



Guideline **Zakat General**



This guideline was issued by the Zakat, Tax and Customs Authority («ZATCA» or «Authority») to elucidate certain treatments regarding the implementation of the statutory provisions in effect as of the date of publication of this guideline. The content of this guideline may not be construed as an amendment to any of the laws and regulations applicable in the Kingdom.

Additionally, it should be noted that the indicative treatments outlined in this guideline will be carried out by the Authority in accordance with the applicable regulations. Where any clarification, explanation, or information given in this guideline is modified but the regulation remains the same, the updated indicative treatment shall then be applicable prospectively to transactions completed after the publication date of the guideline on the Authority's website.



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1. Introduction

1.1. Implementing a value added tax (vat) system in the kingdom of saudi arabia

Zakat is the third pillar of Islam. It is the most important financial way of worship at all. Therefore, it was mentioned repeatedly in the Glorious Qur'an. Allah Almighty has associated it with prayer in more than eighty verses. It is one of the key pillars that distinguishes a Muslim community from others, and a manifestation of the supremacy of Islamic legislations. It represents a successful way to fight poverty, alleviate the suffering of the needy, which lead to achievement of social solidarity.

1.2 Collection of Zakat

What evidences the great regard of Zakat in Islam is assigning its management and supervision to the State. In fact, the State is the entity responsible to collect Zakat on funds and spend it on those entitled, by assigning some personnel (Zakat Employees) to visit the owners of funds throughout the Islamic State, calculate the amount of their Zakat, then collect it from them, and supervise the disbursement and distribution of it to the beneficiaries.

ZACTA undertakes the task of levying Zakat. It undertakes all procedures related to the taxpayer's Zakat calculation, starting with the registration of the taxpayer, through the process of calculating the amount of Zakat for the taxpayer, which includes supervision of the taxpayer's submission of Zakat Reports, payment procedures, examination of the submitted statements, and verification of them by automated systems and well-trained personnel working at ZATCA, and ending with the issuance of the Final Zakat Certificate. This may also include examining the resulting taxpayers' objections to ZATCA's Zakat amounts assigned thereto.



1.3 Zakat Collection in the Kingdom of Saudi Arabia

The collection of Zakat and its disbursement to those entitled is one of the basic tasks of the State, as stipulated in the Basic Law of Governance in Article 21, which reads as follows: (Zakat shall be collected and disbursed in its disbursement channels). Article 7 set forth evidence of the State's attention to the duties of Sharia and its commitment thereto in general, which includes collecting Zakat and disbursing it to the beneficiaries. It stipulates as follows: (Government in Saudi Arabia derives power from the Holy Qu'ran and the Prophet's tradition. They are the rules governing the Law as well as all State laws).

In confirmation of the foregoing, during the reign of the Founder King Abdul-Aziz -may Allah have mercy on him- Royal Decree No. (178634/28/2/) dated Jumada Al Awl 29, 1370 AH corresponding to April 6, 1951 AD, was issued containing the order to collect Zakat. The said Royal Decree was followed by many royal decrees confirming it as well as executive ministerial resolutions, in addition to the regulations and circulars, including: Royal Decree No. (M/40) dated Rajab 2, 1405 AH, and the executive regulations for collecting zakat issued by Ministerial Resolution No. (2082) dated Jumada Al-Thani 1, 1438 AH. Corresponding to (28 February 2017 AD) and the executive regulations for collecting zakat issued by Ministerial Resolution No. (2216) dated 7 Rajab 1440 AH corresponding to (14 March 2019 AD), which applies to the zakat years starting from January 1, 2019 AD for all taxpayers, except for those who are accounted for by the discretionary method according to the chapter Fourth of the regulations, the application of the regulations applies to their declarations submitted after December 31, 2019 AD, and therefore the executive regulations for collecting zakat issued on Rajab 7, 1440 AH do not apply to the fiscal years prior to this date, but rather those years are treated in accordance with the regulations and instructions prior to this date.

The Executive Regulations for Levying Zakat has been particularly concerned with clarifying the provisions for levying commercial activities, besides other zakat funds, the requirements for submitting the Zakat Declaration, procedures for examination, assessment, and payment, and their respective terms.



The Zakat proceeds collected by ZATCA are received and deposited in the Social Security Account, which is responsible for disbursement to the poor and needy in accordance with Royal Decree No. (161/5/) Dated 05 / 01 / 1383 AH corresponding to (May 28, 1963 AD), wherein Paragraph (1) provides for: "Zakat shall be collected in full from all joint stock companies, and others, and individuals who are subject to Zakat." In addition, Paragraph (2) stipulates: "All amounts collected shall be returned to the Social Security Fund."

1.4 ZATCA's Tasks

- ZACTA is the authority entitled to collect Zakat in the Kingdom of Saudi Arabia (KSA). It was entrusted with the collection duties in implementation of the Royal Decree No. (17 / 2 / 28 / 8634), dated 29 Jumada Al Awi 1370 AH, which stipulates that Zakat shall be collected from Saudis.
- It was established pursuant to the Ministerial Resolution No. (394), dated Shaaban 07, 1370 AH, as one of the government entities affiliated with the Ministry of Finance, and it was entrusted with the task of collecting the Zakat.
- Then, the Royal Decree No. (61) was issued on Muharram 05, 1383 AH, which included the order to collect zakat in full and supply it to the Social Security Corporation.
- A number of royal decrees and ministerial resolutions followed regulating the works of levying Zakat, key of which are: Royal Decree No. (M/40) issued on 02 / 07 / 1405 AH, which contained the order to collect zakat in full from all companies, institutions, others, and individuals who are subject to zakat. Then, the Executive Regulations of the Royal Decree No. (M/40) was issued, under the Ministerial Resolution No. (2082), dated 1 Jumada al-Thani 1438 AH.
- The Executive Regulations for Levying Zakat was promulgated pursuant to Ministerial Resolution No. (2216) issued on 07 / 07 / 1440 AH, which is effective from January 01, 2019 AD.



Implementing regulations for collecting zakat

Royal Decree on 29/06/1370 AH

which stipulates that Zakat shall be collected from Saudis.

Ministerial Resolution No. (394) dated 07/08/1370 AH

establishing the Zakat Authority.

Royal Decree No. (M/40) issued on 7/2/1405/AH

which contained the order to collect Zakat in full from all companies, institutions, others, and individuals who are subject to Zakat.

Then, the Executive Regulations of the Royal Decree No. (M/40)

was issued under the Ministerial Resolution No. (2082), dated 01/06/1438 AH.

Pursuant to Ministerial Resolution No. (2216) issued on 07/07/1440 AH, which is effective January 1, 2019 AD,
The Executive Regulations for Levying Zakat was issued.

On 20/07/1438 AH,

ZACTA was formed under the Council of Ministers' Resolution No. (465), which contains approval of ZATCA's Regulations.



1.5 ZATCA's Tasks

ZATCA's Regulations defined the tasks of ZATCA in Article (3) thereof, which include the following:

- Collecting Zakat and taxes as well as custom fees from taxpayers in accordance with the relevant regulations and instructions.
- Providing high-quality services to taxpayers to support them in fulfilling their duties.
- Liaising with taxpayers and taking the necessary measures to ensure the collection of dues.
- Raising awareness among taxpayers, enhancing the degree of understanding and voluntary commitment to compliance and ZATCA requirements.
- Leveraging modern technology in implementing, monitoring, and facilitating ZATCA's operation, and in enhancing the security role in combating customs smuggling.
- Cooperating with the private sector in the implementation and management of some supportive works.
- Developing the necessary plans to organize, manage, and invest the facilities of customs ports in coordination with the relevant authorities.
- Setting standards for following up on the performance indicators of ZATCA's works and plans, which ensure the development of its performance and services. ZATCA may coordinate in this regard with whomever it deems appropriate from the relevant authorities.
- Cooperating and exchanging experience and best practice with regional and international bodies and organizations.
- Representing KSA in regional and international forums and conferences.



ZATCA's Tasks



Collecting zakat and taxes.
and customs duties



Providing high quality services
to help and serve the Taxpayers



Follow up the taxpayers
to ensure collection
of the amounts dues



Spreading awareness amongst
taxpayers and monitoring their
commitment to the instructions
and controls issued by ZATCA.



Cooperation and exchange
of experiences with regional
and international bodies and
organizations.



Representing KSA in regional
and international forums and
conferences related to ZATCA's
tasks.

1.6 About this Manual

This Manual includes the most prominent zakat items in dispute and objection between taxpayers and the Zakat, Tax and Customs Authority, such as zakat treatments for investments, non-deductible expenses, additions to and deductions from the zakat pot, retained profits, loans between sister companies, and deferred losses, The Authority has studied and analyzed the most prominent of these items and has collected them in this manual to inform those responsible and reduce disputes and differences between taxpayers and the Zakat, Tax and Customs Authority. In an effort to raise awareness of accounting Zakat.



2. Zakat, Terms, and Calculation Methods

The “Regulations”:

The Executive Regulations for Levying Zakat issued by Ministerial Resolution No. (2216) dated 07 / 07 / 1440 AH.

A. Collection of Zakat:

The State's calculation of zakat on funds, which are subject to zakat, collecting it from the taxpayer, and delivering it to the Social Security Administration to spend it on the security beneficiaries. Collection of zakat is one of the tasks of the State. The Prophet -Peace Be Upon Him- sent messengers every year to collect zakat from all Muslims. This task is currently being carried out, on behalf of the Ruler, by ZATCA in accordance with the relevant laws, regulations, and rules. ZATCA issued the regulations and rules governing the collection of Zakat, and provided high-quality services to taxpayers to help them fulfill their duties, as well as collect and supply the same to the Social Security Administration to disburse zakat to the security beneficiaries.

B. Taxpayer:

A natural or legal person who engages in an activity that is subject to the collection of zakat under the regulation, whether it is an individual institution, a company, or who engages in the activity under a license issued by a competent authority.

C. Taxpayer not subject to Zakat:

A taxpayer who has a certificate not to be subject to zakat collection, in accordance with the Authority's procedures.

D. Resident:

A natural or legal person who meets the conditions of residence specified in Article (3) of the Regulation.

E. Non-resident:

Every person who does not qualify as a resident.



F. The "Zakat Year/ZY":

The taxpayer's financial year, whether Hijri or Gregorian, is short or long, at the beginning or end of the activity.

Example (1):

A company was incorporated on 10 December 2018 (the date of issuance of the Commercial Register). The Memorandum of Association stipulated that the first financial year shall begin from the date of issuance of the Commercial Register and end on 31 December 2019. Therefore, the first financial year of the company is the period from December 10, 2018 to December 31, 2019.

Calculation of Elapse of One Year



When the twelve lunar months have passed, (354 days)
on Zakat money.

$$\text{Number of actual days of the Zakat year for the taxpayer} \times \frac{\%2.5}{\text{Number of Days of Hijri Year (354)}}$$



Example (2):

The fiscal year of X Grain Company begins on January 1, 2019 AD and ends on December 31, 2019 AD of the same year (Gregorian year). The company's zakat base for this year amounted to SAR 2,500,000, including an adjusted profit for zakat purposes of SAR 9,000,000.

How is the company's Zakat base calculated?

Zakat is calculated based on the Zakat base as follows:

2.5 %		Number of actual days of the Zakat year for the taxpayer		Base value excluding adjusted profit		****
Number of Hijri days	x		x		=	
354 ÷ 2.5%	x	365	x	1,600,000	x	41,242.9
Zakat Profit	x	2.5%	x	900,000	x	22,500
Total				2,500,000		63,742.9

G. Business activities:

Business that is intended to make a profit, whether commercial, service or so, including commercial activities: Real estate activities, trading in goods, providing services, securities, financing and insurance activities, banking activities, etc. Sharia evidence determined that Zakat is obligatory in commercial activities in all its forms, including the hadeeth of Jaber ibn Samra (may Allah be pleased with him): "The Messenger of Allah (may Allah bless him) He orders us to pay all the Zakat from what we prepare for sale).



I. Provisions of obligations and their impact on Zakat:

Zakat-related obligations are divided into two parts:

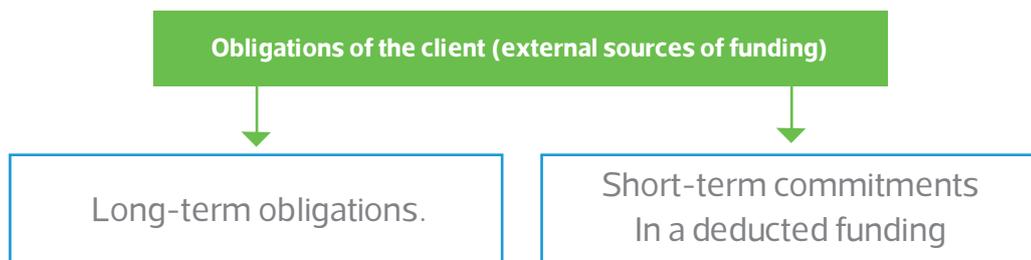
Obligations by Taxpayer

They are loans, creditors, notes payable, government and commercial financing, and the like.

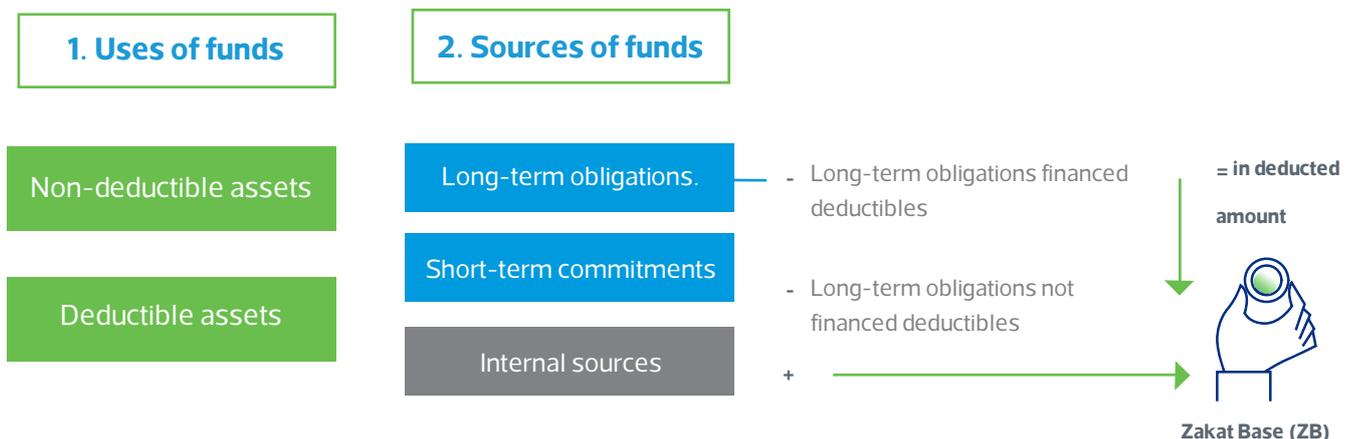
Provision of the obligations of the taxpayer in general:

It reduces the zakat pot of the taxpayer by not adding it to the components of the pot, according to the Authority's method, with the difference in accounting treatment in force in the Authority between short-term obligations and long-term obligations.

Short-term obligations that have been financed in a decision will be added to the bowl. Unlike those that are not financed in a decision, they will not be added to the components of the pot. Long-term obligations will be added to the components of the pot, provided that the total additive does not exceed the amount of the deducted elements in order to save zakat money from being lost in debt. These debts are guaranteed by fixed assets and similar assets settled, even if they do not finance them, in order to achieve balance and justice, and to avoid double discounting, which means that long-term obligations decrease the base in excess of what has financed settled assets.



Controls for adding long-term commitments to the pot





Obligations of the taxpayer:

They are receivables, notes receivable, advance payments, and the like. The funds financed by an internal source of funding are zakatable.

H. Zakat declaration:

It is a form prepared by the Zakat, Tax and Customs Authority, and it contains several elements and items. It shall be filled out and submitted, and the zakat due shall be paid, on the basis of which, by each taxpayer. The purpose of the declaration and its submission is to indicate the amount of the zakat base for the establishment and to enable ZATCA to make the assessment according to the declaration data. The types of declaration are:

- **First Type:** A declaration for the taxpayer who maintains commercial books and regular accounts, and issues financial statements that comply with the legal requirements.
- **Second Type:** A declaration for the taxpayer who is accounted in the estimated method, among those who do not have commercial books and regular accounts.
- **Third Type:** A declaration of information for the taxpayer who is exempt from levying zakat, or for whom zakat has been paid, such as the subsidiary listed in a consolidated declaration of a holding company, or consortiums; the taxpayer shall submit a declaration that includes the disclosure of its data.

K. Assessment:

A decision from ZATCA stating its acceptance of the declaration, or its modification, according to the information available to it at the time.

L. Commercial Books:

The set of commercial books maintained by the taxpayer, in which all commercial transactions are recorded, described in the Commercial Books Law promulgated by Royal Decree No. (D/61), dated 17 Dhul Hijjah 1409 AH, and its Executive Regulations and any amendments thereto.



M. Methods of Calculating Zakat:

Zakat is calculated according to one of two methods, which are:

- Direct Method (the net zakat assets method).
- Indirect Method (method of sources of funds).

