

TRANSFER PRICING BYLAWS

Issued by the General Authority of Zakat and Tax pursuant to Board Resolution NO [6-1-19] DATED 25/05/1440H corresponding to 31/01/2019

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(Chapter One)

Definitions

Article 1: Definitions

A. The following terms and expressions, wherever stated in these Bylaws, shall have the meanings set out herein:

1. **"Approved Transfer Pricing Methods"** means the methods enumerated in Article 7 of the Bylaws or used pursuant to Article 9 of the Bylaws.
2. **"Arm's Length Principle"** or **"Arm's-Length"** means where conditions are made or imposed between two or more Related Persons in their commercial or financial relations which differ from those which would be made between Independent Persons, then any profits which would, but for those conditions, have accrued to one of such Related Persons, but, by reasons of those conditions, have not so accrued, may be included in the profits of that Person and taxed accordingly.
3. The **"Arm's-Length Range"** shall have the meaning given in Article 11 of the Bylaws.
4. **"The Authority"** means the General Authority of Zakat and Tax.
5. The **"Bylaws"** means these Transfer Pricing Bylaws issued by The Authority pursuant to Board Resolution No [6-1-19] dated 25/05/1440H corresponding to 31/01/2019.
6. **"Comparable Transaction"** means a Comparable Transaction as defined in Article 5 of the Bylaws.
7. **"Constituent Entity of an MNE Group"** means
 - (a) any separate business unit of a multinational enterprise group, that is included in the consolidated financial statements of the MNE Group for financial reporting

- purposes, or would be so included if equity interests in such business unit of an MNE Group were traded on a public securities exchange;
- (b) any such business unit that is excluded from the MNE Group's consolidated financial statements solely on materiality grounds; and
- (c) any Permanent Establishment of any separate business unit of the MNE Group included in subparagraphs (a) or (b) above provided the business unit prepares or should prepare a separate financial statement of such Permanent Establishment for financial reporting, regulatory reporting, tax reporting, or internal management control purposes.
8. **"Consolidated Financial Statements"** means the financial statements of an MNE Group in which the assets, liabilities, income, expenses and cash flows of the Ultimate Parent Entity and the Constituent Entities are presented as those of a single economic entity.
9. **"Controlled Transactions"** means any Transaction involving Related Persons or Persons Under Common Control. Controlled Transactions shall include any notional Transactions or consideration exchanged between a Person and its Permanent Establishment, to the extent that such Transactions are recognized for the purposes of the Law.
10. **"Country-by-Country Report"** or **"CbC Report"** means a report required to be submitted pursuant to Article 18 of the Bylaws.
11. **"Disclosure Form of Controlled Transactions"** means the document or set of documents required by the Authority pursuant to Article 14 of the Bylaws.
12. **"Effective Control"** means the ability of a Person to control the business decisions of another Person. For purposes of these Bylaws, a Person or group of Persons, either jointly or severally, directly or indirectly, are presumed to be able to control

the business decisions of another Person in any of the following cases –without limitations:

- (a) such Person or Persons have the ability to conclude an agreement to provide management services to the company or otherwise effectively perform the functions of management for the other Person;
- (b) such Person or Persons have the ability to act as trustee (manager) of the other Person or Persons under a trust arrangement;
- (c) such Person or Persons have the ability to directly or indirectly control the composition of 50% or more of the board of directors or has/have the right to appoint or dismiss the representatives of management of the other Person or Persons;
- (d) such Person or Persons have a legal or de facto right to receive, directly or indirectly, 50 percent (50%) or more of the profits of the other Person or Persons;
- (e) such Person or Persons, except where such Person is a Financial Institution, have provided loans to the Person or Persons directly or indirectly and the total outstanding balance of such loans represents 50 percent (50%) or more of the of long term & short term debt and capital excluding retained earnings as of the year-end balance of the Reporting Year;
- (f) such Person or Persons, with the exception of Financial Institutions, have issued guarantees to cover 25% or more of the value of the Person's total borrowings as of the year-end balance of the Reporting Year;
- (g) 50% or more of the absolute aggregated value of a Person's business activities as of the year-end balance of the Reporting Year depends on Transactions with such other Person or Persons;

- (h) such Person or Persons are Related Person to a Person who directly or indirectly holds fifty percent (50%) or more of a juridical person or they participate, directly or indirectly, in the management of the juridical person;
 - (i) a Person is or Related Persons, jointly or severally, are the principal or supplier of a Person under an exclusive agency, distributorship arrangement or any such similar contract for the sale of goods, services or rights and such Person is a dependent agent of the principal and who is prohibited from entering into other similar agency, distributorship arrangement or any such similar arrangement for the duration of the Person's relationship with the principal;
 - (j) in the case of Nonresident Person or Related Persons, where a substantial portion of the business activities of a Resident Person depends on Transactions with the Nonresident Person or Related Persons, and the Resident Person's business activities depend on rights in intangible property granted to such Person on an exclusive basis directly or indirectly by the Nonresident Person or Related Persons; or
 - (k) the Person is or Related Persons, jointly or severally, are able to control the business decisions of the other Person in any other way as evidenced by the facts and circumstances.
13. **Financial Institution**" means a juridical person, the substantial and primary business of which is to conduct banking, financing or both, and that is regulated by one or more central government agencies responsible for licensing and supervising it in jurisdictions in which it operates.
14. **Functional Analysis**" means the analysis or study aimed at identifying the economically significant activities and responsibilities undertaken, assets used or contributed, and risks assumed by the parties to the Transactions.

