into another, except as illustrated in this Paragraph.
4. No offsetting or otherwise reconciliation shall be made between owners'/ partners' credit balances (including their current accounts) and other owners'/ partners' receivables (including their current accounts).
5. A Zakat Payer engaged in agricultural activity subject to Zakat on fruits and grain, and in the meantime engaged in another activity subject to Zakat on trading stocks, shall file with the Authority separate accounts for trading stocks activity.
6. For zakat purposes, re-assessment results shall be taken into account, at the fair value set forth in the financial statements.

### **Article Seven.**

- The Governor may propose particular rules for the calculation of Zakat Bases, registration or provision of Declaration for certain activities, which rules shall be approved by resolution of the Minister, and communicated to Zakat Payers practicing such activities and their supervising bodies.

## SECTION III: AMENDMENT TO BUSINEES ACTIVITY RESULT

### Article Eight.

- The Zakat base of a Zakat Payer who maintains Commercial Records shall consist of the Zakat Payer's assessable funds, including:
  1. Capital, including increase in capital even where the increase is through an equity share capital increase or a result of obtaining financing for an item that may be deducted from the Zakat base.
  2. The lower of the opening and closing balances of Zakat Payer's revenue and advance payments to Zakat Payer.
  3. The Zakat Payer's long-term debt and any equivalent item of the zakat base, such as government loans or subsidies, commercial loans, creditors, accounts payable, overdrafts, shareholder loans (including their current accounts), provided that the following is taken into consideration:
    - a. Where the term of a Zakat Payer's debt (payables) or loan from other sources is (354) days or longer spanning over two Zakat Years, the amount of the debt or loan shall be attributable to each Zakat Year and added to Zakat Base for each year in proportion with the number of days of each Zakat Year [during which the debt or loan remains payable].
    - b. The Zakat Year shall not be suspended or fragmented where any debts (payables)



- 3.** Bad debt, subject to the following conditions:
  - a. Debts should have been previously declared within revenues in the year the revenue was generated.
  - b. Debts shall be the result of carrying out activities.
  - c. The Zakat Payer shall provide a certificate from a certified public accountant licensed to operate in the Kingdom, confirming that the debts are written-off by resolution of the authorized person, upon the request of the Authority.
  - d. The debts shall not be payable by bodies associated with the Zakat Payer.
  - e. The Zakat Payer shall report the debts written off as revenue where such debts are recovered.
- 4.** Annual installment depreciation on Zakat Payer's owned fixed assets designed for use in business activity shall be in accordance with Zakat Payer's adopted depreciation method unless the installment is found by the Authority to have been overstated.
- 5.** Donations paid to approved organizations in the Kingdom of Saudi Arabia and duly supported by relevant documents.
- 6.** Provisions for unearned premiums and current risk, in case of insurance and/or reinsurance companies, subject to adding the same back to Zakat Base in the following Zakat Year and subject to determining the same in accordance with the standards adopted for this particular business activity, applicable regulations,

related Regulations and rules.

Provision for unearned premium means such portion of premiums collected or recognized in the commercial records covering risks relating to subsequent Zakat Year(s). Reserve for current risks means the compensation amount relating to the claims received or reported during Zakat Year but payment is not yet processed.

**7.** School expenses paid to children of entity's employees subject to the following criteria:

- a. Tuition fees shall be paid to local licensed educational institutions.
- b. Zakat Payer's payment of school benefit to the children of entity's employees shall be explicitly stated in the contract of employment or company's Regulations.
- c. Expenses shall be capable of being evidenced by supporting payment documents acceptable to the Authority.

### **Article Nine.**

- By way of exception from Article 8 of the Regulations, the following expenses shall be excluded from deductible expenses:
  1. Expenses and costs not related to the Zakat Payer's business activity.
  2. Expenses that the Zakat Payer fails to prove by supporting documents or other evidential matter acceptable to the Authority.
  3. Zakat/tax due or settled.

