هيئة الزكاة والضريبة والجمارك
Zakat, Tax and Customs Authority

Simplified Guide

Cancellation of Fines and Exemption of Financial penalties

As of 1 December 2022

"This Guide 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 Zakat, Tax and Customs Authority (ZATCA) to mitigate the financial implications resulting from COVID-19 that affected the establishments. This is for a period of six months, starting from 1 December 2022".

Rectifying the status of your establishment

Exempts you from fines

Take advantage of

Exemption of Fines Initiative

During the period

1 December 2022 - 31 May 2023

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Highlights of the Resolution

1. **Exemption from unpaid 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.
   - **VAT** return correction penalty
   - **Exemption** from fines resulting from field detection of violations of VAT and E-invoicing.

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

   - Registering in the tax system where registration was required for non-registered persons.
   - 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, during the period 1 June 2022 until the end of this initiative.

3. **All payable dues after the end of this Initiative according to the installment plan approved by ZATCA will be exempt from late payment fines.**

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

Types of taxes included in the Initiative

01 VAT

02 Withholding Tax

03 Excise Tax

04 Income Tax

05 Real Estate Transaction Tax (RETT)

Initiative Exclusions

- Fines paid before the effective date of this Initiative.
- Fines resulting from Tax Evasion violations, including:
  - Late registration.
  - Delay in payment and return submission.
  - Return amendment.
  - field detection.

Conditions for Benefiting from the Initiative

The taxpayer shall be exempted from:

- **Late registration fines in the tax systems, provided that the following 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 the submitted returns.

- **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 for all tax systems, provided that the following conditions be met:**
  1. Submitting non submitted returns
  2. Paying the total tax debt principal associated with the fine resulting from the submission.

- **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 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 linked to the unpaid fine resulting from a late submission, self-disclosure, or ZATCA's assessment.

- **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, provided:**

    1. Paying the full tax debt principal resulting from the correction

- **The taxpayer shall be exempt from unpaid fines resulting from field detection of VAT and E-Invoicing violations, provided:**

    1. The taxpayer shall neither have any non submitted returns to ZATCA, nor an outstanding tax debt principal. In case that the taxpayer has non submitted returns has an outstanding tax debt principal, the taxpayer may benefit from the exemption only through submitting not submitted returns.
    2. Payment of all outstanding tax debt principal.

The taxpayer can submit a request for paying the tax amount due in an installments before the end date of this initiative, and in case the installment plan has been canceled either within or after the initiative period the late payment penalty will be imposed on the unpaid tax principle.

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.

Field Detection Violations included in the Initiative

The violations are divided into the following:

The value added tax (VAT) violations as per the common provisions, including:

- Failure to comply with issuing tax invoices.
- "lack of compliance in including all tax invoices requirements in the tax invoices or credit and debit notes"
- Failure to maintain the accounting invoices, records and documents through the maintenance period specified in the regulation.
- Failure to issue or provide the credit and debit notes to the client.
- Prevention or hindering ZATCA employees from performing their functional tasks and duties.
- Incorrect calculation of the tax due.
- Violation of any other provision of the VAT Law or Regulation.

VAT violations of the E-invoicing Provisions, including:

Failure to issue and maintain invoices and notes electronically.

Failure to comply with maintaining E-invoices and notes according to the requirements provided in the Law.

Failure to inform ZATCA of any malfunctions that hinder the process of issuance of e-invoices and notes.

Failure to include the QR code in the e-invoice.

Inclusion of the prohibited functions in the E-invoicing system used to issue and maintain the invoices electronically.

Deletion or amendment of the E-invoices and notes after issuance.

Violation of any other provision of E-invoicing and implementing resolutions.

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 **(31 May 2023)**.

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 **2021 (November/ December)** tax period (6), which shall be paid by **(15 January 2022)**. After the extension of the exemption initiative from fines on **(1 December 2022)**. The company has desired to benefit from the initiative and pay the tax dues during **January 2023** in the specified period to benefit from the exemption 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

Fahad is the owner of a coffee shop, and is in compliance with issuing invoices in a legally proper manner; however, he sometimes does not maintain the invoices and documents issued, and some of the invoices have been partly damaged. At the first time, he was notified of the violations, and after three months, he has not remedied such violation; hence, another violation and a fine of SAR 1000 has been issued. Fahad has paid the fine before the date of the initiative's effective date, and in the third field visit, it was clear that such a violation has not been remedied. Accordingly, ZATCA has imposed a fine of SAR 5000 before the starting date of the initiative.

The establishment fines due

Issuing two non-compliance violations against Fahad in the amounts of SAR 1000 and SAR 5000 due to the continuation of the same violation, even though six months have passed since Fahad was notified of the violation.

Explanation

The taxpayer may benefit from the exemption period (from 1 June 2022 to 31 May 2023) concerning the unpaid fine of SAR 5000, provided that all the taxpayer's tax returns shall be submitted to ZATCA. The taxpayer shall have paid the tax due accordingly. In case the taxpayer has any non submitted returns the taxpayer should submit all non submitted returns and pay any principle tax due in order to be exempted from the fine.

Example 4

An establishment operating in KSA has not disclosed its tax obligations with respect to withholding tax 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 fine exemption period (from 1 June 2022 to 31 May 2023), 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 5

Ali has a supermarket, and he has delayed submitting a number of VAT returns through **2021**. After issuing the decision of the fines exemption initiative on **1 December 2022**, he has desired to benefit from submitting the returns and paying the due tax accordingly through the installment scheduling request commencing in **January 2023** and ending in **June 2023**.

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.

External document

This guide has been prepared for educational purposes only, and its content may be modified at any time. It is not considered mandatory by the Authority, nor as a legal advice, and it cannot be relied and acted upon without reference to the relevant statutory provisions. Every person subject to Zakat, Tax, and Customs Laws must check their duties and obligations; they are solely responsible for the compliance with these regulations. ZATCA shall not be responsible in any way for any damages or losses incurred to the taxpayer as a result of not complying with the applicable regulations.