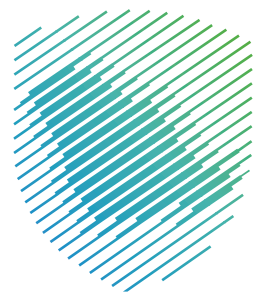




Simplified Guideline

**Cancellation of Fines
and Exemption of Financial
Penalties**



The Zakat, Tax and Customs Authority (ZATCA), issued this Simplified Guideline for the purpose of clarifying certain treatments concerning the implementation of the statutory provisions in force as of the Simplified Guideline issue date. The content of this Simplified Guideline shall not be considered an amendment to any of the provisions of the Laws and Regulations applicable in the Kingdom.

Furthermore, ZATCA would like to highlight that the clarifications and indicative tax treatments, where applicable, shall be implemented by ZATCA's in light of the relevant statutory texts. Where any clarification, interpretation or content provided in this Simplified Guideline is modified - in relation to unchanged statutory text - the updated indicative tax treatment shall then be applicable prospectively concerning transactions made after the publication date of the updated version of the Simplified Guideline on the ZATCA's website





This Simplified Guideline aims to elaborate H.E. Minister of Finance's
Resolution with regard to extension of

Cancellation of Fines and Exemption of Financial Penalties Initiative

which is part of incentive initiatives taken by ZATCA to mitigate the financial implications resulting from COVID-19 that affected the establishments. This is for a period of (6) months, starting from July 1, 2026.





Rectifying the status of your establishment

Exempts you from fines



Take advantage of
Exemption of Fines Initiative

During the period
July 1 to December 31, 2026





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Highlights of the Resolution

1. Exemption from unpaid financial fines , including:

- **Exemption** from fine resulting from late registration in all tax laws and regulations.
- **Exemption** of delayed payment fines and overdue tax return submission fines in all tax laws and regulations.
- **Exemption of VAT** return correction penalty

2. Exemption shall be subject to specific conditions, including but not limited to:

- Tax registration for non-registrants required to register under the tax system with ZATCA.
- Submitting all required tax returns to ZATCA and which have not been previously submitted /or correctly declare all undeclared taxes, and paying the full tax debt principal resulting from the submitted/corrected return, alternatively, apply for installment, and follow the approved installment plan, until the end of this initiative on December 31, 2026

3. Exemption from late payment fines in the installment plan approved by ZATCA on dues that are due to be paid after the end of the period of this initiative.

4. The Resolution shall remain effective for (6) months.





Types of taxes included in the Initiative

- 01 Value Added Tax (VAT)
- 02 Withholding Tax
- 03 Excise Tax
- 04 Corporate Income Tax (CIT)
- 05 Real Estate Transaction Tax (RETT)



Exclusions from the Initiative:

- Fines stipulated in Article (45) of the Value Added Tax Law. Fines paid prior to the initiative's effective date.
- Fines for returns due that must be submitted to ZATCA after June, 30 2026.
- Tax evasion fines, including:
 - a. Late payment and tax return submission.
 - b. Late registration.
 - c. Tax Return amendment

* If the initiative is extended beyond December 31, 2026, any future extension will exclude penalties for returns due to ZATCA after June 30, 2026.



Conditions for Benefiting from the Initiative

The taxpayer shall be exempted from:

- **Late registrations fines in the tax systems, provided conditions shall be met:**
 1. Registration with ZATCA.
 2. Submitting all tax returns that must be submitted.
 3. Paying the total tax debt principal resulting from submitted returns or apply for installment and follow the approved installment plan, until the end of this initiative on December 31, 2026.
- **"The taxpayer shall be exempted from late filing fines on tax return which must be filed to ZATCA before the effective date of the Initiative's extension on July 1, 2026 for all tax systems, provided that the following conditions be met:"**
 1. Submitting outstanding tax returns that need to be submitted.
 2. Paying the total tax debt principal resulting from late payment fines or apply for installment and follow the approved installment plan, until the end of this initiative on December 31, 2026.



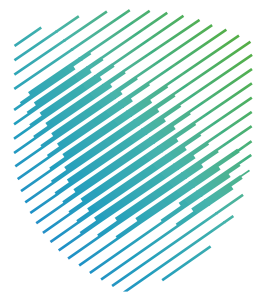


- **The taxpayer shall be exempt from late payment fines associated with tax returns due to ZATCA before the effective date of the Initiative's extension on July 1, 2026 for all tax laws, whether the unpaid amount resulted from disclosure by the taxpayer or reassessment by ZATCA, provided:**
 1. paying the total tax debt principal resulting from the late of payment or apply for installment, and follow the approved installment plan, until the end of this initiative on December 31, 2026.