4. Employee's share in retirement pension and saving funds.
5. All provisions and reserves provided during the Zakat Year, of the subject matter of Declaration, excluding such reserves and provisions set forth in Article 8 (6) of the Regulations hereof.
6. Increase in material/service prices/rates provided/rendered by related parties or otherwise parties having direct/indirect influence on Zakat Payer's acts/decisions compared to such prices/rates used by independent parties in accordance with applicable Regulations, related bye-laws and rules.
7. Import differential arising from comparing import amount per Zakat Payer's Declaration and import amount reported in Customs Bayan, net of the imports added to fixed asset imported during the year, shall be treated as follows:
  - a. If the Zakat Payer's import amount set forth in the zakat Declaration is higher than the import amount stated in the Customs Bayan, the entire difference shall be added to the net profit.
  - b. If the Zakat Payer's import amount set forth in the Declaration is lower than the amount stated in the statement Customs Bayan, the difference-related profit shall be calculated in accordance with the Authority defined practices, not less than the ratio of Declaration's gross profit from activity revenues, and adjusted against revenue from activity.

## Section IV: Zakat Calculation on Deemed Basis

### Article Ten.

- The Authority shall account on deemed basis for each Zakat Payer with no commercial books to reflect the reality of business activity and under no obligation to issue financial statements in accordance with applicable regulations, related Bye- Laws and rules, subject to the following:
  1. Zakat Payer's declaration shall be considered, where it is higher than the Authority's assessment.
  2. The Authority, where Zakat Payer's contracts are found to be based on cost method plus a specific margin, may consider such margin stipulated in the contract except for, however, the contracts with related parties.
  3. Where the information available with the Authority contradict those provided by the Zakat Payer the Authority may consider the information available with it.
  4. Zakat Payer's information available with the Authority may be used for guidance in calculating zakat on Zakat Payer on deemed basis.
  5. The first Zakat Year of a Zakat Payer accounted for on deemed basis shall commence in accordance with Levy of Zakat Bye-Laws Article 13 unless otherwise a different date acceptable to the Authority is proven by the Zakat Payer to be the commencement of business activity date.

6. The Authority may set the minimum and maximum limits of the components to be used for the assessment of Zakat Base of a Zakat Payer accounted for on deemed basis, depending on the particular city, business season, events and any circumstances affecting the assessment.
7. The Authority may amend deemed calculation method, where such amendment is deemed necessary by the Authority to match the update of regulations, change in the market circumstances and Zakat Payers' behavior.
8. The Authority may reallocate revenue and expenses for inter-related party transactions or such transactions with parties capable of affecting the acts and decisions of Zakat Payer, whether directly or indirectly, or otherwise Zakat Payer's affiliated parties, as to reflect the revenue that would have been earned had the transactions been made with independent and unrelated parties.

#### **Article Eleven.**

- The Authority may account for a Zakat Payer on deemed basis in the following cases:
  1. Where the Authority will be unable to access recognized information reflecting the reality of Zakat Payer and Zakat Payer's business activity, including the keeping of inaccurate accounting books:
  2. Zakat Payer has failed to comply with the requirement for the filing of

Declaration within the time limit stipulated in Article 17 of this Regulation.

**3.** Zakat Payer has failed to provide in Arabic the documents required, including financial statements, accounting books and records within the time limit stated in Article 17 of this Regulation.

**4.** The information reported in Zakat Payer's commercial books and records do not match the reality of Zakat Payer's business activity.

**5.** Zakat Payer's accounting books and records are incompatible with the forms stipulated by applicable regulations, related Bye-Laws and rules.

**6.** The information reported in Zakat Payer's declaration is found to be incorrect.

**7.** Zakat Payer will be unable to evidence the accuracy of the information reported in the declaration in accordance with documents acceptable to the Authority.

## Section V: Zakat Accounting Rules

### Article Twelve.

- For purposes of these Regulations the accounting treatments and financial reports prepared in accordance with Saudi Organization of Certified Public Accountants approved standards shall be considered unless otherwise stated.

### Article Thirteen.

- Zakat Payer's First Zakat Year shall commence from the earliest of the the date of the commercial registration's issuance, the date of obtaining the first license of necessary licenses [to conduct the Activities], and the date of capital deposit, unless the Zakat Payer specifies another date on which its Activities commence as evidenced by supporting documents accepted by the Authority.

### Article Fourteen.

1. Zakat shall be levied at 2.5% of Zakat Base for Hijri year.
2. Where Zakat Payer's fiscal year is not matching Hijri year Zakat should be calculated on the number of days basis by dividing two and a half percent (2.5%) by the number of days of Hijri year multiplied by the actual number of days of Zakat Payer's Zakat Year except for net adjusted profit which shall be subject to Zakat at two and a half percent for any fiscal period. Accordingly, Zakat for calendar fiscal period, long or otherwise short period upon the commencement of

business activity, change of fiscal year or otherwise transfer of sole proprietorship's ownership, shall be calculated on the foregoing basis.