Each method differs from the other in the procedures and in the statement of financial position items used for the purposes of calculating zakat, with their agreement in the result (the zakat base). As both methods reach the same result if their application is correct and the same standards and data are used. The following is a summary of the two methods:

Direct Method (the net zakat assets method):

This method is based on two basic procedures, namely:

- Add all the zakat assets of the establishment, including the receivables of the taxpayer.
- Deduct the value of the obligations that financed the zakat assets. The result of this equation is ZB for the taxpayer.

$$\text{ZB} = \text{Zakatable Assets} - \text{Obligations Financed}$$



Indirect Method (method of sources of funds):

This method is based on two basic procedures, namely:

Addition:

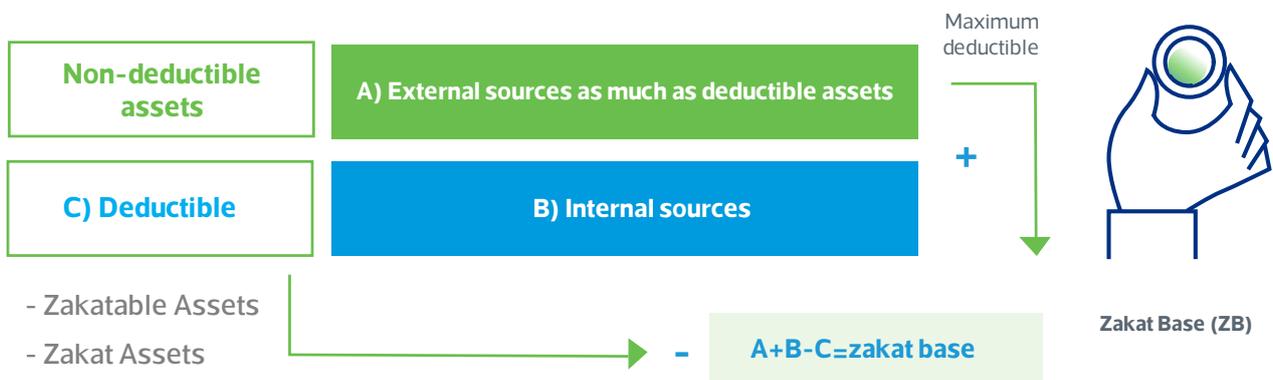
- External sources of funds exhausted in deductible component of ZB, which include long-term liabilities, and liabilities that are known to have financed a deductible item; as such obligations shall be added to the extent that they do not exceed the deductible assets.
- All sources of internal funds for the establishment (capital, retained earnings, etc.)
- Adjusted net profit for the year subject to calculation.

Deduction:

- The value of the non-Zakat assets of the establishment that is deductible in accordance with the terms of the Regulations.
- The value of zakat assets in other establishments, such as: (investment in shares of Saudi companies).

ZB = internal sources of funds (equity, provisions, net profit, and adjusted profit for the year) + external sources of funds not exceeding deductible assets (long-term obligations and obligations known to have financed deductibles) - non-zakatable assets - zakatable assets, or adjusted net profit for the year; whichever is greater.

ZATCA's method for calculating the Zakat base





Example (3):

The following statements for a company as at the end of the fiscal year:

Statement of Financial Position			
Assets		Liabilities and Equity	
SAR		SAR	
Current Assets	9,000	Current Liabilities	6,000
Long-Term Assets (Property and Equipment)	8,000	Long-Term Liabilities	7,000
		Equity	4,000
Total	17,000	Total	17,000

(A) Calculation of the zakat base by the indirect method

Item	SAR
Long-Term Liabilities	7,000
Equity	4,000
Minus: Long-term assets	(8,000)
Zakat Base (ZB)	3,000

The external sources of financing shall be added to ZB first to meet them with deductions, not exceeding the total value of the deductions, and then the internal sources of financing shall be added, and thus the long-term liabilities in the example above were added to ZB within the limits of the deductible assets, and then the equity is added.



(B) Calculation of the zakat base with the direct method:

Item	SAR
Current Assets	9,000
Minus: Current Liabilities	(6,000)
Total	3,000

N. The estimated calculation method.

A mechanism used by ZATCA to account for the taxpayer who does not maintain commercial books and regular accounts, because the basic rule in determining the zakat base for the taxpayer is based on its regular records that include data through which its zakat base can be determined. When this is not achieved, ZATCA shall determine a zakat base for the taxpayer, according to the information available to it, with the ZATCA's right to modify this base in the event of the emergence of data or information that was not known at the time of the assessment is made. ZATCA recourses to the estimated method when the taxpayer does not comply with the time limits for submitting the declaration or when there are problems related to the ZATCA's confidence in the validity of the data provided by the taxpayer, according to its records, in order to get as close as possible to its correct base.

O. Basis of Zakat Calculation:

Calculation of zakat of contemporary companies is generally based on the accounting principles altogether, because the concepts of Sharia zakat can be applied to companies that prepare financial statements, in accordance with the accounting standards in force in the Kingdom of Saudi Arabia, while verifying the commitment of the taxpayer to the standard of presentation and disclosure and the accuracy of the aforementioned notes, such as the distinguish between fixed assets and current assets with the addition of some requirements related to increasing the disclosure of the establishment, such as the type of investments owned by the establishment, and the extent to which they are subject to zakat or not, which are not shown in the financial statements, but are necessary for the purposes of forming the zakat base.



3. Economic Activity and Registration for Zakat Purposes

3.1 Registration for Zakat Purposes

Persons subject to the Executive Regulations for Levying Zakat shall register with ZATCA for zakat purposes¹, and they shall submit the zakat declaration on a regular basis and pay the zakat due to ZATCA under such declarations, within (120) days from the end of the zakat year.

3.1.1 Those Subject to Zakat

The following table indicates those subjects to zakat and who engage in the activity²:

Saudi natural persons residing in the KSA and those who are treated as nationals of the Gulf Cooperation Council States.	Companies residing in the KSA with respect to the shares of Saudi partners and those who are treated as nationals of the Gulf Cooperation Council States, and anyone who engages in the activity based on a license issued by a competent government or administrative entity in accordance with the controls set by ZATCA. This includes the permanent establishment owned by non-resident Saudis and those who are treated as such if the key management conditions apply to the permanent establishment.	Shares of non-Saudi partners in companies residing in the KSA listed on the Saudi Stock Exchange who are not founders and their replacements in accordance with the Memorandum of Association or legal documents, and the shares of Saudi government entities and institutions.
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1) Article (16), Registration with ZATCA, Executive Regulations.

2) Article (2), Those Subject to Zakat - according to the ZATCA's Conditions, Executive Regulations.



The headquarters of the key management is considered in the KSA when at least two of the following conditions are met:

- Holding the usual meetings of the Board of Directors on a regular basis in the KSA and by whatever means such meetings are, during which the main policies and decisions related to the management of the establishment and the conduct of its business are made.³
- Making senior executive decisions related to the management of the company's functions, such as: Decisions of the Executive Director and his deputies in the KSA.
- The business of the establishment from which more than fifty percent (50%) of its revenues are generated shall be in the KSA.

The following is a presentation of the cases where a non-resident taxpayer is considered subject to zakat, in accordance with the fulfillment of the subject conditions stipulated in the Regulations:

Nationality of the company owner	Key Management Conditions (at least two conditions)	Subject	Impact
Saudi*	Holding the usual meetings of the Board of Directors in the KSA.	Zakat Regulations	Zakat on an establishment and its branches inside and outside the KSA
	Making senior executive decisions in the KSA.		
	Making more than (50%) of revenues in the KSA.		
Saudi*	Inapplicability of the conditions	Income Tax Law	Tax on the KSA branch only

3) Article (2), Those Subject to Zakat - at least two conditions shall be met, Executive Regulations.



Accordingly, it becomes clear that if a Saudi establishes a company outside the KSA and opens a branch for it in the KSA, it is subject to zakat if the main management conditions are met in the branch, and the company and all its branches are accounted for zakat. If the main management conditions are not met, the branch is only subject to the Income Tax Law without the Executive Regulations for Levying Zakat.

Those Subject to Zakat



Nationality of the company owner (Saudi)

Key Management Conditions (at least two conditions)

- Holding the usual meetings of the Board of Directors in the KSA.
- Making senior executive decisions in the KSA.

Making more than (50%) of revenues in the KSA.

Subject: Zakat Regulations

Impact: Zakat on an establishment and its branches inside and outside the KSA



Saudi: Main Management Conditions

Inapplicability of the conditions

Subject: Income Tax Law

Impact: Tax on the KSA branch only

Example (4):

A company established outside the KSA, owned by Saudi persons, and operating in and outside the KSA. Its Board of Directors meetings are held in the KSA and its income from the KSA is more than 50% of its revenues. How does the company calculate the zakat?



The following shall be excluded from the application of zakat and above-mentioned provisions:

- Resident investment companies with respect to the shares owned directly or indirectly by the taxpayer working in the field of oil and hydrocarbon production, whether a natural or legal person, resident or non-resident.
- The taxpayer in respect of whom a decision is issued by the authority not to be subject to levy of zakat - from the date on which the provisions of the regulation come into force - after he has registered with the authority, and submitted to it a request not to be subject to zakat levy, with his obligation to submit the declaration of information according to the statutory dates.
- In any case, every taxpayer engaged in a commercial activity shall register, even if it is a charitable endowment, state investment, government entity or consortium. ZATCA shall consider requests for non-subject in accordance with the established rules, and the same shall issue, in respect of which, a decision to subject or not.

3.1.2 Concept of Residency:

Residency conditions for a natural person and non-natural person:

Residency conditions for a natural person (one of the two conditions shall be met)	Residency conditions for a non-natural person (one of the two conditions shall be met)
(1) To have a permanent residence in the KSA and to reside there for a period of no less than thirty (30) days in the zakat year, whether continuous or separate.	(1) To be established in accordance with the applicable laws in the KSA.
(2) To reside in the KSA for a period of no less than one hundred and eighty-three (183) days in the zakat year, whether continuous or separate.	(2) To have key management in the KSA.

For the purposes of a natural person's residency, the residency in the KSA for a part of the day is considered a full-day residency, and his residency in the KSA for a day or part thereof, in the event of crossing between two points outside it, is not considered residency within the KSA.⁴

4) Article (3), Concept of Residency in the KSA, Executive Regulations.



3.2 Application for Registration and Registration Effective Date

Every taxpayer subject to the provisions of the Executive Regulations for Levying Zakat shall register with ZATCA before the end of its first fiscal year and update its data when the establishment's ownership and legal form change, including those who are not subject.⁵

3.2.1 Requirements to Apply for Registration

Every taxpayer shall, before starting the registration process, provide the following requirements:

Saudi individuals, Saudi institutions and the like ⁶	Resident Saudi commercial / professional companies:
<ul style="list-style-type: none">• A copy of the personal ID card (Saudi ID, Gulf ID).• A copy of the commercial register issued for the activity and branch records (if any).• A copy of the commercial register issued for the activity and branch licenses (if any).• ID of the person responsible before the institution.• Postal address (Wasel).	<ul style="list-style-type: none">• A copy of the commercial register issued for the activity and branch records (if any).• A copy of the commercial/professional license issued for the activity and branch licenses (if any).• A copy of the bank's capital deposit certificate.• Company's number with the Labor Office (starting with 700).• A copy of the partners' ID (ID of Saudi or Gulf individuals, commercial register and unique number for Saudi companies, copy of the commercial register of the Gulf company).• ID of the person responsible before the company.• In case of professional companies, the registration of partners with ZATCA is required in accordance with the above-mentioned laws.

5) Article (16), Executive Regulations, and it is detailed in Clauses (4.3 and 4.4) of this Manual, Executive Regulations.

6) Article (2), Executive Regulations.



The permanent establishment owned by non-resident Saudis and the like, if the key management conditions apply to the permanent establishment:

- A copy of the contract made by the establishment in the KSA.
- A copy of the commercial register in the parent country.
- A copy of the partners' ID (ID of Saudi or Gulf individuals, commercial registration and unique number of Saudi companies and copy of the commercial register of the Gulf company).
- A copy of the tax registration certificate in the parent country.

Knowing that these statutory requirements change periodically, as decided by ZATCA. Therefore, it is necessary to refer to the ZATCA's website and see the required documents.

3.3 How to register:

The taxpayer shall register, by filling out the e-application form available on the website of the General Authority of Zakat and Tax.

Registration of the taxpayer subject to zakat undergoes the account creation stage, after completing it, it is entered to access the forms to be filled out in accordance with the instructions set out in the Individuals Registration Instructions and Companies Registration Instructions on the website.

You can visit the ZATCA's website Instructions - Electronic Services www.zatca.gov.sa/ar/services to know the full steps for taxpayer registration on the portal.



3.4 Registration Certificate:

Upon completing the registration process on the ZATCA's website and submitting the application to ZATCA, reviewing and accepting it by ZATCA, the system issues a registration certificate and issues a unique number for the taxpayer. The registration certificate is valid from its issue date up to (120) days from the end of the first fiscal year⁷.



7) Article (16), Registration Certificate, Executive Regulations.



Example (5):

A Saudi company was established, its commercial register was issued on 15/03/2019 AD, and its fiscal year expires on 31/12/2019 AD. When is the first date for registration with ZATCA? When is the last date for registration with ZATCA? What is the issue date of the registration certificate? What is the expiry date of the registration certificate?

The first date for registration with ZATCA.	The last date for registration with ZATCA.	The issue date of the registration certificate.	Fiscal year end date.
Commercial register date. 15 / 03 / 2019 AD	The end date of the fiscal year 31 / 12 / 2019 AD	The date of completion of registration and acceptance by ZATCA.	120 days from the end of the first fiscal year 30 / 04 / 2020 AD of the next year.



3.5 Registration for consolidated zakat declaration purposes:

Article (15) of the Executive Regulations for Levying Zakat stipulates that «companies owned by the same partners, holding company and fully owned subsidiaries both in and out the KSA, whether directly or indirectly owned, may submit consolidated accounts and consolidated zakat declaration and accordingly shall be accounted for on basis of the results reported in one consolidated zakat base».⁸

Direct ownership means that the subsidiary is 100% one hundred percent owned by the holding company. Indirect ownership means that the subsidiary is owned in a certain percentage by the holding company, with the remaining percentages are owned by any of the other subsidiaries wholly owned by the holding company.

In the event that the taxpayer wants to submit a consolidated zakat declaration, the same shall submit a request to ZATCA to do so, with the ZATCA's right to approve or reject the consolidation request, and then the subsidiaries shall submit an information declaration for each company separately, within the statutory time limits specified for the submission of declarations.⁹

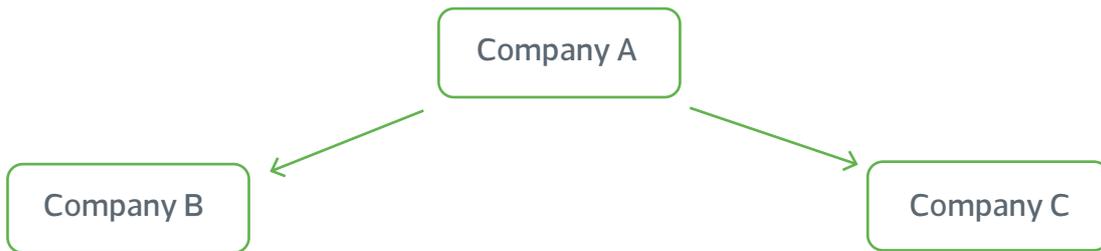
8) Article (15), ZATCA allows the submission of consolidated accounts and a consolidated zakat declaration, Executive Regulations.

9) Article (15), Executive Regulations.



Example (6):

Companies (A), (B) and (C) below are Saudi companies registered with ZATCA, and submit zakat declarations on an annual basis, when reviewing their ownership; it is noted that the ownership structure is as follows:



Company (A) owns 100% of both companies (B) and (C), does the principle of submitting a consolidated zakat declaration apply to these companies?

Referring to the structure in the above-mentioned example, we note that Company (A) owns all companies (B) and (C) directly indirectly by 100% meaning that it is entitled to submit a consolidated zakat declaration and consolidated accounts.

Example (7):

Companies (A) to (D) below are Saudi companies registered with ZATCA, and submit zakat declarations on an annual basis, when reviewing their ownership; it is noted that the ownership structure is as follows:



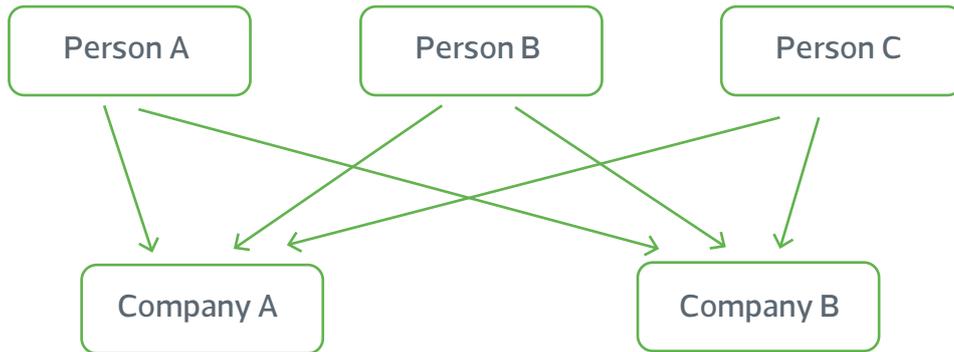
Company (A) owns 99% of all companies, company (D) owns 1% of Company (C), and Company (C) owns 1% of both companies (B) and (D), does the principle of submitting a consolidated zakat declaration apply to companies (A)) to (D)?

Referring to the structure in the above-mentioned example, we note that Company (A) owns all other companies directly or indirectly by 100%, meaning that it is entitled to submit a consolidated zakat declaration and consolidated accounts.