15. The **“Guidelines”** means the document or set of documents issued by GAZT setting forth all information and details related to these Bylaws, including, without limitations, the interpretation, implementation, enforcement, and application thereof.
16. **“Independent Persons”** means Persons that are not Related Persons or Persons under Common Control.
17. **“International Agreement”** means the Multilateral Convention for Mutual Administrative Assistance in Tax Matters, any bilateral or multilateral tax convention, or any tax information exchange agreement to which the Kingdom is a party and pursuant to which jurisdictions commit to the mutual exchange of tax information, including automatic exchange of such information.
18. The **“Law”** means The Income Tax Law issued by Royal Decree No. (M/1) dated 15/1/1425H and the amendments thereon.
19. **“Local File”** means the file referred to in Article 17 of the Bylaws.
20. **“Master File”** means the file referred to in Article 16 of the Bylaws.
21. **“Multinational Enterprise Group”** or **“MNE Group”** means:
 - (a) a group of two or more Persons, the tax residencies of whom are in different jurisdictions; or
 - (b) any group that includes a Person that, for tax purposes, is a resident in one jurisdiction and is also subject to tax in another jurisdiction as a result of having a Permanent Establishment in the other jurisdiction.
22. **“Person”** means a natural or juridical person; where a juridical person is any non-natural person recognized by law or fact to have legal personality, including Permanent Establishments.

23. **“Persons under Common Control”** two or more juridical persons are deemed Persons under Common Control if either:
- (a) the Person or Related Persons, either individually or jointly, control directly or indirectly fifty percent (50%) or more of such Persons where:
 - (i) with respect to Partnerships, control means the actual ownership, right to use and dispose of as an owner, or the ability to own with reasonable certainty the rights to its income or capital.
 - (ii) with respect to Capital Companies, control means actual ownership, right to use and dispose of as an owner, or the ability to own with reasonable certainty, the voting rights to its capital or its income.
 - (iii) with respect to agencies that administer properties endowed for specific purposes, control means having the rights to, or a beneficial interest in their income or assets; or
 - (b) the Person or Related Persons, either separately or jointly, directly or indirectly is or are able to control the business decisions of such juridical person or otherwise have Effective Control over such juridical person.
24. **“Qualifying Competent Authority Agreement”** means an agreement that is between authorized representatives of the jurisdictions that are parties to an International Agreement pursuant to which the jurisdictions are required to automatically exchange CbC Reports.
25. **“Related Persons”** means
- (a) two or more natural persons if they are:
 - (i) relatives through marriage or are otherwise relatives to the fourth degree; or
 - (ii) partners in a partnership.

- (b) a natural person is considered related to a juridical person in any of the following circumstances:
- (i) if the natural person is a partner in a Partnership and he, either alone or together with a Related Person or Persons, directly, indirectly (or both) controls fifty percent (50%) or more of the voting rights, income, capital of the Partnership.
 - (ii) if the Person or a Related Person thereto is a shareholder in a Capital Company and he, either alone or together with a Related Person or Persons, directly, indirectly (or both) controls fifty percent (50%) or more of the voting rights, income or capital of the Capital Company.
 - (iii) as for agencies administering property held in a trust, fund or any such similar arrangement, a natural person is considered related thereto if he benefits or is capable of benefiting from them, either alone or with a related Person or Persons.
 - (iv) if the Person alone or jointly with a Related Person thereto directly or indirectly participates or is able to participate in the management, control or capital of a juridical person.
- (c) two or more juridical persons are considered Related Persons in any of the following cases:
- (i) they are Persons under Common Control.
 - (ii) when the Person who controls or has the ability to control the business decisions of a juridical person has, alone or together with a Related Person, Effective Control over the other juridical person.