**3.** Short fiscal period upon the termination of business activities shall not be subject to Zakat unless such period exceeds 354 days.

**4.** Where the net adjusted profit equals Zakat Base, Zakat in such case shall be levied at two and a half percent (2.5%) irrespective of the fiscal period.

### **Article Fifteen.**

**1.** A company owned by the same partners, holding company and fully owned subsidiaries both in and out Kingdom of Saudi Arabia, whether directly or indirectly owned, may file consolidated Zakat declaration and accordingly shall be accounted for on basis of the results reported in one consolidated Zakat Base.

**2.** Direct ownership means that subsidiaries are 100% owned by holding company. Indirect ownership means that subsidiaries are owned by holding company at a certain percentage with the remaining percentages fully owned by any other subsidiaries fully owned by the holding company.

**3.** Zakat on a holding company and subsidiaries, jointly owned by others, shall be calculated separately subject to treating intercompany debts (receivables) and investments in accordance with the provisions of this Regulation. The holding company and each individual subsidiary shall file their separate Zakat declarations in accordance with the Authority's adopted practices.



## Section VI: Registration, Filing Examination and Assessment

### Article Sixteen.

- A Zakat Payer subject to the Regulations hereof shall register with the Authority prior to the end of Zakat Payer's first fiscal year. A Zakat Payer not subject to the Regulations hereof shall register with the Authority as well.

### Article Seventeen.

- A Zakat Payer shall file the declaration and the attachments thereto in Arabic and settle Zakat thereon in accordance with the Authority approved forms and practices no later than one hundred twenty (120) days from the end of Zakat Year. Where the end of such period coincides with a weekend or public holiday the period shall extend to the first working day after the weekend or public holiday.

### Article Eighteen.

- Without prejudice to the provisions of Article 10 of the Regulation hereof, each Zakat Payer shall keep in The Kingdom and in Arabic, the accounting books and records necessary to accurately determine Zakat Base. Further, the Zakat Payer shall keep the documents, information/explanatory notes confirming the accuracy of such accounting books and records. It rests with the Zakat Payer to prove the accuracy of the information reported in the declaration. In case of the Zakat Payer's failure to prove the accuracy of the information reported, the Authority may disallow such

item not proven to be correct by Zakat Payer, or otherwise raise assessment on deemed basis at the Authority's discretion in view of the surrounding circumstances, facts and information available with the Authority.

### **Article Nineteen.**

- The Authority may examine and review the Zakat declaration and request Zakat Payer to provide relevant explanations and documents as required. Further, the Authority may instruct any of its employees to visit Zakat Payer's place of work to conduct a field audit of accounting books and records and related documents, in which case the involved Zakat Payer shall provide the information required by the Authority no later than twenty (20) days from receipt of such request date. In case of Zakat Payer's failure to provide the information within the above time limit the Authority may either renew the time limit allowed or otherwise raise assessment in accordance with the information and evidential matter available. The field audit shall be documented through minutes of field audit to be signed by the Authority's and Zakat Payer's duly authorized representatives. Where Zakat Payer's duly authorized representative is not participating in the field audit or otherwise refrain from signing the minutes of field audit such refrain shall be noted in the minutes of field audit. However, the minutes of the field shall constitute evidence towards Zakat Payer relating to the facts mentioned in the minutes of the field audit.

### **Article Twenty.**

- The Authority shall raise assessment approving or adjusting the declaration and giving the reasons for adjustment. Zakat Payer may file objection against the assessment in accordance with the provisions of Section VII of the Regulations.

### **Article Twenty-One.**

1. The Authority may, within five years from filing deadline, rectify the errors made in applying any provision of these Regulations and related regulations.
2. The Authority may, within ten years from the end of filing deadline, rectify the calculation errors (addition, subtraction, multiplication and division) or otherwise mispositioning of a figure errors.