Example (8):

The companies (A) and (B) below are Saudi companies registered with ZATCA and they submit zakat declarations annually, and upon reviewing their ownership; it was noted that the ownership structure is as follows:



Person (A) owns 30% of each company, Person (B) owns 40% of each company and Person (C) owns 30% of each company. Does the principle of consolidated declaration apply to companies (A) and (B)?

Referring to the structure in the above-mentioned example, we note that the two companies are owned by the same persons; thus, either of them is entitled to submit a consolidated zakat declaration and consolidated accounts.



In the event that the conditions of the consolidated zakat declaration apply to a group of companies and such companies want to be accounted for according to the consolidated accounts and a consolidated zakat declaration, the holding company shall access its account on the portal and apply for registering a holding company, and then the information of all subsidiaries is included.

After submission, ZATCA shall review the above-mentioned data, noting that all companies (holding and subsidiaries) shall register on the ZATCA's website and update their data correctly. Upon approval by ZATCA, the holding company will be able to submit the consolidated declaration for the entire group, noting that any new subsidiaries can be added to the group by following the same steps mentioned above.¹⁰

The figure below is a summary of the steps to be followed to submit the consolidated zakat declaration:



4. Determining the zakat base for the taxpayer who maintains commercial books

The zakat base for the taxpayer who maintains commercial books is determined according to the ZATCA's method of levying zakat, which was explained in Section II of this Manual¹¹. According to this method, the taxpayer's internal sources of funds are added and the amounts taken from its external sources of funds in deducted financing (additions), then the non-zakatable assets (deductions) are deducted¹²

¹¹) Article (4), determination of the additions and deductions to the zakat base, Executive Regulations.

¹²) Article (5), determination of the zakat Base for those who maintain commercial books - method of sources of funds, Executive Regulations.



4.1 Zakat Base Items (Additions):

The additions to the zakat base for the taxpayer who maintains commercial books consist of internal sources of funds (equity and the like) and external sources of funds that have financed deductible assets¹³

Reasons for the addition to the zakat base:

- Matching the deductible assets with the taken liabilities.
- Reaching the zakat assets financed from internal sources of funds.

Example (9):

The following statements for a company as at the end of the fiscal year:

Statement of Financial Position			
Assets		Liabilities and Equity	
SAR		SAR	
Current Assets	10,000	Current Liabilities	8,000
		Long-Term Liabilities	2,000
Long-Term Assets (Property and Equipment)	5,000	Equity	5,000
Total	15.000	Total	15.000

¹³) Article (4): Determination of the Zakat base for those who maintain commercial books - funds that constitute the zakat base, Executive Regulations.



(A) Calculating ZB

Item	SAR
Long-Term Liabilities	2,000
Equity	5,000
Minus: Long-term assets	(5,000)
Zakat base	2,000

Reasons for the addition to the zakat base:



Reaching the zakat assets financed from internal sources of funds.



Matching the deductible assets with the taken liabilities.



4.1.1 Concepts related to Additions

The ZATCA's method for calculating the zakat base is based on listing all internal sources of funds and what financed deductible assets from external sources of funds.

Zakat Base Building:

When building ZB, the obligations of the taxpayer (external sources of funding) shall be added initially, assuming its priority in financing the deducted items before the internal sources of funding, according to the following order:

External Sources of Funds (Maximum Deductible Assets):

- Obligations that are known to have financed deductible assets, such as: (A debts for the purchase of a fixed asset).
- Long-term liabilities (considering the term of the debt), such as: (Loans with a term of more than 354 days).

Example (10):

The following statements for a company as at the end of the fiscal year:

Statement of Financial Position			
Assets		Liabilities and Equity	
SAR		SAR	
Current Assets	8,000	Current Liabilities	3,000
		Long-Term Liabilities	7,000
Long-Term Assets (Property and Equipment)	6,000	Equity	4,000
Total	14,000	Total	14,000



Calculation of the zakat base with the indirect method:

Item	SAR
Long-Term Liabilities (Not Exceeding the Deductions)	6,000
Equity	4,000
Minus long-term assets	(6,000)
Total	4,000

The external sources of financing shall be added to ZB first to meet them with deductions, not exceeding the total value of the deductions, and then the internal sources of financing shall be added, and thus the long-term liabilities in the example above were added to ZB within the limits of the deductible assets, and then the equity is added.

Internal sources of funds:

- Property rights, such as: (capital reserves and retained earnings).
- Retained provisions after deducting the used provisions during the year, such as: (End of service provision after deducting the used provision during the year).



4.1.2 Items added to the zakat base:

Below are examples of items added to the zakat base, with some controls mentioned in the next section, and some examples for further clarification:

Group	Item	Amount
Equity and the like	Working Capital at Start of Year	xx
	Increase in capital during the year	xx
	Reserves carried over from previous years	xx
	Retained earnings from previous years	xx
	Year adjusted net profit for the purposes of levying zakat	xx
	Change in fair value resulting from the revaluation	xx
Provisions	Opening provisions after deducting the used provisions during the year	xx
	Creditors	xx
	Notes payable	xx
	Loans and the like + the current installment of the loan	xx
	Partner or Owner Loans	xx
	Amounts withheld from contractors (quality performance assurance)	xx
	Amounts payable to related parties	xx
	Profits in distribution	xx



4.1.3 Items not added to the zakat base:

Below are examples of items that are not added to the zakat base:

	Item	Amount
Liabilities of the taxpayer classified as short-term and the like, unless it is known that they have financed deductible assets	Loans	xx
	Creditors	xx
	Expenses Payable	xx
	Notes payable	xx
	Overdraft account	xx
	Withheld amounts	xx
	Amount payable to related parties	xx

Controls for Additions to ZB

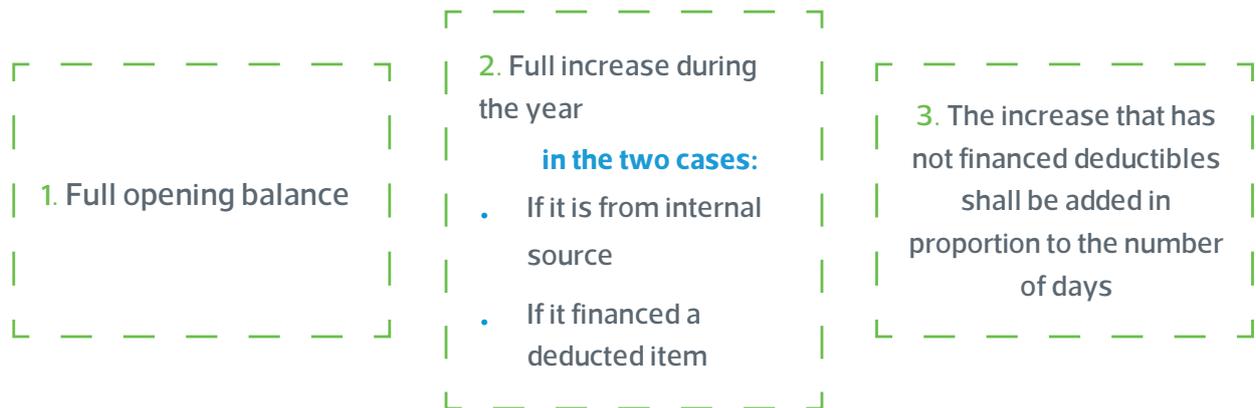
The capital shall be added to the zakat base according to the following controls:

- The opening balance shall be added.
- The capital increase that took place during the year shall be fully added if it is from internal source (equity,...).
- The capital increase during the year shall be fully added if it financed any of the deducted items from the zakat base.
- The increase in the capital, if it does not finance an item deducted from the zakat base, shall be added in proportion to the number of days of the period for the zakat year. As it is deemed among the other sources of funding referred to in Article (41/3/) of the Regulations.



Cases of adding capital to the zakat base:

Capital is added to the zakat base



Example (11):

A company made purchases on credit during the year in an amount of SAR 10,000,000 on 01 / 07 / 20XX AD, as follows:

1. SAR 3,000,000 transfer from the general reserve.
2. SAR 7,000,000 increase in the capital from the partners from which SAR 5,000,000 is used to purchase a new production line, and SAR 2,000,000 to finance the purchase of goods and raw materials.

What amount should be added to ZB?

1. The full amount of SAR 3,000,000, which is the increase made from the general reserve, shall be added to the zakat base because it is an internal transfer from a component of the equity.
2. An amount of SAR 5,000,000, which is the increase made to finance the purchase of a completely new production line, shall be added to the zakat base because it has financed deductibles.



3. The amount of the bond loan obtained is added to ZB (SAR 2,000,000) in proportion to the number of days on the basis that it is one of the other financing sources, and it is deemed a long-term obligation on the taxpayer, and therefore, an amount of SAR 1,000,000 shall be added, as calculated below, with the obligations not exceeding the amount of deductions from ZB as follows:

Number of Days Left until End of the Fiscal Year				
	×	Increase Amount	=	*****
Number of Days of the Year (365)				

183				
	×	2,000,000	=	1,000,000
365				

Reserves:

- They shall be added to the balance at the beginning of the period if the balance remains until the end of the year, and if the balance was disposed of during the year, such as cash distribution and others, then the part that was disposed of should not be added to the base.
- If the reserves are transferred to an equity account, they shall be added to the zakat base for the entire period within the equity.



Example (12):

A company has a voluntary general reserve balance of SAR 10,000,000, an amount of SAR 5,000,000 was used for the purpose of capital increase and an amount of SAR 2,000,000

How much should be added to ZB in each case?

An amount of SAR 5,000,000, from the reserves that were used for the purpose of capital increase, shall be added to the base, in addition to the remaining balance of the reserves, after deducting the used from the reserve balance as follows:

The balance at the beginning of the year less used from the reserve balance during the year:

$$10,000,000 - 2,000,000 = \text{SAR } 8,000,000$$

$$5,000,000 + 3,000,000 (5,000,000 - 2,000,000) = \text{SAR } 8,000,000.$$

Controls for adding the reserve to the zakat base

1. It is added to the base in the opening balance, if the balance remains at the end of the year.

2. If the reserves are transferred to an equity account, they are added to the zakat base for the entire period within equity.

3. If the balance is disposed of at the end of the year, for example, it is not added to the zakat base.

Retained Earnings

- They are added to the zakat base in the opening balance minus the dividends paid during the zakat year.
- Dividends whose owners do not apply for receipt and are set aside in separate bank accounts are considered dividends paid to the partners.



Controls for adding the retained earnings to the zakat base:

They are added to the zakat base in the opening balance minus the dividends paid during the zakat year.

Dividends whose owners do not apply for receipt and are frozen in separate bank accounts are considered dividends paid to the partners.

Obligations by Taxpayer

- The liabilities of the taxpayer and the like, referred to in the above addition clauses, shall be added to the zakat base in accordance with the following controls:
- Liabilities of (354) days or more, as well as liabilities of (354) days and are overlapping between more than one zakat year shall be added to the zakat base in proportion to the number of days for the zakat year.
- Short-term liabilities that financed a deductible asset are added.
- Renewing or replacing obligations with other obligations or funding sources that finance what these obligations were financing, or rescheduling obligations with the same creditor.
- The total amount of obligations added to the zakat base according to the content of the above-mentioned items shall not exceed the total deductions from the zakat base.

Knowing that the obligations of the taxpayer, which are classified as short-term (less than a lunar year), are added to the zakat base only if they are to finance assets deducted from the zakat base.



Controls for adding the obligations of the taxpayer

The obligations of the taxpayer and the like, referred to in the above-mentioned addition clauses, shall be added to the zakat base in accordance with the following controls:

The short-term liabilities that have financed deductibles

The total amount of obligations added to the zakat base according to the content of the above-mentioned items shall not exceed the total deductions from the zakat base.

Obligations of (354) days and more, as well as obligations of (354) days and are overlapping between more than one zakat year shall be added to the zakat base in proportion to the number of days of the zakat year.

Renewing or replacing obligations with other obligations or funding sources that finance what these obligations were financing, or rescheduling obligations with the same creditor.



Example (14):

A company obtained a long-term loan of SAR 1,000,000 on 20 / 08 / 2019 AD, noting that the end of the company's fiscal year is 31 / 12 / 2019 AD, and the company has a short-term loan of (6) six months in an amount of SAR 2,000,000 obtained on 01 / 01 / 2019 AD and it was rescheduled for another (6) six months. How are the loans to be added to the zakat base determined?

For a long-term loan, it shall be added to ZB based on the number of days for ZY as follows:

Number of Days Left until End of the Fiscal Year				
	×	Debit value	=	*****
Number of Days of the Year (365)				

133				
	×	1,000,000	=	364,384
365				

As for the short-term loan, it is fully added to the zakat base on the basis that the zakat year is not interrupted by the rescheduling of the debt with the creditor itself. Accordingly, an amount of SAR 2,000,000 is fully added to the zakat base.



Example (15):

A company obtained a loan of SAR 2,000,000 on 10 / 02 / 2019 AD, and it is repayable on 01 / 02 / 2020, noting that the end of the fiscal year is 31 / 01 / 2020 AD. How is the amount to be added to the zakat base determined?

For a long-term loan, it shall be added to ZB based on the number of days for ZY as follows:

Number of Days Left until End of the Fiscal Year				
	×	Debit value	=	*****
Number of Days of the Year (365)				

355				
	×	2,000,000	=	1,945,205
365				

The short-term loan (355 days) is added because its term is more than (354 days) and overlaps between more than one zakat year, pursuant to Article (A/3) of Article (4) the Executive Regulations for Levying Zakat.



Example (16):

A company obtained financing from a partner (less than 354 days) and it was as follows:

1. SAR 3,000,000 use of financing to purchase a plot of land.
2. SAR 2,000,000 use of financing to purchase goods.
3. SAR 1,000,000 use to meet multiple liabilities in the activity.

How much should be added to ZB in each case?

An amount of SAR 3,000,000 shall be added to ZB, as it was used in a deducted financing (fixed asset).

An amount of SAR 2,000,000 shall not be added because it is a short-term loan and it was not used in a deducted financing.

An amount of SAR 1,000,000 shall not be added as long as it is a short-term loan and is used in multiple liabilities in the activity and does not include deductible financing.

Provisions



To be (added/deducted) to the (adjusted profit/adjusted loss) provision formed during ZY,



The first of term balance shall be added to ZB minus the used balance during the year,



If the zakat base is the minimum (adjusted profits), The used balance is deducted from the adjusted net profit as a deductible expense, provided that the net profit after deducting the used balance is compared with the base (after canceling the effect of the used balance from the provision from the base) and taking the highest between them.



Example (17):

The table below indicates the movement of provisions during the year:

Item	First of Year Balance	Accrual During the Year	Used During the Year	End of Year Balance
	SAR	SAR	SAR	SAR
End-of-Service Indemnity	2,000,000	500,000	300,000	2,200,000
Provision for Bad Obligations	1,000,000	200,000		1,200,000
Total	3,000,000	700,000	300,000	3,400,000

What amount should be added to modify the activity result?

Item	Amount
Amount of Provisions Made During the Year	700,000

What amount should be added to ZB?

Item	Amount
First of Year Provisions Balance	3,000,000
Deducting: Used Provisions During the Year	300,000
Provisions Balance Added to Base	2,700,000

The change in the fair value deducted in accordance with Article (66/) of the Regulations shall be added to the components of the zakat base.



4.2 Zakat Base Items (Deductions)

The deduction items consist of the zakat base for the taxpayer who maintains commercial books, regular accounts of non-zakatable assets such as fixed assets, assets subject to zakat levy in another base, such as investments in the capital of companies subject to zakat in the KSA, or the zakat of which is paid independently by the taxpayer, and some other assets specified by the Regulations.¹⁴

4.2.1 Deduction-related Concepts

The ZATCA's method for calculating the zakat base includes deducting all non-zakatable assets, independently zakatable assets and some other items.

The main items of deductions generally consist of the following:

- Non-zakatable assets, including fixed assets, such as buildings: machinery, equipment, furniture, intangible assets, etc.
- Zakatable assets, including non-trading investment in shares of Saudi companies or foreign companies that are subject to zakat independently in accordance with the controls specified in the Regulations.

¹⁴) Article (5), para. (9): The value of real estate under development intended for sale that is classified as non-current assets in the financial statements, to be sold after the completion of its development, unless it is offered for sale as is, or the total sales and advance payments received from customers regarding it exceeds twenty-five percent (25%) of its value shown in the financial statements of the zakat year, subject of the declaration.

ZATCA may review the modification of this percentage according to the state and conditions of the market.



Deducted from ZB

Below are examples of items deducted from the zakat base:

Item	Amount
Net fixed assets and the like	(xx)
Capital construction	(xx)
Non-Current Assets	(xx)
Investments in non-trading establishments inside and outside the KSA in accordance with the controls mentioned below.	(xx)
Net incorporation and pre-operating expenses and similar capital expenses	(xx)
Net zakat year loss adjusted for zakat purposes	(xx)
Adjusted net retained loss for the purposes of levying zakat in accordance with the controls specified below.	(xx)
Net value of real estate under development prepared for sale in accordance with the controls specified below.	(xx)
Statutory deposit of insurance and reinsurance companies.	(xx)
Inventory of agricultural inputs purchased for use in production.	(xx)



4.2.3 Controls for Deduction from the Zakat Base

1. Fixed assets and the like shall be deducted at the net value recorded in the accounts, provided that they are used in the taxpayer's activity. The items similar to assets include:
 - Spare parts and materials not intended for sale.
 - Payments to purchase fixed assets.
 - The assets financing by the lessee in financial leases in build-operate-transfer (BOT), build-own-operate (BOO) or build-own-operate-transfer (BOOT) projects, and other similar forms.