- (iii) when the Person who has Effective Control over a juridical person and the Person who has Effective Control of the other juridical person are Related Persons.
26. **“Reporting Entity”** means a Constituent Entity that is required to submit a Country-by-Country Report to the Authority or any other tax authority on behalf of a Multinational Enterprise Group.
27. **“Reporting Year”** means the reporting year as defined in the Law.
28. **“Small Enterprises”** means a juridical person who carries out Controlled Transactions, the total Arm’s-Length value of which does not exceed Six Million Saudi Riyals (SAR 6,000,000) in a 12-month period.
29. **“Surrogate Parent Entity”** means where the conditions set out in Article 18 of the Bylaws are met, the Constituent Entity of an MNE Group appointed by such MNE Group as the sole substitute for the Ultimate Parent Entity to file the CbC Report in that Constituent Entity’s jurisdiction of tax residence on behalf of such MNE Group.
30. **“Systemic Failure”** means the persistent failure of a jurisdiction that is a party to an enforceable Qualifying Competent Authority Agreement to which the Kingdom is a party, to automatically provide the Kingdom with CbC Reports available or could be made available to it in respect of MNE Groups that have Constituent Entities in the Kingdom, or jurisdictions in which automatic exchange is effectively suspended for reasons that are not in accordance with the terms of that Qualifying Competent Authority Agreement.
31. **“Taxable Person”** means a Person subject to tax as per the Law. For purposes of the Bylaws, whenever a Person who is not a Person Subject to tax is required to comply with the Bylaws or any part thereof, the term Taxable Person is be deemed to include such Person.

32. **“Terms” “Economically Relevant” or “Economically Relevant Terms”** means the characteristics, elements, factors, or any other aspect of a Transaction that Independent Parties would take into account when evaluating the Transaction.
33. **“Transaction”** means any arrangement, understanding, agreement, or mutual practice whether or not legally enforceable or intended to be legally enforceable, undertaken between two or more Persons.
34. **“Transfer Pricing”** means setting of prices for Controlled Transactions, including but not limited to the transfer of goods, services, loans, capital and intangibles (intellectual property).
35. **“Transfer Pricing Method”** means any of the transfer pricing methods set forth in Article 7 of the Bylaws.
36. **“Uncontrolled Transaction”** means any Transaction other than a Controlled Transaction.
37. **“Ultimate Parent Entity of an MNE Group”** means a Constituent Entity of an MNE Group that:
- (a) owns directly or indirectly a sufficient interest in one or more other Constituent Entities of such MNE Group such that it is required to prepare consolidated financial statements under accounting principles generally applied in its country of tax residence, or would be so required if its equity interests were traded on public securities exchange in its country of tax residence; and
 - (b) there is no other Constituent Entity of such MNE Group that owns directly or indirectly an interest described in subsection (a) above.
- B. All other terms not defined herein have the same meaning as defined in the Law and/or Implementing Regulations.

(Chapter Two)

Scope of Application

Article 2: Persons Subject to the Bylaws

Notwithstanding any provision to the contrary herein, the Bylaws shall be applicable to every Taxable Persons pursuant to the Law and Implementing Regulations, provided that this shall not prejudice the applicability of Article 18 of the Bylaws to a Person subject to Zakat in accordance with Article 2 of the Zakat Regulations issued by Ministerial Resolution No. 2082 dated 1/6/1438H whenever the Persons to whom Article 18 applies are not Taxable Persons and are subject to Zakat.

Article 3: Terms and Conditions of Controlled Transactions

- A. For purposes of income tax, any Person engaged in a Controlled Transaction shall conduct such transaction under Terms that are similar to Comparable Transactions between Independent Persons.
- B. A Controlled Transaction shall be considered to be conducted on an Arm's Length basis if the Terms of such Controlled Transaction are materially similar to the Terms of a Comparable Transaction between Independent Persons.
- C. The tax base of a Permanent Establishment in the Kingdom shall be determined according to the Arm's Length Principle. Subject to the provisions of the relevant International Taxation Agreement to which the Kingdom is a Party, expenses that may be deducted from the tax base of a Permanent Establishment shall be determined in accordance with the Chapter 5 of the Law.

Article 4: Diverging Conditions

- A. Where Terms, conditions or remuneration of a Controlled Transaction are not similar to conditions of a Comparable Transaction between Independent Persons, a Person involved in such Controlled Transaction and to whom these Bylaws are applicable shall make adjustments to their tax base to include the returns that such Person would have received but for the dissimilar conditions and report such adjustments in their tax declarations to be submitted to the Authority.
- B. Where terms, conditions or remuneration of a Controlled Transaction are not similar to conditions of a Comparable Transaction between Independent Persons, the Authority may:
1. Direct that the tax base of one or more of the Persons involved in the Controlled Transaction be adjusted to include the returns that such Persons would have received but for the dissimilar conditions; or
 2. Reallocate or disregard the result arising out of a Controlled Transaction as to reflect the result that would have arisen from a Comparable Transaction.
- C. The Authority shall make a determination as to whether Controlled Transactions are conducted on an Arm's Length basis in accordance with the relevant provisions of these Bylaws.