### **Article Twenty-Two.**

- The Authority may, within ten years from Zakat Payer's filing of declaration date, rectify the erroneous application of any of the provisions of this Bye- Laws or any related regulations, arising from calculations (addition, subtraction, multiplication and division) or mispositioning of a figure errors, in the following cases:
  1. Filing declaration beyond the statutory filing date.
  2. Where the Declaration is incomplete and filed on [forms] other than the Authority approved forms.
  3. Filing is not consistent with the provisions of these Regulations.
  4. Failure to pay zakat as per the Declaration within statutory time limit.

### Article Twenty-Three.

- Where the Authority, at any time, comes to know that the information provided by Zakat Payer are incorrect the Authority may raise a revised assessment no later than five years from the date it has come across such information, in which case the Authority may refer incorrect or misleading information provider to competent authority to apply statutorily prescribed penalty.

### Article Twenty-Four.

1. The Authority's employees or personnel delegated to perform a particular assignment under this Regulation may not disclose the information related to the Zakat Payer that they might have come to know in their formal capacity in the cases described in paragraphs 2, 3 and 4 of this article.
2. The Authority's employees or personnel delegated to perform a particular assignment under this Regulation shall disclose Zakat Payer's information in such cases where the disclosure is required under a judicial ruling, this article or other applicable regulations bye-laws and rules.
3. The Authority's employees or personnel delegated to perform a particular assignment under this Regulation may disclose Zakat Payer's information where such disclosure is necessary for the Authority to perform/exercise the duties/powers assigned to/vested in it, in accordance with the following requirements:

- a. Disclosure of information shall be made, in a formal capacity, to an employee of the Authority, General Customs Authority, General Audit Bureau, the judicial authority or any authority of a foreign country, pursuant to any convention/treaty to which Kingdom of Saudi Arabia is a party.
- b. The Authority's employee or the individual delegated to perform an assignment under this Regulation shall perform such assignment in accordance with the order issued by the Authority delegating him to do so.
- c. The disclosure of Zakat Payer's information shall be limited to intended purpose taking into account the possible personal and commercial effects.
- d. Zakat Payer's information shall not be held beyond the time necessary for the attainment of the purpose of disclosure.
- e. The confidential information disclosed shall be carefully kept. All measures determined by the Authority to avoid illegal circulation, loss or damage of information shall be taken.
- f. Prior to initiation of disclosure procedures it shall be ensured that the person to whom the information will be disclosed is fully aware of the confidential nature of information and secrecy requirements.

4. Without prejudice to the concept of confidentiality of Zakat Payer's information. Further, without prejudice to the provisions of the article hereof, the Authority's employee or such personnel delegated by the Authority to perform a particular assignment under this Regulation may disclose Zakat Payer's information to a person in accordance with Zakat Payer's written consent.

## Section VII: Objection and Appeal Procedures

### Article Twenty-Five.

1. Working rules for Resolution of Tax Dispute and Appellate Committee set in Royal Decree (No. M/113) dated 02.11.1438 are applicable to the Authority's assessments/orders. Prior to filing an objection against the Authority's decision the Zakat Payer shall file an objection with the Authority within sixty (60) days from the date the decision is notified. The Authority shall decide on the objection within ninety (90) days of the date it is filed. Where the objection is rejected by the Authority or the above ninety (90) day time limit has passed with no decision being made the claimant may lodge a claim with the resolution of Disputes Committee within thirty (30) days of the date claimant is advised of the Authority's rejection or after ninety (90) days have passed with no decision being made. The Authority's decision shall become final where no objection is filed with the Authority or Resolution of Dispute Committee within the limit stated in this article.

2. To accept the objection in form the Zakat Payer shall pay the amount due in respect of the items not under objection within statutory time limit for objection.
3. To accept the objection in form the Zakat Payer shall partially pay the amounts due in respect of the items under objection within statutory time limit for objection to a minimum of 10% and a maximum of twenty-five percent (25%) of assessed amount, or otherwise file a financial guarantee of fifty percent (50%) of assessed amount. The Authority, may set the governing criteria for the above.
4. Subject to paragraph (1) of this article, the Zakat Payer may file a request with the Authority's Settlement Committee for the settlement of the dispute, at any stage during the hearing of the claim, in accordance with committee's working rules.

## Section VIII Collection Procedures

### Article Twenty-Six.

- The Zakat Payer shall pay the amounts due within sixty (60) days from the Authority's assessment date where no objection is filed within statutory time limit. However, where an objection is filed against the Authority's assessment and the objection is withdrawn Zakat Payer shall pay the amount within sixty (60) days from the earlier of first withdrawal date or the date of final decision of Resolution of Dispute Committee/Appellate Committee.