Example (18):

A company enters into contract with the General Authority of Civil Aviation to establish an airport in the Al-Jawf Province, and the contract is in the form of build-own-operate-transfer (BOOT), so that the company builds and owns the airport for (10) ten years, during which the airport is operated for the company, then transfers the ownership at the end of the contract term (ten years) to the General Authority of Civil Aviation, and the company spends in the first year SAR 24,000,000 to build the project.

The company has the right to deduct the project cost SAR (24,000,000) from the zakat base for this year.

Example (19):

A company enters into contract with the Electricity Company to establish an power plant in Taif Province, and the contract is in the form of build-operate-transfer (BOT), so that the company builds and operates the power plant for it, then transfers the ownership at the end of the contract term (ten years) to the Electricity Company, and the company spends in the first year SAR 50,000,000 on the project.

The company has the right to deduct the amount spent on the project being SAR (50,000,000) from the zakat base for this year.



Example (20):

A company entered into contract with the Development Authority to build a hotel in Riyadh, and the contract is in the form of build-own-operate (BOO), so that the company builds, owns and operates the hotel for it, and the company spends SAR 100,000,000 to build the hotel.

The company has the right to deduct the hotel establishment cost SAR (100,000,000) from the zakat base for this year.

2. Capital constructions and projects in progress that are established for the purpose of being used in the activity not for the purpose of selling shall be deducted from the zakat base.
3. Long-term non-trading investments in establishments in the KSA shall be deducted if they are shares of companies subject to the provisions of levying zakat, i.e., they are zakat assets with the investees.

Investments in establishments outside the KSA shall be deducted as follows:

- Investments shall be in shares of non-trading companies.
- The taxpayer shall pay the zakat on these investments to ZATCA according to an approved certificate from a chartered accountant licensed in the KSA.
- The minimum zakat base for these investments shall be the taxpayer's share of their net profit contained in the financial statements.

* Employee Shares Ownership Program: The employee share program that appears within ownership rights, and is considered a reduction of ownership rights under the name "Treasury Shares" that are allocated to the company's employees, and are added in the negative, when they meet the following conditions:

- a. The approval of the Extraordinary Assembly on the purchase of shares and its purpose (1).
- b. That the company's policy stipulates a share option program, or a list of rewards for employees approved by the Ministry of Human Resources, or any legal document that proves that.



As for the employee share ownership program, which appears within the non-current assets under the name "receivables" or "other non-current assets"; It is not considered a deductible, and it is considered as a long-term investment in the name of the taxpayer for the benefit of the program, with which the funds allocated for this portfolio must be recommended.

(1) . Article Twelve of the Implementing Regulation of the Companies Law for Listed Joint Stock Companies.

4. The net retained loss under the ZATCA's assessment after adding the provisions by which the loss had previously been reduced in its accrual year or the retained losses according to the commercial books of the taxpayer, whichever is less.

Example (21):

The following statements for a company as at 31/12/XX AD

Capital: SAR 2,000,000.

Statutory Reserve: SAR 500,000.

Retained losses per the appropriation: SAR 900,000

Retained losses as per the books: SAR 750,000.

Adjusted year losses: SAR 450,000.

Fixed assets: SAR 800,000.

How are the above-mentioned items treated when the zakat base is determined?

Item	Amount
Additions:	
Capital	2,000,000
Statutory Reserve	500,000
Total Additions to ZB	2,500,000
Deductibles	
Fixed assets	800,000
Retained losses	750,000
Adjusted year losses	450,000
(Total deductions)	2,000,000
Zakat Base (ZB)	500,000



5. Real estate under development intended for sale are deducted as follows:

- To be classified as non-current assets in the financial statements.
- To be intended for sale after the completion of being developed.
- Not to be for sale as is.
- The total sales and advance payments received from its customers shall not exceed (25%) twenty-five percent of their value shown in the financial statements for the Zakat year, subject of the declaration this is accomplished by comparing the value of exclusions (sales) at cost to the overall project value identified in the financial statements. ZATCA may review and adjust this percentage according to the market condition and circumstance, taking into account that the percentage of 25% is for each project separately, not for the total item shown in the financial statement.

Example (22):

A company operates in the field of real estate investment, where the balance of projects under development classified under non-current assets amounted to SAR 1,000,000 and the value of sales excluded at cost from the balance of properties under development amounted to 20% of the balance of real estate projects under development. Given that the projects are classified as non-current assets, and because the value of sales made from projects during the year is less than 25%; the total amount of SAR 1,000,000 is deducted from the zakat base.

6. Agricultural inputs (stored) and purchased for the purpose of use in production are deducted for the taxpayer who engages in agricultural activity, because they are subject to zakat in agricultural activity.



Deducted from ZB

Below are examples of items non-deductible from the zakat base

Group	Items not deducted from the zakat base	Amount
Non-Current Assets	Cash and the Like	XX
	Inventory.	XX
	The obligations of the taxpayer, regardless of their term or nature.	XX
	Investments in Government Sukuk and Bonds	XX
	Investments in companies outside the KSA unless zakat is paid on them	XX
	Investments in real estate under development that do not meet the conditions specified in the Regulations.	XX
	Spare parts intended for sale	XX
	Intangible assets purchased with the intention of trading	XX
	Investing in forward deposits or transactions	XX
	Statutory deposits excluding statutory deposits of insurance and reinsurance companies	XX
Investments for trading purpose	XX	



Deducted from ZB

Accounts Receivable

Advance payments debit

Receivables

Dues from Related Parties

Government receivables

4.2.4 Other General Controls related to the Zakat Base:

- The zakat base shall not be less than the adjusted net profit for the purposes of levying zakat.¹⁵

Example (23):

The zakat base of a taxpayer is SAR (1,000,000), and the adjusted profit is SAR 1,100,000 for the period from 1/ 1/ 20XX AD to 31 / 12 / 20XX AD of the same year.

What is the company's zakat base?

Whereas the zakat base is less than the adjusted profit; the zakat shall be calculated based on the adjusted profit.

Adjusted profit x 2.5% = zakat amount due

1,100.00 x 2.5% = SAR 27,500

- The taxpayer is accounted for the zakat of the entire zakat year in which a partner died or assigned his share and others entered his place, whether heirs or not, if the taxpayer continued its activity.

Example (24):

A partnership whose fiscal year ends on 31 / 01 / 2019 AD, and on 01 / 07 / 2019 AD, a partner assigned his share in the company to another partner.

How is the company accounted for zakat for this year?

As long as the activity continues, the zakat base is not affected by the entry or exit of a partner; thus the company shall be accounted for the entire zakat year naturally according to the Regulations and the continuation of the activity.

¹⁵) Article (6), Certain Controls for Zakat Base, Executive Regulations.



- The sole proprietorship shall be accounted for the zakat, year during which the ownership is completely transferred to other owners, in proportion to the fiscal period, whether the transfer of ownership is through sale or assignment and the like.

Example (25):

Sole proprietorship completely transferred to a new owner on 01 / 07 / 2019 AD, noting that the fiscal year ends on 31 / 12 / 2019 AD.

How is the sole proprietorship's zakat calculated for this year, assuming that the calculated zakat base amounted to SAR 10,000,000?

Old Owner: It is accounted for proportionally as from the beginning of the year until the ownership transfer date (30 / 06 / 2019 AD).

New Owner: It is accounted for proportionally as from the ownership transfer date (01 / 07 / 2019 AD) to the end of the year (31 / 12 / 2019 AD).

Calculation of the zakat base for both the old and the new owner:

Number of days before the transfer of ownership to the old owner and after to the new owner.	×	Zakat Base (ZB)	=	*****
Number of Days of the Year (365)				

183	×	10,000,000	=	5,000,000
365				



- In the event that the taxpayer transforms from one legal form to another in any way, the accounting shall not apply in proportion, other than as mentioned in clause (3) above.

The table below indicates the zakat handling in cases of transform from one legal entity to another as follows:

Legal entity transformation		Zakat Handling
From	to	
Investment company/ partnership	Sole proprietorship	Zakat handling is not affected
Sole proprietorship	Investment company/ partnership	Zakat handling is not affected
Investment company/ partnership	Investment company/ partnership	Zakat handling is not affected
Sole proprietorship	Sole proprietorship	The period between the former owner and the new owner shall be divided in proportion, and shall be accounted for on this basis

- There shall be no offset or settlement between the credit balances of owners or partners (including their current accounts) and the debit balances of owners or other partners (including their current accounts).
- "For Zakat purposes, the results of the revaluation shall be taken into account according to the fair value reflected in the financial statements.
- "For Zakat purposes, the results of the revaluation shall be taken into account according to the fair value reflected in the financial statements." As for the balances of the owner and the same owner (or the partner and the same partner), clearing or settlement may be made between them.



Example (26):

Al Bahar Company owns shares in Al Salam Company (a Saudi joint stock company listed on the stock exchange), which are classified as long-term investments.

The fair value of the investments in Al Salam Company amounted to SAR 1,000,000 at the beginning of the zakat year, but the fair value increased to SAR 1,500,000 at the end of the zakat year. The increase in the fair value SAR (500,000) was included in the statement of other comprehensive income.

How is the investment in Al Salam Company handled in the Zakat declaration?

Item	Amount (SAR)
The value of the investment deducted from the zakat base	1,500,000
The change in fair value added to the zakat base	500,000



4.2.6 Application Examples:

The data below pertains to a company as on December 31, 2019 AD, and accordingly it is required to calculate zakat.

Statement of Financial Position

As on December 31, 2019 AD (amounts in SAR)

Assets	SAR	SAR
Current Assets		
Cash in Hand and at Banks	400,000	350,000
Investments at fair value through profit or loss.	2,000,000	1,600,000
Other Receivables and Trade Receivables	2,000,000	2,300,000
Stock	6,100,000	6,200,000
Prepaid Expenses and Other Debit Balances	500,000	650,000
Total Current Assets	11,000,000	11,100,000
Non-Current Assets		
Dues from Related Parties	4,000,000	3,800,000
Projects in progress (assets)	3,000,000	2,400,000
Investments in subsidiaries.	5,500,000	5,300,000
Real Estate Investments	5,000,000	5,000,000
Plant, Property and Equipment (PP&E)	9,000,000	8,700,000
Goodwill and intangible assets	4,000,000	4,000,000
Other Long-Term Assets	1,000,000	1,000,000
Total Non-Current Assets	31,500,000	30,200,000
Total Assets	42,500,000	41,300,000



Liabilities and Partners' Equity	2019 AD	2018 AD
Current Liabilities	SAR	SAR
Creditor banks	500,000	700,000
Accounts Payable	500,000	600,000
Accrued Expenses and Other Credit Balances	800,000	700,000
Deferred Revenue	1,500,000	1,200,000
Advance Payments from Customers	1,300,000	1,800,000
Dividend payable	3,500,000	-
Zakat Provision	225,000	-
Obligations under capital lease	500,000	600,000
Tradable Part of a Term Loan	400,000	500,000
Total Current Liabilities	9,225,000	6,100,000
Non-Current Liabilities		
End-of-Service Indemnity Provision	2,000,000	1,800,000
Term Loan	3,400,000	
Dues from Related Parties	6,100,000	10,500,000
Obligations under capital lease	3,000,000	3,100,000
Total Liabilities	23,725,000	21,500,000
Partners' Equity		
Capital	10,000,000	10,000,000
Statutory Reserve	5,000,000	5,000,000
Retained Earnings	3,775,000	4,800,000
Total Partners' Equity	18,775,000	19,800,000
Total Liabilities and Partners' Equity	42,500,000	41,300,000



Income Statement

For the Period Ending on January 01, 2020 AD to December 31, 2020 AD Amounts in (SAR)

	2019 AD
	SAR
Revenues	50,000,000
Cost of Revenues	(45,000,000)
Gross Profit	5,000,000
General, administrative and marketing expenses	(2,000,000)
Share in (losses) of subsidiaries	(500,000)
Share of results of companies invested in equity method	800,000
Other Losses (Net)	(300,000)
Income from Operations	3,000,000
Financing Expenses (Net)	(300,000)
Net Profit before Zakat and Income Tax	2,700,000
Zakat	(225,000)
Year net profit	2,475,000



Provision movement data is as follows:

Item	First of Year Balance	Accrual During the Year	Used During the Year	End of Year Balance
	SAR	SAR	SAR	SAR
End-of-Service Indemnity Provision	1,800,000	400,000	200,000	2,000,000
Provision for Bad Obligations	300,000	300,000	-	600,000
Total	2,100,000	700,000	200,000	2,600,000

Zakat Calculation:

Item	Amount
Modification of Activity Result	SAR
Net Profit for Zakat Purposes	2,700,000
Adding: End of service provision accrual during the year	400,000
Adding: Doubtful debt provision accrual during the year	300,000
Total Modification of Activity Result	3,400,000



Additions to ZB	
Equity	SAR
Capital	10,000,000
Statutory Reserve	5,000,000
Retained earnings minus dividends	1,300,000
Adjusted year profit	3,400,000
Dividend payable	3,500,000
Provisions for the Bad Obligations at the Beginning of the Year	300,000
Debts by Taxpayer	
End of service provision (first year balance minus used)	1,600,000
Deferred Revenue	1,200,000
Advance Payments from Customers	1,300,000
Loans (obtained on 012018/07/AD)(3653,800,000*183/)	1,905,206
Dues from Related Parties	6,100,000
Obligations under capital lease	3,500,000
Controls for Additions to ZB	53.110.412



Deductions from ZB	
	SAR
Projects in progress (assets)	3,000,000
Investments in Local Subsidiaries	5,500,000
Real estate investments (residential compounds for rent)	5,000,000
Property and Equipment	9,000,000
Goodwill and intangible assets	4,000,000
Total Deducted Assets	26,500,000
Zakat Base (ZB)	12,605,206
Due Zakat:	
ZB without Adjusted Profit for Year \times 2,578%	237,310
Adding: Adjusted year profit \times 2.5%	85,000
Due Zakat:	322,310



5. Modification of Activity Result

The activity result (book profit or book loss) is adjusted to reach the adjusted net profit for zakat purposes.¹⁶

Item	Amount
	SAR
Net book profit or loss for the year	x x x
Adding: Non-Deductible Expenses	x x x
Net Profit Adjusted for Zakat Purposes	x x x

5.1 Deductible Expenses

The following expenses may be deducted to determine the activity result for the purposes of zakat:

Expense	Conditions to be met in the expense
Ordinary and necessary expenses for the activity	The expense shall be actual and supported by documents and evidence that are acceptable to ZATCA and verifiable, even if they are related to previous years.
	It shall be related to the taxpayer's activity, not related to personal expenses or other activities not pertaining to the taxpayer.
	It shall not be of a capital nature. In the event that an expense of a capital nature is included in the expenses, the activity result is modified by it, and it is included in the fixed assets and depreciated within the depreciation of the asset.

¹⁶) Article (8), which is the activity result, the Executive Regulations.



Expense	Conditions to be met in the expense
Salaries and allowances of the owner or partner	Salaries and allowances paid to the owner and partner may be accepted if the owner or partner is registered with the General Organization for Social Insurance.
Remunerations paid to the Chairman, his Deputy and Board Members from among the owners or partners.	They may be deducted within the limits of remunerations paid to independent persons.
Bad Debts	The revenues that resulted from said obligations have been previously declared within the taxpayer's revenues in the year of the repayment entitlement.
	The taxpayer shall submit a certificate certified by a chartered accountant licensed in the Kingdom of Saudi Arabia, stating that the cancellation of said obligations was carried out by a decision of the authorized person, upon the Authority's request for that certificate.
	The obligations shall not be on parties associated with the taxpayer.
	The taxpayer shall declare what will be collected from those debts in the future.
Annual depreciation installment of fixed assets	The assets are to be owned.
	The assets shall be intended for use in the activity, as recorded in the taxpayer's commercial books.
	The depreciation installment shall be reasonable not excessive.



Expense	Conditions to be met in the expense
<p style="text-align: center;">Donations:</p>	<p>They shall be paid to the entities authorized to receive donations inside the KSA and supported by supporting documents.</p>
<p>The accrual during the year from the unearned installment reserve, and from the reserve for existing risks, in insurance (and/or) reinsurance companies (for more details refer to the insurance activity manual</p>	<p>They shall be returned to the zakat base in the following year.</p>
	<p>They shall be determined in accordance with the professional standards used in this type of activity and in accordance with the applicable laws, regulations and rules related to the above-mentioned activity.</p>
<p style="text-align: center;">School tuitions paid to the children of the taxpayer's employees</p>	<p>Payments to a licensed educational establishment within the KSA.</p>
	<p>They shall be explicitly provided for in the employee's employment contract and in the bylaws of the company for which he works.</p>
	<p>These expenses shall be supported by payment vouchers acceptable to ZATCA.</p>



5.2 Non-deductible Expenses:

The following expenses may not be deducted to determine the activity result for zakat purposes:

- Expenses and costs not related to the taxpayer's activity, including the following:
- Expenses of a capital nature.
- Partner-related personal expenses.
- Salaries, wages and the like, paid to the owner, partner or any of his family members other than as registered with the Social Insurance.
- Expenses not supported by documents or other evidence acceptable to ZATCA.
- Zakat or tax due except for the value-added tax incurred by the taxpayer.
- Share of employees of pension funds and provident funds.
- Provisions and reserves accrual during the year.