(Chapter Three)

Comparability

Article 5: Comparable Transactions

A. For purposes of these Bylaws, an Uncontrolled Transaction is comparable to a Controlled Transaction when:

1. There are no significant differences between them that could materially affect the financial indicator being examined under the appropriate Transfer Pricing Method;
or
2. When such material differences exist, if a reasonably accurate comparability adjustment is made to the relevant financial indicator of the Uncontrolled Transaction in order to eliminate the effects of such differences on the comparison.

B. To determine whether two or more Transactions are comparable, the following factors shall be considered to the extent that they are Economically Relevant to the facts and circumstances of the Transactions:

1. The characteristics of the property or services transferred;
2. The functions undertaken, assets employed, and risks assumed by each Person with respect to the Transactions, including:
 - (a) functions, including without limitation, design, manufacturing, assembling, research and development, servicing, purchasing, distribution, marketing, advertising, transportation, financing, management, etc.;

- (b) assets, including without limitation, plant and equipment, the use of valuable intangibles, financial assets, etc., and the nature of the assets used, such as the age, market value, location, property rights protection available, etc.;
 - (c) risks, including without limitation, market risks, risks of loss associated with the investment in and use of property, plant, and equipment, risks associated with the success or failure of investment in research and development, financial risks caused by currency exchange rate and interest rate variability, credit risks, etc.;
3. The contractual terms of the Transactions;
 4. The economic circumstances in which the Transactions take place;
 5. The business strategies pursued by the parties to the Transactions; and
 6. Any other Economically Relevant aspect of the Transaction.

(Chapter Four)

Approved Methods to Determine an Arm's Length Result of Transactions

Article 6: Transfer Pricing Methods

A. The Arm's Length remuneration of a Controlled Transaction shall be determined by applying the method that, under the facts and circumstances, provides the most reliable measure of an Arm's-Length result. Except and to the extent provided in Chapter 9 of the Bylaws, the most appropriate Transfer Pricing method shall be selected from among the Approved Transfer Pricing Methods. In each case, the most appropriate Transfer Pricing method shall be used taking into consideration the following criteria:

1. The respective strengths and weaknesses of the Approved Methods;
2. The appropriateness of an approved method of the nature of the Controlled Transaction, determined in particular through an analysis of the functions undertaken by each Person in the Controlled Transaction (taking into account assets used and risks assumed);
3. The availability of reliable information needed to apply the selected Transfer Pricing method; and
4. The degree of comparability between the Controlled and Uncontrolled Transactions, including the reliability of comparability adjustments -if any- that may be required to eliminate differences between them.

Article 7: Approved Methods

A. The following are Approved Transfer Pricing Methods for purposes of Article 6 hereof:

1. **Comparable Uncontrolled Price Method** whereby a comparison is made between the price charged for property or services transferred in a Controlled Transaction to the price charged for property or services transferred in a comparable Uncontrolled Transaction.
2. **Resale Price Method** whereby a comparison is made between the resale margin that a purchaser of property in a Controlled Transaction earns from reselling that property in an Uncontrolled Transaction with the resale margin that is earned in comparable Uncontrolled purchase and resale Transactions.
3. **Cost Plus Method** whereby a comparison is made between the mark up on those costs directly and indirectly incurred in the supply of property or services in a Controlled Transaction with the mark up on those costs directly and indirectly incurred in the supply of property or services in a comparable Uncontrolled Transaction.
4. **Transactional Net Margin Method** whereby a comparison is made between the net profit margin relative to an appropriate base (e.g. costs, sales, assets) that a Person achieves in a Controlled Transaction with the net profit margin relative to the same base achieved in comparable Uncontrolled Transactions.
5. **Transactional Profit Split Method** allocates to each related Person participating in a Controlled Transaction the portion of common profit (or loss) derived from such Controlled Transaction that an Independent Person would earn or expect to earn from a comparable Uncontrolled Transaction. When it is possible to determine an Arm's-Length remuneration for some of the functions performed by the Related Person in connection with the Controlled Transaction using one of the

Approved Methods, the transactional profit split method shall be applied based on the common residual profit that results once such functions are so remunerated.

- B. The methods set forth in paragraph (1) herein shall not be deemed to be enumerated in any particular order of preference. The Authority may from time to time set forth any relevant information regarding the selection of an appropriate Transfer Pricing method in the Guidelines.

Article 8: Application of Multiple Methods

- A. It is not necessary to apply more than one method to determine the arm's length remuneration for a given controlled Transaction.
- B. Where a Taxable Person has used an Approved Transfer Pricing Methods to establish the remuneration of a Controlled Transaction and such method is consistent with the relevant provisions of the Bylaws to the satisfaction of the Authority, then the Authority's examination of whether the remuneration of a Controlled Transaction is consistent with the Arm's-Length principle shall be based on the Transfer Pricing method applied by the Taxable Person.

Article 9: Use of Methods Other than an Approved Methods

A Taxable Person may apply a Transfer Pricing method other than the Approved Transfer Pricing Methods provided that the Taxable Person must be able to demonstrate that under the facts and circumstances, none of those methods provides a reliable measure of an Arm's-Length result and that the suggested method satisfies the provisions under Article 6 of the Bylaws.