## Article Twenty-Seven.

1. The Zakat Payer may request approval for installment payment of the amounts due, subject to following criteria:
  - a. A request shall be filed with the Authority showing Zakat liability to be paid, relevant fiscal period and the reasons why the liability cannot be settled on due date, together with supporting documents. The request shall state the number of installments proposed, amount of each installment, and any down payments. The Authority shall review and answer the request within thirty days of receipt of request for installment payment.
  - b. Installment period shall not exceed the number of years for which the liability is due.
2. The Authority may consider the decision for installment payment canceled in case of failure to pay two consecutive installments or three nonconsecutive installments within the approval installment period or otherwise any Zakat due is found by the Authority to be liable to loss, in which case Zakat Payer shall be advised of the cancellation of installment payment by a notice letter from the Authority or online notice. In such circumstances, Zakat Payer shall immediately pay the full amount due.
3. The Governor or his delegated officer may approve installment payment



of the amounts due by Zakat Payer, set/determine payment of installment date/ installment amount. Further, the governor may extend installment period provided that the period will not exceed double the number of the years for which liability is due. Finally, the governor/delegated officer may cancel installment payment where Zakat liability is liable to loss.

### **Article Twenty-Eight.**

- 1.** Zakat due shall be considered final and payable in the following cases:
  - a. Zakat Payer's acceptance of the Authority's assessment.
  - b. Expiry of statutory deadline without Zakat Payer's paying Zakat due per declaration.
  - c. Deadline for filing an objection against assessment has expired with no objection being filed by Zakat Payer or otherwise after the first withdrawal of objection has taken place or once an Appellate Committee's decision has been rendered in accordance with Article 26 of this Regulation.
  
- 2.** In case of Zakat Payer's failure to settle Zakat payable on due date the Authority may seize Zakat Payer's movable and immovable assets legally subject to seizure, in accordance with the criteria stated herein in which case government authorities and private parties shall execute the Authority's instructions in this relation.

- 3.** A Zakat Payer with final Zakat liability shall be required to settle the same within thirty (30) days from the date of demand for payment. A first for payment shall be prepared to be followed by a second demand for payment within Thirty (30) days.
- 4.** In case of no response received from Zakat Payer to the first and second demands for payment Zakat Payer shall be notified of the Authority's intention to seize its movable and non-movable assets subject to seizure unless payment is made within twenty days from official notice letter date.
- 5.** The Saudi Central Bank (previously known as SAMA) will provide a formal notice letter declaring the Authority's intention to seize Zakat Payer's assets in order for the Saudi Central Bank (previously known as SAMA) to block withdrawals from Zakat Payer's bank balances to the limit of Zakat amount due.
- 6.** The Authority shall seize Zakat Payer's movable and immovable assets through any or all of the following means:

  - a.** Writing letters to the Saudi Central Bank (SAMA) and Capital Market Authority (CMA) and other competent authorities to block Zakat Payer's assets and funds with local banks within the limits of Zakat amount due and transfer the same to the Authority's account when requested.
  - b.** Writing a letter to the General Authority of Customs (GAC) to seize Zakat Payer's imports to the limit of Zakat amount due.

c. Writing a letter the Ministry of Finance (“MOF”) requesting MOF to seize any amounts due to Zakat Payer, to the limit of Zakat due.

d. Writing a letter the Ministry of Justice (“MOJ”) requesting MOJ to block Zakat Payer’s disposal of any immovable assets.

**7.** No seizure shall be enforced in respect of monthly expenses that Zakat Payer is under obligation to pay to its employees and third parties, including subsidies required under any other applicable regulations. Such expenses shall be determined in accordance with the information available with the Authority.

**8.** Once the seizure has been enforced the seizure enforcing party shall transfer to the Authority the assets seized when requested to do so. The obligation to transfer to the Authority the assets seized shall include any amounts due to Zakat Payer from a third party on the date the notice to seize is given or subsequent to such date.

**9.** A Zakat Payer not in compliance with Paragraph 6, 8 and 10 of the Article hereof shall pay the Authority an amount equal to the amount of properties in Zakat Payer’s possession, nevertheless not exceeding the amount for which the seizure is being enforced.