Import differences and how to address them:

During the inspection stage, the Authority verifies the value of the import based on the customs declaration and compares the same with the value declared by the taxpayer. This will be done after deducting any imports added to the fixed assets during the Zakat year and any other imports identified by the Authority based on available information. The taxpayer will then be asked to explain any differences that arise. Some of these differences could be attributed to various factors, including differences in timing and registration, currency evaluation, and import through other companies or related companies. In order to resolve these discrepancies, supporting documents will be required for study and verification purposes.

In the event of import differences not supported by documentation, the difference is handled as follows:

- If the value of the import declared by the taxpayer is greater than its declared value in the customs declaration, the difference must be added in full to the net profit.
- If the value of the import declared by the taxpayer is lower than its declared value in the customs declaration, a profit for this difference shall be calculated in accordance with the procedures established by the Authority. The profit calculated will not be less than the ratio of the total profit of the declaration to the revenues, and the result will be adjusted accordingly.

Example A:

The import value of one of the companies as at 31 December 2019 amounted to SAR 80,000,000 according to the company's books, whereas the import, as per the customs declaration, was SAR 100,000,000, assuming that the percentage established by the Authority not less than the ratio of the total profit of the declaration to the revenues of the activity is 15%.

How to address the difference?

- **Imports on the items of the financial position or the items of the income statement:**
 1. In the previous example, the taxpayer matched the balance of the last period of the inventory in the declaration with the financial statements, and it was found that a portion of his purchases is added to the production stages, which appear within the inventory items in the statement of financial position; therefore, no import differences are calculated (with the right of the Authority to request the necessary samples to verify the validity of these differences).



2. In the event that differences are not supported by documentation, this difference (amounting to SAR 20,000,000) shall be refunded, and a profit for this difference shall be calculated in the percentage established by the Authority at a rate not less than the ratio of the total profit of the declaration to the revenues of the activity, and the result of the activity shall be adjusted as follows:

Import difference × the percentage established by the Authority not less than the ratio of the total profit of the declaration to the revenues of the activity × 2.5% = Zakat value
 $20,000,000 \times 15\% \times 2.5\% = \text{SAR } 75,000$

- **Import on behalf of other companies:**

1. In the previous example, after the review, the company submitted a statement of these differences, which is its import to a subsidiary company, which was then requested to provide the Authority with the names of the companies and their endorsements of these balances, and the review and verification are conducted to ensure that these companies included the imports within its statements and declarations.
2. In the event that differences are not supported by documentation, this difference (amounting to SAR 20,000,000) shall be refunded, and a profit for this difference shall be calculated in the percentage established by the Authority at a rate not less than the ratio of the total profit of the declaration to the revenues of the activity, and the result of the activity shall be adjusted as follows:

Import difference × the percentage established by the Authority not less than the ratio of the total profit of the declaration to the revenues of the activity × 2.5% = Zakat value
 $20,000,000 \times 15\% \times 2.5\% = \text{SAR } 75,000$

- **Timing and Registration Difference:**

In the previous example, the taxpayer submitted a statement of imports that were registered at the beginning of the following year with customs and appeared in the company's books for this year, while providing the Authority with invoices and registration restrictions with the books for this year, so the Authority verifies the authenticity of the submitted documents and import differences are not calculated because the invoices for purchases match the customs declaration.



Example B:

The import value of one of the companies as at 31 December 2019 amounted to SAR 100,000,000 according to the company's books, whereas the import according to the customs declaration was SAR 80,000,000.

How to address the difference?

- **Other companies importing on behalf of the company:**

In the previous example, after the review, the company submitted a statement of these differences, which is another company that imports on its behalf, the company is requested to provide the Authority with the names of these companies and their endorsements of these balances, and the review and verification are conducted to ensure that these companies did not include these imports in their statements and declarations.

In the event that there are differences that are not supported by documentation, this difference (amounting to SAR 20,000,000) will be refunded and added to the net profit.

- **Timing and registration difference:**

In the previous example, the taxpayer submitted a statement of imports that were registered at the beginning of the following year with customs and appeared in the company's books for this year, while providing the Authority with invoices and registration restrictions with the books for this year, so the Authority verifies the authenticity of the submitted documents and import differences are not calculated because the invoices for purchases match the customs declaration



Example (28):

The net profit of a company as on 31/12/XXAD. is SAR 10,000,000; if you know that the net profit includes the following expenses:

1. An expense that the taxpayer could not prove documentary in an amount of SAR 40,000.
2. Salaries paid to a partner who is not registered with the social insurance in an amount of SAR 400,000.
3. Personal expenses related to a partner in an amount of SAR 30,000.
4. End of service provision of SAR 100,000.
5. Zakat in an amount of SAR 50,000
6. Goods are purchased from a related party for an amount of SAR 120,000, knowing that the market value of these goods is SAR 100,000.

How is the adjusted profit calculated for zakat purposes?

Non-deductible expenses are returned to net profit in order to reach the adjusted net profit, as follows:

Item	Amount
Net profit	10,000,000
Adding:	
Expenses that the taxpayer could not substantiate	40,000
Partners' salaries not subject to social insurance	400,000
Personal expenses related to partners	30,000
End-of-Service Provision	100,000
Zakat expenses	50,000
Difference in the price of goods value from a related party	20,000
Adjusted gross profit	10,640,000



Example (29):

The following table indicates the movement of provisions for a company as on 31 / 12 / 20XXAD.

	First of Year Balance	Accrual During the Year	Used During the Year	End of Year Balance
	SAR	SAR	SAR	SAR
End-of-Service Provision	1,000,000	300,000	200,000	1,100,000
Provision for Bad Obligations	2,000,000	500,000	800,000	1,700,000
Provision for obsolete and slow-moving inventory	500,000	100,000		600,000
Total	3,500.00	900,000	1,000,000	3,400,000

Xx20	
	SAR
Adjusted Profit	8,000,000
Added:	
Provision for end of service accrual during the year	300,000
Bad Debts Provision Accrued During Year	500,000
Provision for obsolete and slow-moving inventory	100,000
Net Profit of Year	8,900,000



6. Calculation of zakat by the estimated method

ZATCA shall account, in the estimated method, every taxpayer who does not have commercial books that reflect the reality of its activity and is not obligated to issue financial statements in accordance with the relevant applicable laws, regulations and rules.

- Likewise, ZATCA may account the taxpayer using the estimated method in the following cases:
 1. If it fails to access proven data that reflects the reality and activity of the taxpayer, including its maintaining of inaccurate commercial books.
 2. If the taxpayer fails to submit the declaration during the time limit set out in Article (17) of the Regulations.
 3. If the taxpayer fails to submit the required documents in Arabic, including: Financial statements or commercial books, during the time limit set out in Article (17) of the Regulations.
 4. If the data contained in the taxpayers commercial books do not conform to the reality of its activity.
 5. If the taxpayer fails to comply in the commercial books with the forms indicated by the relevant applicable laws, regulations and rules.
 6. If ZATCA finds that the information provided by the taxpayer in the declaration is incorrect.
 7. If the taxpayer fails to prove the correctness of the information recorded in its declaration with documents acceptable to ZATCA.

For more details, please review the manual for the taxpayer who does not maintain regular accounts published on the calculation of zakat in the estimated method on the ZATCA's portal.



7. Zakat Accounting Rules

7.1 Beginning of the fiscal year:

The taxpayer's first zakat year begins as from the issue date of the commercial register, obtaining the necessary licenses or the capital deposit date, whichever is earlier, unless the taxpayer specifies another date for the beginning of its activity based on documentary evidence. Most of the taxpayers determine the beginning of the company's first fiscal year as from the issue date of the commercial register. The beginning of the taxpayer's first fiscal year is specified in the company's Memorandum of Association, which is a supporting document recognized by ZATCA¹⁷.

Example (30):

The partners in Al Sahara Company deposited the company's capital on 202019/05/ AD, and then the company was incorporated on 142019/07/ AD, as the company's Memorandum of Association stipulated that the first fiscal year starts from the issue date of the commercial register, which was set on 252019/08/ AD.

When does the company's first zakat year start?

The company's first zakat year starts as from 202019/05/ AD, which is the date of depositing the capital with the bank; because it is earlier.

¹⁷ Article (13), Zakat Year, Executive Regulations.



7.2 Zakat Percentage:

Zakat shall be two and a half percent (2.5%) of the zakat base for the Hijri year. In the event that the taxpayer's fiscal year differs from the Hijri year, whose number of days is often (354 days)¹⁸; the calculation of zakat is based on the number of actual days of the taxpayer as follows:

$$\frac{2.5\%}{354 \text{ days}} \times \text{Number of actual days} = \text{****}\%$$

Based on the foregoing, if the taxpayer calculates zakat on the basis of the Gregorian year or if the fiscal period subject to zakat is a long or short period at the beginning of the activity; the above-mentioned percentage is calculated for all components of the zakat base except for the adjusted net profit. As the zakat is calculated on the adjusted profit at two and a half percent (2.5%).

Example (31):

A company, whose fiscal year begins on 01/2019/07/ AD and ends on 31/2020/12/ AD, has calculated its adjusted profit, amounting to three million Saudi riyals, and the zakat base was calculated without the adjusted profit, amounting to six million Saudi riyals, so what is the amount of zakat calculated on it?

Referring to the above-mentioned data, we note that the company's fiscal period is a long period; thus, the percentage shall be calculated in days as follows:

Number of Days of the Year 354 days

Zakat percentage = $(2.5\% + 354) \times 354 = 3.8771\%$

Zakat due on the components of the zakat base except for the adjusted profit = 6 million \times 3.8771% = SAR 232,627.

Zakat due on profit = 3 million \times 2.5% = SAR 75,000.

The zakat due amounted to 232,627 + 75000 = SAR 307.627

The short fiscal period at the end of the company's activity may not be subject to zakat if the number of days of the period is less than three hundred and fifty-four (354) days.

¹⁸ Article (14), Zakat Percentage, Executive Regulations.



7.3 Consolidated Accounts for Zakat Purposes:

The holding company and its wholly owned subsidiaries, or companies owned by the same owners, may submit a consolidated zakat declaration according to consolidated financial statements and pay the zakat due, provided that the subsidiaries shall submit an information declaration to ZATCA in accordance with its independent financial statements¹⁹.

When the holding company and its subsidiaries obtain approval from ZATCA to submit a consolidated declaration, after requesting that from ZATCA; the company shall issue financial statements showing the full results of the group's business, and on the basis of which the taxpayer shall prepare the declaration in accordance with the controls mentioned in item 5 of this Manual.

7.4 Change in Equity or Legal Form of the Taxpayer:

In the event of a change in the ownership or legal form of the taxpayer during the fiscal year, the taxpayer shall update the company's data through the ZATCA's portal (Erad) by following the registration steps previously mentioned in Section IV of this Manual. Upon approval of ZATCA to modify the data, the system will show the new data entered by the taxpayer.

In the event of any change in the percentages, the calculation mechanism will be used in the days mentioned for all items of the zakat base, in accordance with the controls mentioned in item (2) above.

7.5 Transactions between Related Parties:

In accordance with the transaction pricing instructions issued by the resolution of the Board of Directors of ZATCA No. (196-1-) dated 251440/05/ AH corresponding to (312019/01/ AD) ; Zakat payers shall abide by Article (18) of the Transaction Pricing Instructions.

¹⁹ Article (15), a consolidated zakat declaration may be submitted based on consolidated accounts, the Executive Regulations.



8. Zakat Declarations of those who maintain Commercial Books

ZATCA shall include the zakat declaration form in the taxpayer’s account on the ZATCA’s e-system (Erad), through which the taxpayer shall fill out the zakat declaration and pay the zakat no later than one hundred and twenty (120) days from the end of the zakat year. If the last day of this period coincides with an official holiday, it is extended to the first 20 working day thereafter.

8.1 Zakat Declaration Completion Instructions:

The taxpayer fills out the zakat declaration form through Erad System (1087/https://www.zatca.gov.sa/ar/media). The zakat declaration is divided into five main parts as mentioned in Erad System, which are as follows²⁰:



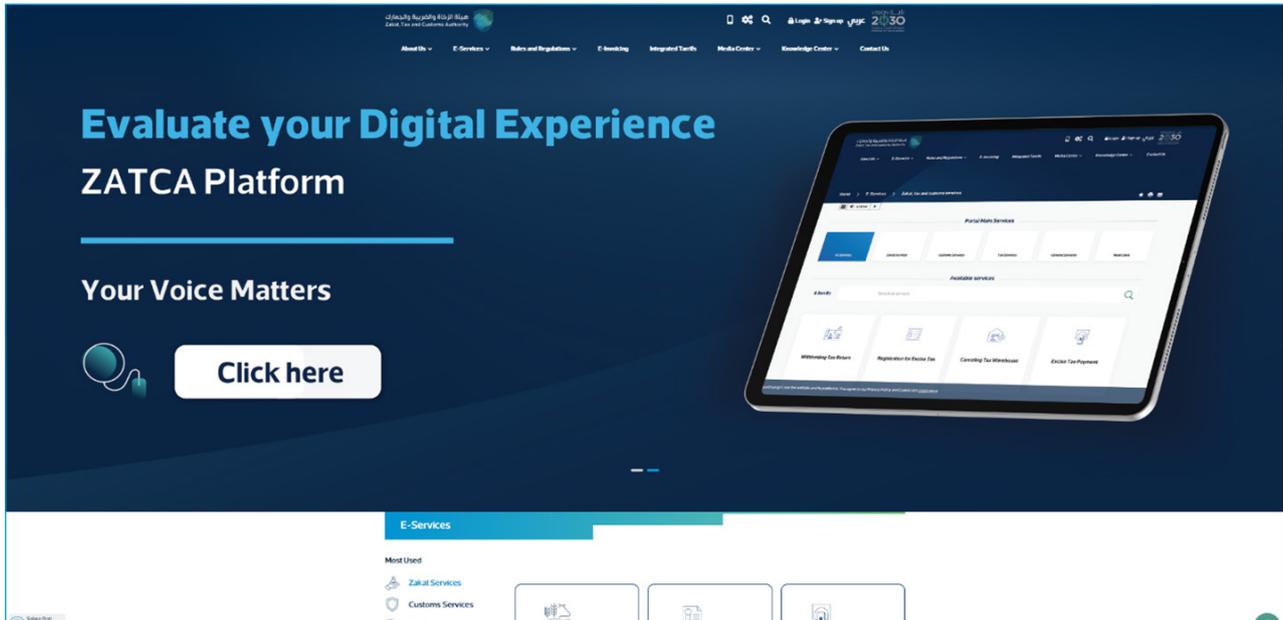
The taxpayer shall fill out the parts, according to the above-described order, as it is not possible to move from one part before completing the filling out the preceding part.

The taxpayer can access the zakat declaration form from the official website: http://zatca.gov.sa/	The form will be available to be filled out by the taxpayer, on the first day after the end of its fiscal year.
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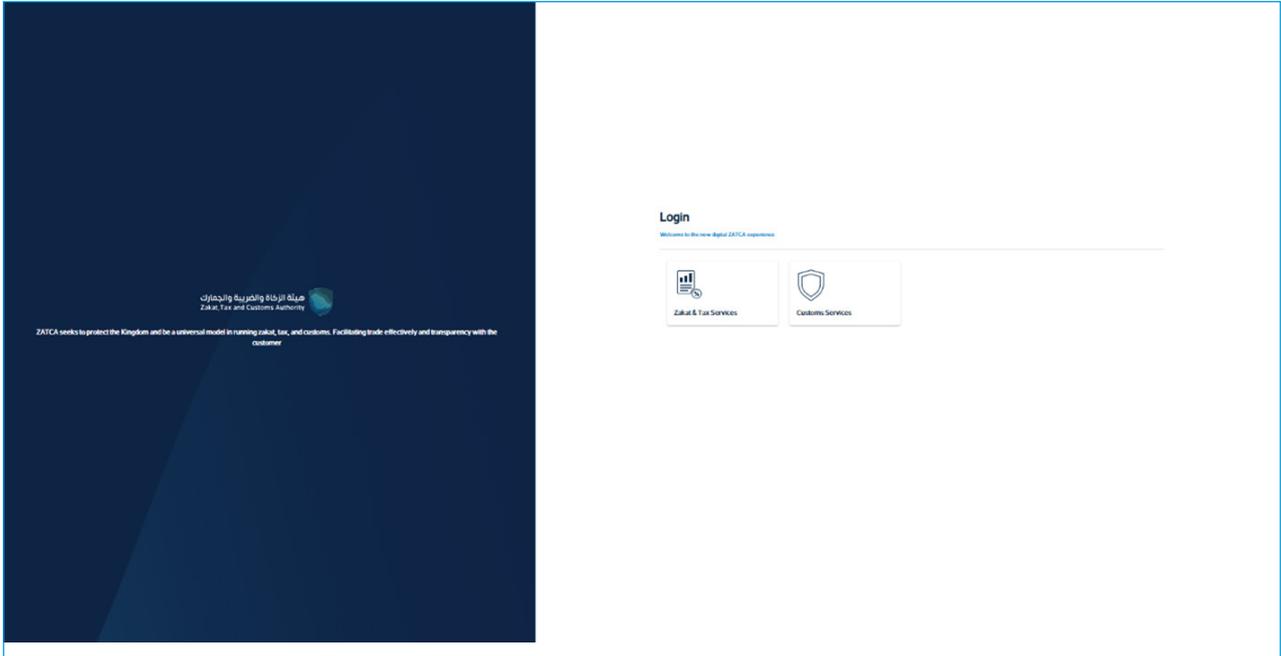
The taxpayer will have (120) days to file the zakat declaration after the end of the fiscal year (the last day of the period is the due day).	Reminders shall be sent over (120) days, reminding the taxpayer to submit its declaration of the fiscal year.
-----------------------------------------------------------------------------------------------------------------------------------------------	---------------------------------------------------------------------------------------------------------------



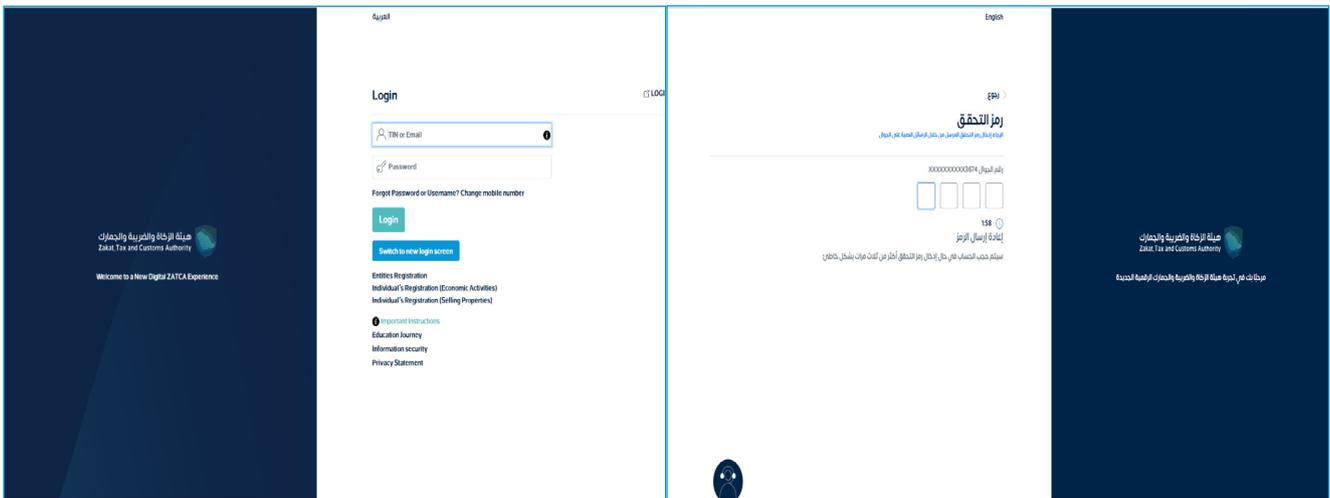
8.1.1 Zakat Declaration Submission Steps:



- Open the ZATCA's link zatca.gov.sa.
- Click on the login page to access the page.