Article 10: Combined Controlled Transactions

If a Taxable Person carries out, under the same or similar circumstances, two or more Controlled Transactions that are economically closely linked to one another or that form a continuum such that they cannot reliably be analyzed separately, those Controlled Transactions may be combined to perform the comparability analysis to apply the transfer pricing methods.

(Chapter Five)

Arms-Length Range

Article 11: Definitions of Arm's Length Range

- A. The Arm's Length Range is a range of acceptable Arm's Length financial indicator figures (such as (without limitation) prices, margins, or profit shares) produced by the application of the most appropriate Transfer Pricing method selected in accordance with Chapter 4 of the Bylaws to a number of Uncontrolled Transactions, each of which is relatively equally comparable to the Controlled Transaction based on a comparability analysis conducted in accordance with these Bylaws.
- B. The Authority shall set forth rules, conditions and limitations related to the selection of a point within the Arm's Length Range in the Guidelines.

Article 12: Adjustments by the Authority

- A. A Controlled Transaction, or a set of Transactions that are combined according to Article 10 of the Bylaws shall not be subject to an adjustment by the Authority where the Authority is satisfied that the relevant financial indicator derived from the Controlled Transaction or set of Transactions and being tested under the appropriate Transfer Pricing method selected in accordance with Chapter 4 of the Bylaws is within the Arm's Length Range.
- B. Where the relevant financial indicator derived from a Controlled Transaction or from a set of Transactions that are combined falls outside the Arm's Length Range, the

Authority may adjust it pursuant to these Bylaws; any such adjustment shall be to a point within the Arm's Length Range that best reflects the facts and circumstances of the case.

(Chapter Six)

Sources of Information

Article 13: Comparable Transactions Information

- A. Taxable Persons may not rely on Comparable Transactions, or information related thereto, that are not or could not be made available to the Authority.
- B. In making an adjustment pursuant to these Bylaws, the Authority may not rely on Comparable Transactions or information related thereto that is not or could not be made available to the Taxable Person. The tax base of the Taxable Person shall not be adjusted if the information concerning the comparable Transaction is not available to the Taxable Person.
- C. The Authority may accept the use of foreign Comparable Transactions by a Taxable Person in the event that domestic Comparable Transactions are not available or absence of domestic Comparable Transactions. In such case, the Taxable Person must be able to demonstrate to the Authority upon its request that the foreign Comparable Transaction, or Transactions are consistent with the requirements set forth in (Chapter Three) of the Bylaws, and shall take into account the expected impact of geographic differences and other factors on the results of the foreign Comparable Transactions, including, without limitation, price and profitability.
- D. The Authority shall set forth terms, rules and limitations pertaining to the use of information in the Guidelines as it deems necessary.

(Chapter Seven)

Disclosure Form of the Controlled Transaction

Article 14: Content of Disclosure Form

A. A Taxable Person shall submit to the Authority together with their annual income tax declaration a Disclosure Form containing information related to such Controlled Transactions, including the following:

1. Information about Related Person or Persons party to the Controlled Transaction, including the name of such Person or Persons and the country or countries in which such Person or Persons reside and are established.
2. Information about any business restructuring for the MNE Group or the Taxable Person.
3. Information about the legal and beneficial owners of the Taxable Person, including the name of such Person or Persons and the country or countries in which such Person or Persons is/are established and reside and the percentage of ownership.
4. Total revenue, total expenses and amount of net profit or loss as reported in the annual income tax declaration for the same year.
5. Information about the type and nature of the relationship amongst the Related Persons party to the Controlled Transaction.
6. A description of the nature of the business activity or activities of the Related Persons and of the Controlled Transactions.
7. Transactional information, including aggregate amounts of consideration, nature of receipt or income or nature of payment or expenditure.
8. Transfer Pricing method applied in accordance with Chapter 4 of the Bylaws.

9. A statement certifying whether or not the Taxable Person, in the tax period to which the tax return relates, has entered into any Controlled Transaction, or any Transaction without consideration or non-monetary consideration (such as barter and trades). In the event that the Taxable Person certifies that he has entered into any or all of such Transactions, the Taxable Person shall provide the details of such Transaction or Transactions to the Authority along with the Disclosure Form that includes information on the fair market value of the consideration or barter exchange, if any.
 10. Whether the Person maintains Transfer Pricing documentation as per (Chapter Eight) of the Bylaws, including the Master File and Local File.
- B. Taxable Persons shall submit the Disclosure Form of Controlled Transactions to the Authority within 120 days after the last day of the fiscal year. The Authority shall specify all administrative procedures concerning the submission of the Disclosure form of Controlled Transactions in the Guidelines.
 - C. Together with the Disclosure Form of Controlled Transactions the Tax Payer must submit an affidavit from a licensed auditor through which the auditor certifies that the Transfer Pricing policy of the MNE is consistently applied by and in relation to the Tax Payer.
 - D. At its discretion, the Authority may make further inquiries with Persons engaged in or party to a Controlled Transactions through interrogatories or similar form that the Authority sets.