**10.** Seizure shall be enforced on debtor’s moveable and immovable assets due from third parties where Zakat is due by a natural person in respect of natural person’s

business activity, to the extent of Zakat liability. The same shall be applicable to a natural person where such natural person is a partner in a partnership or in an equity partnership. However, Zakat Payer's tools used in business activities, his belongings and personal furniture to a maximum of SR 300,000 (Saudi Riyals three hundred thousand) shall be excluded from seizure.

**11.** Seizure of Zakat Payer's assets shall be enforced and the assets sold to the extent adequate to settle the Zakat due once seizure procedures are completed after the expiry of notice deadline, in accordance with statutory procedures, subject to the following:

- a. The assets seized shall be sold by the Authority or competent authority.
- b. Zakat Payer shall be allowed by the Authority to provide a list of the assets the Zakat Payer is wishing to exclude from sale where the sale amount of other assets adequately covers the Zakat due.
- c. Seizure and selling expenses shall be paid out of sale proceeds, after which Zakat due shall be settled and the remaining balance immediately returned to Zakat Payer.
- d. The selling of Zakat Payer's assets shall be suspended during administrative or judicial review of assessment on basis of which the seizure is enforced except however such assets are liable to damage and those assets the Zakat Payer may request the Authority to sell.

- 12.** The Authority, per Royal Order No. 16145 dated 01.04.1437, may collaborate with relevant authorities to deny the Zakat Payer the right to participate in government tenders, foreign recruit of labour, and also to deny Zakat Payer the right to have commercial registration, licenses and work permit issued/renewed.
- 13.** Where the owner of a sole proprietorship with outstanding zakat has deceased the zakat due shall be collected prior to distributing the estate, otherwise the heirs shall be required to settle zakat due proportionately with their respective shares of the estate.
- 14.** Immediately once the zakat due has been fully received the Authority shall advise the concerned government departments to stop all actions taken against zakat payer.
- 15.** The Authority shall advise the Zakat Payer of all actions taken against it in accordance with the article hereof.

### **Article Twenty-Nine.**

- 1.** Where it appears that a Zakat Payer has overpaid zakat; the zakat such payment shall be considered an advanced payment of future zakat due and such payment overpayment shall be credited to the Zakat Payer's account to offset zakat liabilities in the future for unless the Zakat Payer requests a refund of overpaid zakat within five years such payment date the overpayment was made.

- 2.** The Authority shall review Zakat Payer's request and verify whether any overpayments are made and finalize the same within thirty days from the date Zakat Payer's right to refund is confirmed and a request for refund is filed.
- 3.** In case of any outstanding declarations, the request for refund of Zakat overpayment shall be disregarded. Similarly, where any objection/appeal is pending the request for refund shall be disregarded until such time a final decision is rendered confirming Zakat Payer's right to refund, in which case the surplus shall be refunded where a final favorable decision is rendered.
- 4.** Zakat Payer may request the transfer of zakat overpayment for the settlement of any other liability, being zakat or tax liability, in which case the request for the transfer date shall be considered as the date evidencing the payment of liability.

## Section IX: Closing Provisions

### Article Thirty.

- Correspondence, notices addressed by the Authority to Zakat Payer shall be considered to have produced statutory effect if made through the Authority approved media of communication, including for example though not limited to the Authority's portal, SMS, e-mail, registered mail, or any other medium approved by the Authority. Correspondence, notices addressed by Zakat Payer to the Authority will be deemed to have produced statutory effect if made through the Authority's portal or any other medium determined by the Authority where it will be impossible to file the same through the Authority's portal.

### Article Thirty-One.

- Where operations have been ceased Zakat Payer shall give notice to the Authority within sixty days of cessation date, otherwise Zakat Payer shall be accounted for on the basis of a full Zakat Year.

### Article Thirty-Two.

- A Zakat Payer shall be deemed to have ceased operations for liquidation purposes immediately once liquidation procedures are initiated, in which case Zakat Payer shall advise the Authority that liquidation procedures have been initiated, nevertheless, Zakat Payer shall continue to file declarations on due date until the liquidation has been completed and Zakat due is settled.

### **Article Thirty-Three.**

- The Authority may collaborate with government departments in respect of all matters related to the implementation of these Regulations. All government, semi-government departments, and companies in which government is a shareholder as well as professional firms should provide the Authority with the information it may require for the implementation of the regulations hereof purposes.



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