- **The taxpayer shall be exempt from the fine of correcting VAT returns, whether the correction was made by the taxpayer as a result of disclosure thereby or as a result of an amendment by ZATCA, associated with a tax return that must be submitted to ZATCA before July 1, 2026 provided:**
 1. Paying the total tax debt principal resulting from the corrected return or apply for installment and follow the approved installment plan, until the end of this initiative on December 31, 2026.

The request for installment dues can be submitted before the end date of the initiative while adhering to the approved installment plan, without being canceled as a result of non-commitment to pay the installments on time. When the installment plan approved by ZATCA is canceled during or after the end of the period of this initiative, all fines that have been exempted from it and related to the principal unpaid tax will be imposed.





Tax Due Installment Steps

1. The taxpayer shall submit tax due installment request to ZATCA during the initiative period.
2. The installment request is to be reviewed and approved by the competent team in ZATCA to ensure the taxpayer is qualified for the installment plan.
3. The payments shall be scheduled under specific periods as per the procedures and conditions of the tax due installment.
4. In case of cancellation of the installment plan by ZATCA, as a result of taxpayer non compliance of the installments plan, ZATCA shall calculate all the fines due to the unpaid amounts as of the original payment due date.

***Note:** All payable dues after the end of this Initiative, according to the installment plan approved by ZATCA, will be exempted from late payment fines, provided that the installment plan is adhered to and not canceled by ZATCA due to non-compliance with payment of the installments.





Illustrative Examples of the Initiative

Example 1

Saad has an establishment for selling fragrances, he was late in submitting the VAT return of Q3 2021. Saad desires to benefit from the recent exemption initiative; therefore, he has submitted his returns to ZATCA and paid the tax dues through the specified period to benefit from the exemption, which will end on (December 31, 2026)

The establishment fines due

- **Submitting tax return delay fine** = up to **25%** of the tax to which the establishment shall declare.
- **Tax due late payment fine** = **5%** of the unpaid tax amount of each month or a part thereof until the actual payment.



Explanation

The establishment shall be exempted from the previous fines, due to the payment of the tax due through the initiative specified period to benefit from the exemption.

Example 2

A soft drink company has delayed to pay tax dues of the excise tax returns for the **2024 (January / February)** tax period (1), which shall be paid by **(15 March 2024)**. And after extending the initiative from July 1, 2026.

The company has desired to benefit from the initiative and paying the tax due on time to be eligible for the Exemption of Fines Initiative.

The establishment fines due

- **Late payment fine on the unpaid tax due** = **5%** of the unpaid tax amount of each month or a part thereof until the actual payment.



Explanation

The taxpayer will be benefited from the exemption of the late payment fine, due to the full payment of the tax due principal through the specified period to benefit from the initiative.





Example 3

An establishment operating in KSA has not disclosed its tax obligations with respect to CIT to ZATCA after the auditor performed the regular audit. Consequently, the non-disclosure of tax due in proper time will result in calculating a late payment fine in case ZATCA detects such an amount during the auditing or if the establishment amends the return of the relevant period.

The establishment fines due

- Imposing a late payment fine as per the Income Tax Law.

Explanation

The establishment may benefit from the extension of the Initiative period during the initiative period, provided the establishment amends the relevant tax return and disclose and pay the tax due to ZATCA prior to the initiative expiry date. In addition, the establishment may submit a tax due principal installment request to ZATCA, provided that the request shall be submitted during the initiative period. The establishment shall comply with the payment dates agreed with ZATCA as per the approved installment plan.

Example 4

Ali has a supermarket, and he has delayed submitting a number of VAT returns through 2021. And after extending the initiative from July 1, 2026.

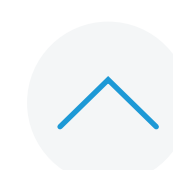
he has desired to benefit from submitting the returns and paying the due tax accordingly through the installment scheduling request commencing after the initiative's start date and conclude by end of December 2026.

The establishment fines due

- **Late filing fine** = up to **25%** of the tax to which the establishment shall issue a declaration.
- **Late payment fine on the unpaid tax due** = **5%** of the unpaid tax amount of each month or a part thereof until the actual payment date.

Explanation

The taxpayer shall be exempt from the fines calculated on his establishment provided that he shall submit all returns and provide an installment request to ZATCA prior the initiative expiry date. In addition, the taxpayer shall comply with the installment plan for all the dues scheduled.





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