(Chapter Eight)

Documentation

Article 15: General Obligations

- A. The Authority may request any information related to Controlled Transactions that it deems necessary to carry out its regulatory functions and other duties.
- B. Except as otherwise provided in Exceptions of the Bylaws, every Taxable Person who is a party to a Controlled Transaction shall keep the documentation required to confirm that the conditions of such transactions are at Arm's-Length.
- C. Taxable Persons must have readily accessible and available, for review by the Authority upon its request sufficient documentation containing information and economic analyses evidencing that the conditions of its Controlled Transactions are at Arm's-Length.
- D. The documentation relating to Controlled Transactions shall be provided to the Authority upon its request within the duration specified by the Authority in the request, provided that such duration shall be no less than (30) days after the date of such request.

Article 16: Master File

- A. Each Taxable Person is required to maintain and make available upon request by the Authority, a Master File containing information on the global business operations and Transfer Pricing policies of the Multinational Enterprise Group to which the Taxable Person belongs. The following information should be included in the Master file:

1. Organizational structure, such as illustrating the Multinational Enterprise Group's legal and beneficial ownership structure, and geographical location of operating entities.
2. Description of Multinational Enterprise Group's business, i.e. general written description of the Multinational Enterprise Group's business, including:
 - (a) important drivers of business profit;
 - (b) a description of the supply chain for the MEN Group's largest products and service offerings by turnover plus any other products and services amounting to more than 5% of group turnover;
 - (c) a list and brief description of important service arrangements between Multinational Enterprise Group members other than research and development services, including a description of the capabilities of the principal locations providing important services and transfer pricing policies for allocation of the costs of services and determining prices to be paid for intra-group services;
 - (d) a description of the main geographical markets for the group's products and services;
 - (e) a brief written functional analysis describing the principal contributions to value creation by individual entities within the group, i.e. functions performed, important assets used, and important risks assumed; and
 - (f) a description of important business restructuring Transactions, acquisitions, and divestitures occurring during the Reporting Year.
3. Information on the Multinational Enterprise Group's intangibles, including:
 - (a) a general description of the Multinational Enterprise Group's overall strategy for the development, ownership and exploitation of intangibles, including location

- of principal research and development facilities and of research and development management.
- (b) a list of intangibles or groups of intangibles of the Multinational Enterprise Group or Constituent Entities that are material for Transfer Pricing purposes, and the identity of the legal and de facto owner of such intangibles.
 - (c) a list of important agreements among identified related parties concerning intangibles, including cost contribution arrangements, principal research service agreements and license agreements.
 - (d) a general description of the group's transfer pricing policies related to research, development and intangibles.
 - (e) a general description of any important transfers of interests in intangibles among Related Persons during the Reporting Year concerned, including the entities, countries, and compensation involved.
4. Information on the Multinational Enterprise Group's intercompany financial activities, including:
- (a) a general description of how the group is financed, including material financing arrangements with independent lenders;
 - (b) the identification of any members of the Multinational Enterprise Group that provide a central financing function for the group, including the country under whose laws the entity is organized and the place of effective management of such entities; and
 - (c) a general description of Multinational Enterprise Group's transfer pricing policies related to financing arrangements between Related Persons.
5. Information pertaining to the Multinational Enterprise Group's financial and tax positions, including:

- (a) the Multinational Enterprise Group's annual consolidated financial statement for the that Reporting Year if otherwise prepared for financial reporting, regulatory, internal management, tax or other purpose; and
 - (b) a list and brief description of the Multinational Enterprise Group's existing unilateral Advance Pricing Agreements and other tax rulings relating to the allocation of income among countries.
- B. The Master File, or a part thereof, shall be provided or made available to the Authority upon its request within the period specified by the Authority in the request, provided that such period shall be no less than Thirty (30) days from the date of the request.

Article 17: Local File

- A. A Taxable Person shall be required to maintain at all times, and, when requested in writing provide the Authority with all or any part of, a Local File containing detailed information on all Controlled Transactions of the Taxable Person. The Local File shall include:
- 1. Taxable Person's information, including:
 - (a) a description of the management structure of the Taxable Person, its organization chart, a description of the individuals to whom the Taxable Person's management reports and the countries in which such individuals maintain their principal offices;
 - (b) a detailed description of the business and business strategy pursued by the Taxable Person including an indication whether the Taxable Person has been involved in or affected by business restructurings or transfer of intangible property, in the current Reporting Year and the Reporting Year immediately

preceding it, and an elaboration on aspects of such Transactions that affect the local entity and its key competitors;

2. Documentation on material Controlled Transactions. For Controlled Transactions in which the Taxable Person is involved generally, the following information should be included:

- (a) a description of the Controlled Transactions (e.g. procurement of manufacturing services, purchase of goods, provision of services, loans, financial and performance guarantees, licenses of intangibles, etc.) and the context in which such Transactions take place;
- (b) the amount of intra-group payments and receipts for each category of Controlled Transactions involving the Taxable Person (e.g. payments and receipts for products, services, royalties, interest, etc.) broken down by country of tax residence the foreign payer or recipient;
- (c) an identification of Related Persons involved in each category of Controlled Transactions, and the relationships amongst them;
- (d) copies of all intercompany agreements concluded by the Taxable Person;
- (e) a detailed comparability and functional analysis of the Taxable Person and relevant Related Persons with respect to each documented category of Controlled Transactions, including any changes compared to prior years;
- (f) an indication of the most appropriate transfer pricing method with regard to the category of Transaction and the reasons for selecting that method;
- (g) an indication of which related Person is selected as the tested party, if applicable, and an explanation of the reasons for this selection;
- (h) a summary of the important assumptions made in applying the transfer pricing methodology;

- (i) if relevant, an explanation of the reasons for performing a multi-year analysis;
 - (j) a list and description of selected comparable Uncontrolled Transactions (internal or external), if any, and information on relevant financial indicators for independent enterprises relied on in the transfer pricing analysis, including a description of the comparable search methodology and the source of such information;
 - (k) a description of any comparability adjustments performed, and an indication of whether adjustments have been made to the results of the tested party, the comparable Uncontrolled Transactions, or both;
 - (l) a description of the reasons for concluding the relevant Transactions were priced on an arm's length basis based on the application of the selected transfer pricing method;
 - (m) a summary of financial information used in applying the transfer pricing methodology; and
 - (n) a copy of existing unilateral and bilateral/multilateral Advance Pricing Agreements and other tax rulings to which the Authority is not a party and that relate to Controlled Transactions;
3. Industry analysis which provides complete and thorough analysis of the Taxable Person industry, including but not limited to:
- (a) major competitors;
 - (b) SWOT analysis;
 - (c) power of suppliers;
 - (d) power of buyers;
 - (e) availability of substitutes;
 - (f) size;

- (g) demand and supply trends;
 - (h) entry requirements;
 - (i) key international target markets;
 - (j) market share; and
 - (k) modes of delivery.
4. Financial information, including:
- (a) Annual financial statements for the Reporting Year concerned of the Taxable Person. If audited financial statements exist, these should be supplied and if not, existing unaudited financial statements should be supplied;
 - (b) Information and allocation schedules showing how the financial data used in applying the transfer pricing method may be tied to the annual financial statements; and
 - (c) Summary of schedules of relevant financial data for comparables used in the analysis and the sources from which that data was obtained.
- B. Upon request by the Authority, a Taxable Person must provide or make available to the Authority the Local File or the requested parts thereof within the time specified by the Authority in the request, provided that such time shall be no less than Thirty (30) days from the date of the request.

Article 18: Country-by-Country Report

- A. Each Ultimate Parent Entity or, when applicable, each Surrogate Parent Entity of an MNE Group shall file with the Authority a CbC Report conforming to the requirements set forth in the Bylaws and the Guidelines with respect of its Reporting Year on or before the date specified in subparagraph D of this Article.

- B. A Constituent Entity that is not the Ultimate Parent Entity or Surrogate Parent Entity of an MNE Group shall file with the Authority a CbC Report conforming to the requirements set forth in the Bylaws and the Guidelines with respect to the Reporting Year of the MNE Group of which it is a Constituent Entity, no later than the date specified in subparagraph D of this Article, if the following criteria are satisfied:
1. The entity is a Taxable Person in the Kingdom or, if not a Taxable Person, a Person subject to Zakat; and
 2. One of the following conditions applies:
 - (a) the Ultimate Parent Entity or Surrogate Parent Entity of the MNE Group is not obligated to file a CbC Report in the jurisdiction in which it is a tax resident;
 - (b) the jurisdiction in which the Ultimate Parent Entity or in which the Surrogate Parent Entity is a tax resident is party to an International Agreement that is valid and enforceable at the time specified in paragraph D of this Article, but is not a party to Qualifying Competent Authority Agreement that is enforceable at the time specified in paragraph D of this Article; or
 - (c) the jurisdiction in which the Ultimate Parent Entity or in which the Surrogate Parent Entity is a tax resident Systemically Fails to automatically provide the Kingdom with CbC Reports related to the activities of MNE Groups that have Constituent Entities in the Kingdom.
- C. Where there are more than one Constituent Entities of the same MNE Group that are Taxable Persons in the Kingdom and one or more of the conditions set out in paragraph B above apply, the MNE Group may designate one of such Constituent Entities to file the CbC Report with the Authority with respect to any Reporting Year on or before the date specified in paragraph D of this Article and to notify the

Authority that the filing is intended to satisfy the filing requirement of all the Constituent Entities of such MNE Group that are Taxable Persons in the Kingdom.