- Select «Zakat and Tax Services».



- Enter your login information



- Select the Declarations Section to Access the Declaration Form
- Select view Declarations to Access the Declaration Form

- Click on the Declaration to Start the Declaration's Filling out Steps



1. Background Information and Taxpayer Particulars:

- This part shows the taxpayer's data, which appears automatically according to the taxpayer's previous entries at the registration stage on the system. These data include, for example, the type of declaration, the fiscal year, and the taxpayer particulars; such as This part shows the taxpayer's data, which appears automatically according to the taxpayer's previous entries at the registration stage on the system. These data include, for example, the type of declaration, the fiscal year, and the taxpayer particulars; such as the name and address (www.zatca.gov.sa/ar/services).
- The taxpayer shall review the data and confirm its validity by clicking on «Yes» option.
- In the event of incorrect information, the taxpayer shall return to the registration steps and modify it to show its data correctly.

The screenshot displays the 'Returns Of Zakat/Income Tax' interface. The title bar shows 'ZAKAT Return' and a user ID '(3102304932)'. A navigation menu includes: Terms & Conditions, Basic Information, Income Statement, Adjustments, Zakat Calculation, Tax Base, Balance Sheet, Transfer Pricing, and Summary. The 'TERMS AND CONDITIONS' section contains the following text:

- This return concerns taxpayers who are accountable according to the regulations and instructions concerning the provisions of zakat and tax that are set by the Zakat, Tax and Customs Authority.
- The return and its attachments must be filed in Arabic, and the payment of tax due must be made within 120 days from the end of the financial year.
- The burden of proof regarding the validity of the taxpayer's return concerning revenues, expenses and other data lies on the taxpayer. When a taxpayer is unable to verify the validity of the return, the Authority may, in addition to the imposition of any other statutory sanctions, refuse to accept any expenses that have not been validated or make an estimated assessment in accordance to the Authority's view and according to the circumstances and facts associated with the situation and information available to the Authority.
- The return submitted must include the results of the main activity and any other sub-activities.
- The return shall not be valid unless its fields are complete including the filing of all required lists and attachments.
- The return shall be considered as filed by a formal notice from the Authority in all its electronic forms or official letters, and payment of the tax due should be based on it.
- All data related to the return must be updated before its filing, this includes, financial activities, addresses, and contact data.

At the bottom, there is a checkbox labeled 'I Agree' which is checked. A 'Returns Reference Number: 26000114479' is displayed in the bottom left. In the bottom right, there are 'AMEND' and 'NEXT' buttons.



Returns Of Zakat/Income Tax

ZAKAT Return

Terms & Conditions >> Basic Information >> Income Statement >> Adjustments >> Zakat Calculation >> Tax Base >> Balance Sheet >> Transfer Pricing >> Summary

RETURN DETAILS

Return: Zakat/Income Tax - Form 10
Financial Year: Year 2022 Gregorian - Long Period
Period From Date: 2020/02/01
Period To Date: 2022/01/31

TAXPAYER DETAILS

Taxpayer: Form 10
Electronic Mail: AYASSN-C@GAZT.GOV.SA
Mobile No.: 00918097304940
Branch: Riyadh Branch
Address: 1235 AAA Riyadh 11461

REGISTRATION INFORMATION

It is taxpayer's responsibility to provide a correct data since it is going to affect liabilities calculations.

Number of Outlets: 1
Main Outlet: Test
Financial Period Ending (DD-MM): LD-01
Calendar Type: Gregorian
Residency Status: Resident
Accounting Method: Accounting

PREVIOUS Return Reference Number: 2600014419 AMEND NEXT

2. Income Statement

- In this part, the taxpayer shall fill out its income statement data, so that all items of income/ expenses are entered²¹.
- Some items of income and expenses require filling out additional tables containing detailed data, which shall be entered to complete.

Returns Of Zakat/Income Tax

ZAKAT Return

Terms & Conditions >> Basic Information >> Income Statement >> Adjustments >> Zakat Calculation >> Tax Base >> Balance Sheet >> Transfer Pricing >> Summary

INCOME STATEMENT

Share Distribution

Saudi Shareholder Capital (%): 50 0000
Saudi Shareholder Profit (%): 50 0000
Start Date: 2020/02/01
Number of days in the financial year: 731
Non-Saudi Shareholder Capital (%): 50 0000
Non-Saudi Shareholder Profit (%): 50 0000
End Date: 2022/01/31

> INCOME FROM OPERATIONAL ACTIVITY	20,000.00
> COST AND EXPENSES	3,000.00
NET PROFIT / LOSS	17,000.00

PREVIOUS Return Reference Number: 2600014419 ATTACHMENT AMEND NEXT

²¹Articles (4 and 5), Executive Regulations



3. Additional Data:

The data for this part is filled out, and it is divided into two parts:

- The filling out of this part shall be in accordance with the controls mentioned in the Regulations. For more details, please refer to the content of Section VI of this Manual²².
- The filling out of this part shall be in accordance with the controls mentioned in the Regulations. For more details, please refer to the content of Section V of this Manual²³.

Item	Applicable	Not Applicable	Value	Notes
Adjustment On Net Profit	<input type="radio"/>	<input checked="" type="radio"/>	0.00	
Repair And Maintenance Cost Exceeds Legal Threshold	<input type="radio"/>	<input checked="" type="radio"/>	0.00	
Provisions Utilized During The Year	<input type="radio"/>	<input checked="" type="radio"/>	0.00	
Provisions Loaded On Accounts For The Period	<input type="radio"/>	<input checked="" type="radio"/>	0.00	
Depreciation Differences	<input type="radio"/>	<input checked="" type="radio"/>	0.00	
Loan Charges In Excess Of The Legal Threshold	<input checked="" type="radio"/>	<input type="radio"/>	0.00	
Total Zakat Adjustments			0.00	
Total CIT Adjustments			0.00	
Zakatable Net Adjusted Profit (Loss)			8,500.00	
Taxable Net Adjusted Profit (Loss)			8,500.00	

4. Statement of Financial Position

The taxpayer's statement of financial position items are detailed in this part and the taxpayer

Item	Applicable	Not Applicable	Value	Notes
Capital			0.00	
Retained Earnings			0.00	
Zakatable Net Adjusted Profit (Loss)			8,500.00	
Provisions	<input type="radio"/>	<input checked="" type="radio"/>	0.00	
Reserves			0.00	
Loans And The Equivalents	<input type="radio"/>	<input checked="" type="radio"/>	0.00	
Fair Value Change			0.00	
Other Liabilities And Equity Items Financed Deducted Item			0.00	
Other Additions	<input type="radio"/>	<input checked="" type="radio"/>	0.00	

22 Articles (7 and 8), Executive Regulations

23 Articles (4 and 5), Executive Regulations



>Returns Of Zakat/Income Tax

ZAKAT Return

Terms & Conditions >> Basic Information >> Income Statement >> Adjustments >> Zakat Calculation >> **Tax Base** >> Balance Sheet >> Transfer Pricing >> Summary

CIT CALCULATION

	ATTACHMENT	NOTES
Net CIT profit / loss after amendments		8,500.00
ADDITIONS		0.00
Losses In The Invested Company		0.00
Total Additions		0.00
DEDUCTIONS		0.00
Non-Saudi's Share In The Realized Capital Gains From The Disposal Of Securities Traded In The Saudi Financial Market		0.00
Cash Or In-Kind Dividends Due From The Investments Of The Resident Capital Association In Other Associations Legally Exempt		0.00
Carried Forward Adjusted Losses Up To 25% Of Current Year Profit	<input type="radio"/> Applicable <input checked="" type="radio"/> Not Applicable	0.00 ✓
Gains In The Invested Company		0.00
Total Deductions		0.00

PREVIOUS Return Reference Number: 26000214419 ATTACHMENT AMEND NEXT

>Returns Of Zakat/Income Tax

ZAKAT Return

Terms & Conditions >> Basic Information >> Income Statement >> Adjustments >> Zakat Calculation >> Tax Base >> **Balance Sheet** >> Transfer Pricing >> Summary

	ATTACHMENT	NOTES
ASSETS		0.00
CURRENT ASSETS		
Cash In Hand And At Banks	0.00	0.00
Short-Term Investments	0.00	0.00
Accounts Receivable And Debt Balances	0.00	0.00
Merchandise Inventory	0.00	0.00
Accrued Revenues	0.00	0.00
Prepaid Expenses	0.00	0.00
Due From Related Parties	0.00	0.00
Other Current Assets	0.00	0.00

PREVIOUS Return Reference Number: 26000214419 ATTACHMENT AMEND NEXT



shall enter the value related to such items according to its own statement of financial position.

5. Statement of Financial Position

This part shall be filled out in accordance with the transaction pricing instructions issued by the **Statement of Financial Position**

This part shall be filled out in accordance with the transaction pricing instructions issued by the resolution of the Board of Directors of ZATCA No. (619-1-) dated 251440/05/ AH, corresponding to 312019/01/ AD. After completing the entry of the statement of financial position, the taxpayer shall answer the following questions:

- Do you have any transactions with related parties under joint control?
- This part is concerned with taxpayers subject to the contents of the transaction pricing instructions, and by which the details of transactions with related parties are entered.

The screenshot displays the 'Returns Of Zakat/Income Tax' application. The title bar shows the user ID '(3102304932)'. The main header is 'ZAKAT Return'. Below the header is a progress bar with icons for: Terms & Conditions, Basic Information, Income Statement, Adjustments, Zakat Calculation, Tax Base, Balance Sheet, Transfer Pricing (highlighted in blue), and Summary. The main content area contains two questions:

- 1. Do You Have Any Related Party Transaction? (Radio buttons for YES and NO, with NO selected)
- 2. Are You Part Of MNE-Group That Qualifies For Country By Country Reporting?(You Will Need To Say Yes If The Group Turnover Is In Excess Of SAR 3.2 Billion) (Radio buttons for YES and NO, with YES selected)

A 'REVIEW' button is located below the questions.



8.2 Declaration Submission Controls:

The taxpayer subject to zakat shall fill out all forms and statements related to the zakat declaration. Upon completion of the filling, the taxpayer shall print and review the final form of the declaration accurately, and ensure that the information included therein is correct.

The taxpayer shall stamp and sign the declaration and attach the signed copy of the form with a copy of the audited financial statements in Arabic and upload them to Erad System. Then, the declaration is submitted by clicking on submit button.

8.3 Zakat Payment:

Erad system shall issue an electronic invoice notification immediately after the declaration is submitted, including the payment number and the total amount of zakat due under the declaration. The taxpayer shall pay the zakat due on it through a bank transfer through the electronic «SADAD» System, so that payment shall be made before exceeding the statutory period mentioned in Section (9) above (120 days from the end of the fiscal year).

Notification of Submission Invoice

إشعار فاتورة

التاريخ	الرقم
الرقم	التاريخ
الرقم	التاريخ
الرقم	التاريخ

هيئة الزكاة والضريبة والجمارك
Zakat, Tax and Customs Authority

الهيئة العامة للزكاة والضريبة والجمارك
GENERAL AUTHORITY OF ZAKAT & TAX

(148)

التكلفة
نوع النموذج
السنة المالية
الرقم المميز
الرقم المرجعي

يشكركم على تقديم إفراكم (رقم 8) من يسكون دفاتر حسابات) لفترة المنتهية في () . تأمل المبادرة بسداد المبلغ المستحق أدناه.

ملخص الفاتورة:

رقم الفاتورة سداد	وصف العملية	بداية الفترة	نهاية الفترة	السنة المالية	المبلغ

الهيئة العامة للزكاة والضريبة والجمارك
General Authority of Zakat & Tax

مزيد من المعلومات الرجاء الإتصال على الرقم ١٩٩٩٣



Declaration Adjustment

In the event that the taxpayer finds that there is an error or incorrectness of the amounts contained in its zakat declaration, the same may submit a request to adjust its declaration by applying for the adjustment through Erad System. In the event that the taxpayer's request is approved, the taxpayer shall adjust and correct the entered data, and then re-submit the declaration again through the system.

Attached below are the modification screens of the declaration

Transactions	Description	Name of Related Party	Jurisdiction	Transaction Nature	Amount	TP Method
+ ⊕					0.00	

Total Revenue (SAR)	Total Expense (SAR)	Net Profit / (Loss) (SAR)
0.00	0.00	0.00

A. What Is The Legal Name Of The Ultimate Parent Entity(LPE)?

B. What Is The Tax Identification Number (TIN) For Ultimate Parent Entity(LPE)?

C. Tax Jurisdiction Of The LPE

D. Financial Year End Of The LPE



Share Distribution	Saudi Shareholder Profit (%)	Start Date	Number of days in the financial year
50.0000	50.0000	2020/02/01	731
Non-Saudi Shareholder Capital (%)	Non-Saudi Shareholder Profit (%)	End Date	
50.0000	50.0000	2022/01/31	

	Amount
INCOME FROM OPERATIONAL ACTIVITY	20,000.00
COST AND EXPENSES	3,000.00
NET PROFIT / LOSS	17,000.00

Reference Number of Assessment	Assessment Year	Period From	Period To	Tax Type	Currency	Assessment Amount ZATCA	Revised Amount	Dispute Amount	Return Details
1									

8.4 Maintaining Commercial Books:

General Principles:

The taxpayer shall maintain the complete commercial books used in preparing its zakat declaration accurately within the KSA and in Arabic, in order to ensure the correctness of calculating zakat and the supporting notes. As the burden to prove the correctness of the items and any other data contained in the declaration lies with the taxpayer itself. ²⁴

In the event that the taxpayer is unable to prove the correctness of the items contained in its declaration, ZATCA has the right not to approve any of the items contained in its declaration or to make an estimated assessment according to its point of view in light of the circumstances and facts related to the case and the information available to it. ²⁵

²⁴ Article (18), Executive Regulations.

²⁵ Article (11), Executive Regulations.



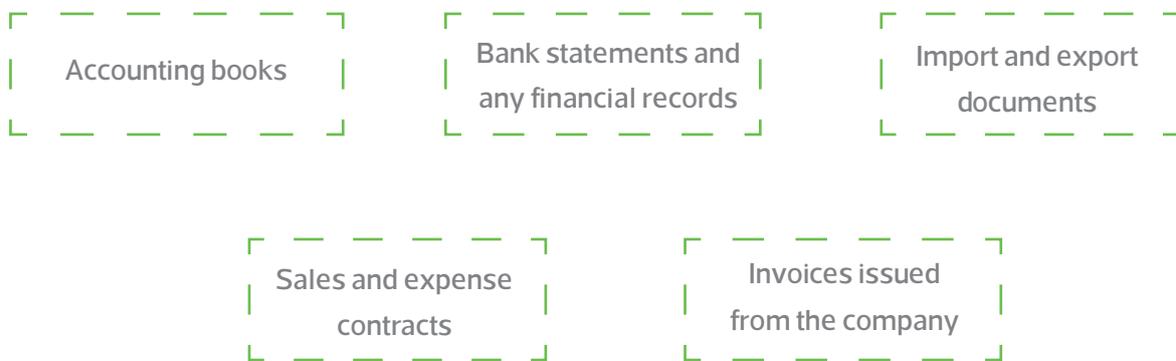
Required Records:

The taxpayer subject to the provisions of the Executive Regulations for Levying Zakat shall keep its own records for no less than (10) ten years.