- D. The CbC Report shall be filed not later than 12 months after the last day of the Reporting Year of the MNE Group.
- E. Forms of the CbC reports and the information required to be provided therein shall be specified in the Guidelines.
- F. A Constituent Entity of a Multinational Enterprise Group that is a Taxable Person, including the Ultimate Parent Entity or the Surrogate Parent Entity being tax resident in the Kingdom, shall submit to the Authority a notification about the identity and residence of the Reporting Entity of the same group and the country of submission of the CbC report by such entity. The Taxable Persons shall submit the notification to the Authority within 120 days following the end of the Reporting Year.
- G. Persons that are members of a Multinational Enterprise Group with a consolidated group revenue exceeding Three Billion & Two Hundred Million Saudi Riyals (SAR 3.2 Billion) during the year immediately preceding the current Reporting Year as reflected in its Consolidated Financial Statements for that preceding year must submit a CbC Report and the notification provided for in this Article.
- H. The Authority shall establish and specify the types, content and recommendations in relation to the documentation and notifications described in this Article.
- I. All the types of documentation contained in this Article shall be submitted to the Authority in the language and form specified by Authority.

Article 19: Exceptions

- A. Notwithstanding any provision to the contrary, the following Persons are not required to maintain the documentation described in Article 16 and Article 17

1. Natural persons; and
 2. Small Enterprises.
- B. Notwithstanding the provisions of the preceding paragraph, the Authority may, at its discretion, direct any Person to prepare and maintain documentation related to Controlled Transactions and to request such Person to provide such documentation within thirty (30) days from the date of receiving the written request from the Authority in any of the following cases:
1. Where Controlled Transactions are performed with Persons deemed to be residents of, or established in a special economic zones situated in the Kingdom;
 2. Where Controlled Transactions are carried out with Persons who are legally granted any exemption or relief from tax or zakat obligations, or both, in the Kingdom;
 3. Where the Authority has reason to believe that any of circumstances covered under Article 63 (1) of the Law exists;
 4. Where the Person has submitted a request for a corresponding adjustment in accordance with Chapter 10 of the Bylaws; or
 5. Where the provision of the requested document(s) is necessary for the authority to obtain for purposes of fulfilling of the obligations of the Kingdom under an International Agreement to which the Kingdom is a party.

(Chapter Nine)

Corresponding Adjustments

Article 20: Adjustments in other Countries

- A. Where a Taxable Person has entered into a Controlled Transaction with a Nonresident Person located in another jurisdiction that is a party to an International Agreement and the competent authority of such country has made or proposed an adjustment in relation to a Transaction with the resident Person to the tax base of such Nonresident Person based on the Arm's-Length principle, the Authority shall:
1. Examine the consistency of that adjustment with the arm's length principle. If the Authority concludes that the adjustment is consistent with this principle, then it shall make an appropriate adjustment to the tax base of the resident Taxable Person with the view to eliminate economic double taxation when it corresponds with the Arm's-Length principle set out in these Bylaws both in principle and as regards the amount; and
 2. When applicable, communicate with the relevant foreign competent authority in accordance with the mutual agreement procedures set in the relevant International Agreement with the country party to such agreement, if the Authority concludes that the adjustment made by the foreign competent authority is not appropriate.

Article 21: Corresponding Adjustment Application

In order for the Authority to invoke the corresponding adjustment procedure, the Taxable Person should submit an application to the Authority by disclosing all required facts and circumstances substantiating their claim.

Article 22: Determination by the Authority

- A. The Authority may reject to apply the provisions of the corresponding adjustments in any of the following cases:
1. Where the arrangement is considered artificial or abusive and to which Article 63(a) of the Law is, or the Authority determines it may be applicable.
 2. In cases where a final decision has been made in relation to the subject matter of the Taxable Person's claim by the competent judicial body and such decision is no longer appealable.
- B. The statutory time limitations period established under Article 65 of the Law shall be applicable for the purposes of this Article.

(Chapter Ten)

Audit procedures

Article 23: Audit Procedures

In conducting audits of Controlled Transactions, the Authority shall follow the audit rules and procedures established under Article 62 of the Income Tax Law and the rules set forth in the Guidelines.

(Chapter Eleven)

Modification and Interpretation

Article 24: Guidelines

Transfer Pricing Guidelines may be issued upon approval by the Governor of the Authority.

Article 25: Interpretation

All Provisions of the Law and its implementing regulations shall be interpreted and construed in a manner consistent with the provisions of these Bylaws.

(Chapter Twelve)

Final provisions

Article 26: General Provisions

- A. These Transfer Pricing Bylaws shall be published in the official gazette and shall take effect from the date of publication therein, without prejudice to the Law.