The following are examples of such records to be kept and submitted to ZATCA if requested by the taxpayer.

- Accounting books
- Bank statements and any financial records
- Import and export documents
- Sales and expense contracts
- Invoices issued from the company

The records to be kept and submitted to ZATCA if requested by the taxpayer:



*** The above-mentioned records shall be maintained for a period of no less than (10) years.**

Expected Form and Term of Maintenance:

Records may be maintained in paper or electronic form. In both cases the records shall be kept in the KSA (either physically or through access to the relevant server, where these records are stored). If the taxpayer wants to maintain its records electronically: The computer or server shall be in the KSA, in order to provide the ZATCA's employee with copies of the records upon request during the audit and examination.



9. ZATCA's Tasks

9.1 The ZATCA's Right to Request Data:

Taxpayers shall provide the information requested by ZATCA for the purpose of proving their zakat obligations, whether the information is requested during an official examination or at any other time (provided that it does not exceed 10 years). The taxpayer shall provide all data no later than (20) twenty days from the date of receiving the data request. ²⁶

ZATCA has the right to access relevant information kept by any third party directly from that party, including direct access to records in general.

9.2 The ZATCA's Right to the Examination

The examination is an audit carried out by ZATCA to verify the compliance of the taxpayer with the provisions of the Regulations. The examination may be carried at the taxpayer's workplace, at the ZATCA's headquarters or any other place determined by ZATCA.

ZATCA will issue a prior notice stipulating the examination carrying out, details of the required information and documents, and when necessary; the same will specify the zakat periods to be reviewed.

During the examination period, the ZATCA's employee may visit the taxpayer's workplace to verify that the taxpayer complies with all zakat obligations as set out in the Executive Regulations for Levying Zakat. The taxpayer shall allow the examiner to access all invoices, books, records and accounting documents maintained by it upon request for the purposes of examination by ZATCA. ²⁷

9.3 Assessment Procedures:

When ZATCA notices any error in the zakat declaration or any other document submitted by the taxpayer during the examination period or any other case, a zakat assessment may be issued by ZATCA to correct this error. ²⁸

²⁶ Article (19), ZATCA has the right to request the data and documents needed by it from the taxpayer, Executive Regulations.

²⁷ Article (19), Executive Regulations

²⁸ Article (20), ZATCA issues the assessment including its approval of the declaration or its adjustments, Executive Regulations.



In addition, ZATCA shall notify the taxpayer of the assessment issued by it and clarify its right to object to the assessment. The assessment issued by ZATCA shall at least indicate the following:

- Total Payable Zakat
- Payment due date
- Assessment calculation basis

9.4 Reassessment:

If ZATCA, at any time, finds that the data provided by the taxpayer is incorrect, the same may reassess based on the correct information no later than (5) five years from its awareness date of that information. ZATCA may refer whoever provided incorrect or misleading information to the competent authorities to apply the legally prescribed penalties.

9.5 Correction of Errors and Obsolescence:

ZATCA may correct misapplications of any of the provisions of the regulations or laws within (5) five years from the end date of the time limit for submitting the zakat declaration. This time limit is extended ²⁹ to (10) ten years from the date of the taxpayer's submission of the zakat declaration in the following cases:

- Submission of the zakat declaration after the statutory time limit.
- Submission of an incomplete zakat declaration or on forms other than those prepared by ZATCA.
- Submission of the zakat declaration in violation of the provisions of the Regulations.
- Failure to pay the zakat payable on the basis of the zakat declaration during the statutory time limit. ³⁰

²⁹ Article (21), Executive Regulations.

³⁰ Article (22), errors may result from calculations or placing a wrong number, Executive Regulations.



Likewise, ZATCA may correct errors resulting from calculations (addition, subtraction, multiplication and division), or placing a wrong number in place of the correct number, and the like, within (10) ten years from the expiry date of the time limit for submitting the zakat declaration.

ZATCA may correct misapplications of any of the provisions of the regulations or laws

Within (5) five years from the end date of the time limit for submitting the zakat declaration.

This time limit is extended to (10) ten years from the date of the taxpayer's submission of the zakat declaration in the following cases:

- Submission of the zakat declaration after the statutory time limit.
- Submission of an incomplete zakat declaration or on forms other than those prepared by ZATCA.
- Submission of the zakat declaration in violation of the provisions of the Regulations.
- Failure to pay the zakat payable on the basis of the zakat declaration during the statutory time limit.

9.6 Confidentiality of Information and Documents:

ZATCA undertakes to maintain the confidentiality of the information provided on the taxpayer and other persons. ZATCA may disclose the taxpayer-related information received by it in the following cases:

- When the disclosure of the taxpayer's data is required by judgments, law, executive regulations or other rules applicable in the KSA.³¹
- When disclosure is necessary in order to exercise the duties and powers granted to ZATCA

³¹Article (24), Executive Regulations.



in accordance with the following conditions:

1. Disclosure of information officially shall be restricted to an employee of ZATCA, the Saudi Customs, the General Court of Audit, judicial authorities or any authority in a foreign country in implementation of any treaty or convention to which the KSA is a party.
2. An employee of ZATCA, or the person authorized to perform a task under the Regulations, shall perform such power based on an assignment issued by ZATCA enabling him to do so.
3. The disclosure of the taxpayer-related information shall not exceed the limits of its intended purpose, taking into account the personal or commercial impact that may result.
4. The taxpayer-related information shall not be kept for a period beyond achieving the intended purpose of the disclosure.
5. The disclosed confidential information shall be carefully kept, and all measures decided by ZATCA shall be taken to ensure that it is prevented from being illegally circulated, and lost or damaged.
6. Before proceeding with the disclosure procedures, it shall be ensured that the person to whom it is disclosed is fully aware of its confidentiality and confidentiality requirements.

Without prejudice to the principle of confidentiality of taxpayer-related information, the ZATCA's employees or representatives may disclose to a person the taxpayer-related information based on the taxpayers written approval.



10. Objection and Appeal Procedures

In the event that the taxpayer does not agree to a decision issued by ZATCA, the same has the right to formally object to its decision (within the legal time limit referred to in this section). There are three methods that allow the taxpayer to submit a request for review (i.e., objection) and resolve the dispute related to the assessment or any other decisions issued by ZATCA in relation to zakat matters, as follows:

- Through the internal review by the objections section at ZATCA.
- Through the internal committee for disputes resolution at ZATCA.
- Through the grievance submitted to the external committees: the resolution committee (also called the Committee for the Resolution of Tax Violations and Disputes, and the Appeal Committee (also called the Appeal Committee for Tax Violations and Disputes).

10.1 Submitting an Objection

In the event that ZATCA issues a zakat assessment that includes a revaluation of the taxpayer's obligations, the taxpayer will feel its right to object to the ZATCA's decision by submitting the objection to the competent department, through the ZATCA's e-system «Erad».

10.2 Controls for Accepting Objections

For ZATCA to accept the taxpayer's objection to any of ZATCA's decisions, it is required to comply with the following controls:

- Submitting an Objection within the Statutory Period:
- The objection shall be submitted within sixty (60) days from the date of the assessment notice as mentioned in the notice, and the assessment shall be final if the objection is not submitted within the specified time period, and the request must include at least the points of disagreement, the reasons for objecting to ZATCA's decision, in addition to the documents that support the viewpoint of the taxpayer.



- Payment of the Amounts Related to Assessment According to the Following:
- Non-Objectable Items:

The taxpayer shall pay the amounts due in full on the non-objectable items during the statutory period for the objection.

Objection or Appeal Submission Form

Reference Number of Assessment	Assessment Year	Period From	Period To	Tax Type	Currency	Assessment Amount ZATCA	Revised Amount	Dispute Amount	Return Details
									Details

[+ Add New Lines](#)

Please write reasons for objection as it is mandatory with attaching objection note *

Objectable Items:

The taxpayer shall pay part of the amounts due on the objectionable items during the statutory period for the objection, at least ten percent (10%) and not more than twenty-five percent (25%) of the amounts due on the objectionable items, or provide a financial guarantee of no less than fifty percent (50%) of the amounts due on the objectionable items.

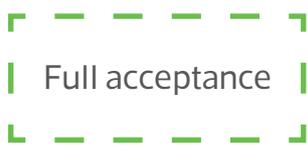
ZATCA shall begin the internal audit process after receiving the objection. The Review and Objections Department shall conduct the internal review of the assessment objected to by the taxpayer, and shall respond to the objection within 90 days. The review process can result in one of the following:

- Fully Accept the Objection: ZATCA shall then issue a new assessment in place of the first objectionable assessment, and notify the taxpayer of the same.
- Partially Accept the Objection: ZATCA shall then issue a new assessment in place of the first assessment, and notify the taxpayer of the same.

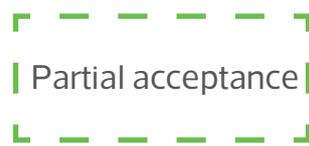


- Fully Reject the Objection: ZACTA shall notify the taxpayer of the rejection of his/her objection to the previous assessment.
- In the event of partial rejection or acceptance, ZATCA or the taxpayer may propose to involve the Internal Settlement Committee to resolve the dispute (see Clause 7.4). In the meantime, the taxpayer shall submit a grievance request to the Secretariat-General of Tax Committees within 30 days from the date of the issuance of the decision of the Review and Objections Department at ZATCA addressed to the taxpayer, or if 90 days elapse from the date of submitting the objection without ZATCA having decided thereon, in order to preserve the right to complete the formal grievance before the Settlement Committee against ZATCA (see Clause 7.3). (See Clause 11.3)

10.2 Controls for Accepting Objections



Issuance of new
assessment
+
Taxpayer notice



Issuance of new
assessment
+
Taxpayer notice



taxpayer notice
of rejection
of the objection



10.3 Grievance Before the Relevant Committees

The Executive Regulations for Levying Zakat stipulate that the work rules of the committees for adjudication and appeal in tax violations and disputes contained in Royal Decree No. (D/113) of 1438 AH be applied to zakat payers. Accordingly, the competent judicial authority before which the taxpayer may appeal against the decisions of ZATCA is the Committee for Adjudication upon Tax Violations and Disputes and the Committee for Appeal Tax Violations and Disputes, which are two separate committees from ZATCA.

The taxpayer who wants to object to the final decisions issued by ZATCA shall submit the objection directly to the Adjudication Committee within (30) thirty days from the issue date of the notice of reassessment or rejection of the objection, or if (90) ninety days elapses from the objection submission date without ZATCA having decided on it. The ZATCA's decision shall be deemed final if no objection is received within the time limit. In the event that the taxpayer or ZATCA objects to the decisions of the Adjudication Committee, the dispute shall be referred to the Appeal Committee, the decisions of which are final, binding and unappealable.

10.4 Dispute Settlement

ZATCA formed a committee to settle zakat disputes that arise from the taxpayer's objection to ZATCA's assessments, which is an internal committee to facilitate the resolution of zakat and tax disputes.

The Settlement Committee shall be responsible for resolving the dispute between ZATCA and the taxpayer. The Committee shall submit a solution to the disputes as an alternative to submitting a formal grievance before the Adjudication Committee and the Appeal Committee, which are two judicial bodies competent to consider zakat disputes. The taxpayer may submit a request to the Committee to review the decision issued by ZATCA's Audit Department. ZATCA itself may also submit a request for review to the Committee in the event the taxpayer submits a grievance to the Adjudication Committee.



Whenever the taxpayer submits a request to issue a settlement decision to the Settlement Committee, the request must include at least the points of dispute and the reasons for objecting to the Committee's decision, in addition to the supporting documents that support his/her point of view.

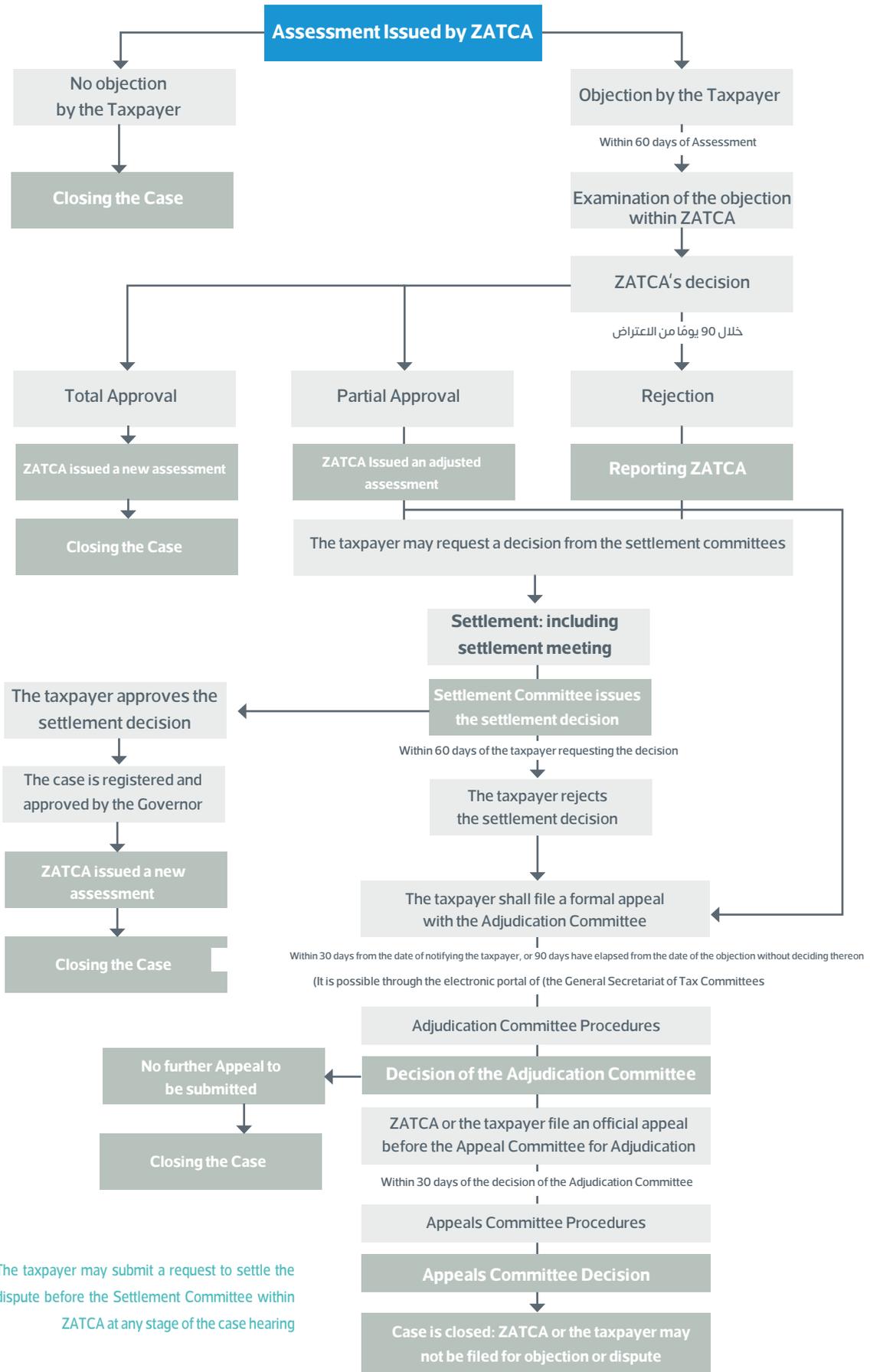
In the meantime, the formal grievance procedures before the Adjudication Committee or the Appeal Committee shall be suspended as a result of a request to go to the Dispute Resolution Committee, until the settlement request is rejected, or the Committee has refused to consider it. The Settlement Committee shall notify the taxpayer. The Settlement Committee shall notify the taxpayer if the request to resolve the dispute through the Settlement Committee is accepted or rejected within 30 days from the date of submitting the request.

Cases of Rejection of Settlement

Settlement shall be refused if any of the following cases occur:

- When ZATCA is not satisfied with the reasons for the objection of the taxpayer, it shall notify the taxpayer of the rejection of his/her request to issue a settlement decision.
- If the taxpayer does not obtain the settlement decision within sixty days from the date of submitting the application (unless notified of an extension of the period for an additional 60 days), the application shall be deemed rejected in this case.
- When the taxpayer rejects the settlement decision, or does not notify ZATCA in writing of approval of the settlement decision.

Refusal of the settlement decision entails the completion of the formal grievance, whereby the objection procedures are completed before the Adjudication Committee and the Appeal Committee, and shall be temporarily suspended during the procedures of the Settlement Committee.



The taxpayer may submit a request to settle the dispute before the Settlement Committee within ZATCA at any stage of the case hearing



11. Collection Procedures

11.1 Payment of the Amounts Due:

The taxpayer shall pay the amounts due under its declaration directly in order to be able to obtain the Zakat certificate, and the same shall pay within the statutory periods shown below:

- The taxpayer shall pay the additional amounts due under the unobjectionable assessment within (60) days from the date of the ZATCA's assessment .³³
- If the taxpayer decides to object to the assessment, the same shall pay the unobjectionable amounts and 10% to 25% of the zakat due on the objectionable items, in accordance with the ZATCA's controls during the statutory period for the objection, or provide a financial guarantee of no less than 50% of the value of the amounts due on the objectionable items.
- In the event that a decision is issued by the Adjudication Committee and the taxpayer accepts it, or a decision of the Appeals Committee is issued, or if the taxpayer writes off the objection; the taxpayer shall pay the amounts within (60) sixty days from the issue date of the decision of the Adjudication Committee or the decision of the Appeals Committee, or from the date of writing off, whichever is sooner.

Method of Payment:

The taxpayer shall pay the amounts due to ZATCA through a bank transfer to the ZATCA's own account through the electronic payment system. The details of the payment value and the due date of each zakat declaration are confirmed in the form of the invoice notification issued on the ZATCA's website after the zakat declaration is submitted.

³³ Article (26), Executive Regulations.



11.2 Installment of Amounts Due:

11.2.1 Controls for Installment of Amounts Due:

If the taxpayer is in an exceptional situation or difficulties preventing it from being able to pay the full amount of zakat when due, the same can apply to ZATCA for installment of the amounts due according to the following controls:

- An application shall be submitted to ZATCA through the ZATCA's portal, explaining the value of the obligation to be paid, the financial period or periods related thereto, and the reasons for not being able to pay it on the due date, with submitting the supporting documents. The application shall include the number of proposed installments, the value of each installment, and any advance payments, provided that the installment period does not exceed the number of years for which the obligation is due. ³⁴
- ZATCA shall examine the request and respond to the taxpayer within (30) thirty days from the date of receiving the installment application.

11.2.2 The ZATCA's Right to cancel the Installment:

ZATCA may consider the installment decision cancelled in the event that two consecutive or three non-consecutive installments are discontinued during the installment period or if it appears that the zakat dues are vulnerable to loss. The taxpayer shall be notified of the cancellation of the installment by a letter from ZATCA or an automated notification. In this case, the taxpayer shall immediately pay the full dues on it.

³⁴ Article (27), in certain cases and after the approval of ZATCA, Executive Regulations.



12. Final Zakat Dues

12.1 Considering the Zakat Dues Final:

Zakat dues are final in the following cases:

- The taxpayer's approval of the ZATCA's assessment.³⁵
- The elapse of the statutory time limit without the taxpayer paying the zakat due on it under its declaration submitted to ZATCA.
- The elapse of the statutory time limit for objecting to the assessment made by ZATCA, or after the first cancellation of the objection.
- The issuance of a final decision by the Adjudication Committee or the issuance of a decision by the Appeals Committee.

12.2 Property Seizure:

In the event that the taxpayer does not respond to the first and second claims for payment, the same shall be notified of the intention to seize its movable and immovable property that may be seized legally, unless payment is made within (20) twenty days from the date of this notification.

12.2.1 Procedures for Seizure of Movable and Immovable Property:

The Saudi Arabian Monetary Authority shall be provided with a copy of the notification of the intention to seize to stop any withdrawals from the taxpayer's bank balances within the limits of the amount due on it from Zakat. ZATCA shall initiate the seizure of the movable and immovable property of the taxpayer with all or any of the following:

- Addressing the Saudi Arabian Monetary Authority and the Capital Market Authority to seize the taxpayer's funds in local banks within the limits of the zakat due and transfer them to the ZATCA's account upon request.

³⁵ Article (28). Certain conditions for the zakat dues being considered final, Executive Regulations.



- Addressing the Saudi Customs to seize the taxpayer's imports within the limits of the zakat due.
- Addressing the Ministry of Finance to seize any amount pertaining to the taxpayer within the limits of the zakat value due on it.
- Addressing the Ministry of Justice to stop any disposal of the taxpayer with immovable property.

12.2.2 Seizure Procedures Controls:

The value of the monthly expenses obligated by the taxpayer to its employees or others, including the necessary living expenses under any other law, shall not be seized. The value of such expenses shall be determined on the basis of the information available to ZATCA. Whoever makes the required seizure shall handover the asset seized with it to ZATCA when requested to do so. This obligation includes any amounts that a third party owes to the taxpayer on or after receiving the seizure notice.

12.2.3 Other Procedures:

The taxpayer's movable and immovable property shall be seized and sold sufficiently to pay the zakat dues after the end of the seizure procedures and the expiry of the notice periods in accordance with the statutory procedures in force, taking into account the following:

- ZATCA or the competent authority shall sell the seized property in accordance with the seizure provisions.
- ZATCA shall allow the taxpayer to submit a list of the property that it wants to exclude from the sale process if the sale value of its other property covers the dues owed by it to ZATCAs.
- Seizure and selling expenses, then zakat dues, shall be paid from the proceeds of the sale and any remaining amount shall be returned to the taxpayer immediately.
- The sale of the taxpayer's property is suspended during the period of administrative or judicial review of the assessment on the basis of which the seizure is imposed, with the exception of the property vulnerable to damage, and the property that the taxpayer requests from ZATCA to sell.



In addition, ZATCA has the right, by virtue of Ministerial Order No. (16145) dated 01 / 04 / 1437 AH, to coordinate with the relevant authorities to prevent the taxpayer from participating in government tenders, recruiting any employees, or issuing and renewing work records and permits that enable it to engage in the activity.

If the owner of the sole proprietorship dies and owes zakat dues to ZATCA that were not paid on time, such dues shall be collected before the estate is divided; otherwise the heirs will be required to pay them, each according to his share. Upon collecting the full zakat amounts due to it, ZATCA shall immediately notify the concerned government entities of the same to stop all actions taken against the taxpayer. ZATCA shall notify the taxpayer of all the actions taken against it under the Regulations.

13. Excess Amounts

13.1 Carrying forward the Excess Amount:

If it appears that the taxpayer paid to ZATCA an amount in excess of the zakat due on it, this amount is considered an advance payment and precipitate of the subsequent zakat. If the taxpayer does not request ZATCA to recover the amount within (5) five years from its payment date, it shall be carried forward to the taxpayer's account for the subsequent zakat years. ³⁶

13.2 Excess Recovery:

In the event the taxpayer requests ZATCA to recover the amount within (5) five years, ZATCA shall examine the taxpayer's request and verify that there are amounts paid by it in excess, and end such amounts within (30) thirty days from the date of proving the taxpayer's right to recovery and after requesting it. No request for recovering amounts paid in excess shall be considered if there are declarations that have not been submitted to ZATCA, and also in cases of objection or appeal, only after a final judgment is issued confirming the taxpayer's entitlement to these amounts. The excess amounts shall be refunded to the taxpayer after a final judgment is issued for it. The taxpayer may request carrying forward the amounts paid in excess to pay any other dues owed by it to ZATCA, whether zakat or tax. The date of the taxpayer's request for the carry forward is the date proving the fact of paying these dues.

³⁶ Article (29), How to recover the excess amounts paid for zakat, Executive Regulations.



14. Correspondence and Notifications

14.1 Methods of Communication used in Correspondence and Notifications:

Correspondence and notifications sent from ZATCA to the taxpayer shall have their legal effects if they are through the means approved by ZATCA, including but not limited to: The ZATCA's portal, mobile messages, e-mails, registered mail or any other means approved by ZATCA. Correspondence and notifications sent from the taxpayer to ZATCA shall have their legal effects if they are sent through the ZATCA's portal or any other approved means determined by ZATCA when it is not possible to submit them through the ZATCA's portal. ³⁷

14.2 Update the Taxpayer's Contact Information:

Every taxpayer shall make sure to update the contact information with it in its account at the ZATCA's portal, especially if the taxpayer changes one of these data to avoid failure of attempts to communicate with it.

³⁷ Article (30), Methods of Communication of the Taxpayer with ZATCA, Executive Regulations



15. Cessation of Activity

15.1 Serving a notice of cessation of activity:

The taxpayer shall serve to ZATCA a notice through its portal, upon cessation of activity within (60) sixty days from the cessation date, otherwise it shall be accounted for a full zakat year ³⁸

15.2 Cessation of Activity for Liquidation Purposes

The taxpayer shall be deemed ceased for liquidation purposes as soon as its liquidation procedure is opened, which results in the cessation of its activity. The liquidator shall notify ZATCA of the commencement of liquidation procedures and submit the declaration on their regular dates until the end of the liquidation and payment of the zakat amounts due to ZATCA ³⁹

16. ZATCA's right to coordinate with government entities.

ZATCA has the right to coordinate with government and non-government entities in all relations related to zakat, and all government and semi-government entities, companies in which the KSA contributes, and professional authorities shall provide ZATCA with the zakat information requested by it ⁴⁰

17. Glossary of Zakat Accounting Terms

1. Zakat year:

The taxpayer's financial year, whether Hijri or Gregorian, is short or long, at the beginning or end of the activity.

2. Zakat Base:

Taxpayer's assets subject to zakat.

3. Internal sources of funding:

Components of equity and provisions that are used to finance assets and activity.

38/39/40 Article (31) Executive Regulations



4. External sources of funding:

Debts on the taxpayer (loans, long and short-term liabilities) used to finance assets and activities.

5. Non-deductible Assets (Zakat Assets):

They are the assets that the Regulations do not provide for deduction.

6. Deductible Assets (Non-Zakatable Assets):

They are deductible assets under the Regulations, including: Assets that are not subject to zakat by their nature such as fixed assets (durable goods) and zakatable assets such as investments in companies.

7. Double Deduction:

Getting together of the deduction of the deducted items value without adding their source of funding. Consequently, the zakat base decreases by the value of the double-deductible item.

8. Retained Earnings from Previous Years:

Balance of accumulated made and retained earnings from previous years.

9. Dividends:

Dividends approved for distribution and deposited in the shareholders' accounts.

10. Profits in Distribution (Profits declared for distribution):

Profits that have been approved for distribution but not deposited in the shareholders' accounts.

11. Adjusted Net Profit:

Net profit after being adjusted for zakat purposes, in accordance with Chapter III of the Executive Regulations for Levying Zakat.

12. Adjusted Net Loss:

Net loss after being adjusted for zakat purposes, in accordance with Chapter III of the Executive Regulations for Levying Zakat.

13. Holding Company:

A joint stock or limited liability company that aims to control other joint stock or limited liability companies called subsidiaries, by owning more than half of the capital of such companies or by controlling the formation of their Board of Directors.



14. Subsidiaries

It is a joint stock or limited liability company, which is controlled by a joint stock or limited liability holding company.

15. Carried Forward Losses:

Balance of retained losses from previous years.

16. Used Provision:

The amount spent during the year from the provision for the purpose for which the provision is made.

17. Holding Investments for Non-Trading Purposes

Investments in shares, acquired for the purpose of benefiting from the proceeds to be a source of income not for the purpose of trading.

18. Deferred Tax Assets:

The amount of refundable taxes in future periods in respect of the following:

- Deducted temporary differences (i.e., deductible from tax profit in future periods).
- Unused and carried forward tax losses to the following periods.

Unused and carried forward tax deduction to subsequent periods.

19. Fair Value.

The price will be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants (knowledgeable and willing parties) at the measurement date.

20. Capital Expenses:

Expenses of a capital nature that are capitalized to be amortized over several years, according to the life span of the asset represented by them.

21. Final Zakat Due:

The final zakat value calculated and payable.

22. Permanent Establishment:

An establishment that engages in the activity and fulfills two or more of the key management conditions mentioned in Article (24/) of the Executive Regulations for Levying Zakat.



23. Resident Establishment:

An establishment that engages in the activity and fulfills one of the following two descriptions:

- Established in accordance with the applicable laws in the KSA.
- Its key management in the KSA.

24. Cost Basis:

The original value of the asset, which includes the cost of all expenses and expenditures incurred by the establishment in order to obtain the asset until it became ready for use in its designated place in the establishment and for the purpose for which it is owned.

25. Equity

The remainder of the assets value after excluding the value of liabilities. The components of equity differ according to the legal form of the establishment, and usually include: Capital, reserves, retained earnings and accumulated losses

26. Net profit:

The gross outcome of the profit gained from operating operations, after adding other revenues, subtracting other expenses, in addition to deducting Sharia zakat.



18. Connect Us

For more information regarding any transaction subject to zakat, please visit the website: zatca.gov.sa or contact us at the following number **19993**.

Annex: FAQs

FAQs about Procedures

1) If there are several establishments owned by the same partners, may such establishments submit a consolidated Zakat declaration?

Yes, establishments owned by the same partners, the holding company and its subsidiaries owned by the same partners may submit a consolidated zakat declaration.

2) How is the taxpayer accounted for if the first fiscal year is a short fiscal year?

Zakat is calculated for the short fiscal year based on the number of days from the activity beginning date by dividing two and a half percent (2.5%) by the number of days of the Hijri year (354 days) multiplied by the number of actual days of the zakat year.

Excluding adjusted net profit, it is subject to two and a half percent (2.5%) for the period.

$$\text{Number of actual days of the zakat year of the taxpayer} \times \frac{\%2.5}{\text{Number of Days of the Year}}$$

3) How is the taxpayer accounted for if the first fiscal year is a long fiscal year or a Gregorian year?

Zakat is calculated for the long fiscal year based on the number of days from the activity beginning date by dividing two and a half percent (2.5%) by the number of days of the Hijri year (354 days) multiplied by the number of actual days of the zakat year.

Excluding adjusted net profit, it is subject to two and a half percent (2.5%) for the period.



$$\text{Number of actual days of the zakat year of the taxpayer} \times \frac{\%2.5}{\text{Number of Days of the Year}}$$

FAQs about the Zakat Base

1) May the establishment deduct the employee's share of the regular retirement funds from the zakat base such as the pension fund, social insurance or savings and provident funds?

The employee's share in such funds may not be deducted from the zakat base.

2) What are the expenses that may be deducted from the zakat base?

All ordinary and necessary expenses for the activity, whether paid or due, shall be deducted to reach the net result of the activity, provided that the following controls are met:

- To be an actual expense supported by supporting documents or other evidence that enables ZATCA to verify its validity, even if it is related to previous years.
- To be related to the activity and not related to personal expenses or other activities.
- Not to be of a capital nature, and in the event that an expense of a capital nature is included in the expenses, by which shall be the result of the activity is adjusted and shall be included in the fixed assets and consumed according to the legal percentages.

3) Is it permissible for an establishment to deduct bad debts from ZB? What are the controls for that?

Bad debts are deemed amongst the expenses that may be deducted according to the following controls:

- It shall have been previously declared within the establishment's revenues in the year the revenues are due.
- Bad obligations shall result from the exercise of the activity, and the following are required for said obligations:



- A. The establishment shall submit a certificate from a chartered accountant stating that said obligations have been written off from the books by virtue of a decision from the authorized person.
- The obligations shall not be on parties associated with the taxpayer.
- The establishment shall declare the obligations within its income when they are collected.

4) May the establishment owner deduct his salaries and allowances from the zakat base?

The salaries and allowances of the establishment owner, whether a sole proprietorship, investment company or partnership, as well as the remunerations paid to the Chairman of the partners in the establishment, his Deputy and Board Members, are among the expenses that may be deducted. On the condition that the salaries and allowances of the establishment owner are registered in the social insurance, and the remunerations are within the limits of the amounts paid to independents.

5) How is the cash increase during the year calculated in the capital that was not known to have financed deductibles?

The increase in the capital that was not known to have financed deductibles shall be added in proportion to the number of days on the basis that it is one of the other sources of financing.

Other FAQs:

1) Can zakat be paid to one of the official charitable institutions in the KSA, so that ZATCA is provided with supporting documents, and only pays to such entity?

ZATCA is the authority entrusted with collecting zakat from the establishments subject to it. ZATCA deposits the zakat amounts in the account of the Saudi Arabian Monetary Authority pertaining to the Agency of the Ministry of Social Security Affairs to spend from it on the beneficiaries. Knowing that the donations to such official charitable institutions in the KSA are among the expenses that may be deducted from the zakat base of the taxpayer who maintains regular accounts as long as the supporting documents are submitted.



2) Should a company that owns several subsidiaries completely outside the KSA include the results of such establishments' business in the calculations of the parent company?

The holding company and its wholly owned subsidiaries, whether the subsidiaries are registered inside or outside the KSA, and whether this ownership is direct or indirect, shall submit consolidated calculations and a consolidated zakat declaration and be accounted for on the basis of their results with a single zakat base.

3) What are the establishments subject to zakat?

Whoever engages in an activity intended to make a profit from money or work is subject to levy of zakat, and it includes the following categories:

- Saudi natural persons residing in the KSA and those who are treated as nationals of the Gulf Cooperation Council States.
- Saudi establishments residing in the KSA with respect to the shares of Saudi persons and those who are treated as nationals of the Gulf Cooperation Council States, and the shares of Saudi government entities and institutions.

Example (32):

1. A limited liability company with a capital of SAR 100,000 and made net profit of SAR 30,000, has loans in an amount of SAR 150,000, and its net fixed assets amounting to SAR 80,000, how is the zakat base calculated for it?

2. The method used by ZATCA for calculating zakat for establishments that have regular accounts is (the method of sources of funds), on the basis of which the fixed assets are deducted from the total added elements (the capital plus the credit items in the financial statements for the zakat year). Accordingly, the zakat base for such establishment is as follows:



Capital	SAR 100,000
Loans	SAR 80,000
Net profit	SAR 30,000
Total	SAR 210,000
Deducting: net fixed assets	SAR 80,000
ZB	SAR 130,000
Sharia Zakat	SAR 3350

4) What activities are subject to zakat upon goods?

Every activity intended to make a profit from money or work is subject to zakat, including but not limited to:

- Commercial activity in all its forms, including: Trading in goods and services.
- Investment activity in all its forms, including: Investing in securities, whether long-term or short-term, internal or external, and also investing in goods, services and commercial contributions.
- Industrial activity in all its forms, including: Factories, laboratories and workshops.
- Service activity in all its forms, including: Financial services, free professions, crafts, renting, leasing, brokerage and agencies.
- Financial activities in all its forms, including: Banking activities, insurance activities and financing activities.



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