هيئة الزكاة والضريبة والجمارك
Zakat, Tax and Customs Authority

Guideline

For Estimated Zakat Payers According to the Implementing Regulations for Zakat Collection Issued in 1445H

First Version | September 2024

Note: The English version is for guidance purposes only. In case of any discrepancy between the Arabic and English versions, the Arabic version shall prevail.

The Zakat, Tax and Customs Authority has issued this Guideline to clarify certain treatments related to the implementation of the statutory provisions in force on the date of its issuance. The content of this Guideline shall not be deemed an amendment to any of the laws and regulations in force in the Kingdom of Saudi Arabia.

The Authority affirms that it shall apply the explanatory treatments set out in this Guideline, where applicable, considering the relevant statutory provisions. If any clarification or content contained in this Guideline is amended in relation to an unchanged statutory provision, the updated explanatory treatment shall apply to transactions carried out after the date of publication of the updated version of the Guideline on the Authority's official website.

Amendments

#	Version Number	Revision Date	Section / Clause	Type of Amendment	Description of Amendment	Remarks
—	—	—	—	—	—	—

Table of Contents

1. Introduction	5
1.1 About Zakat	5
1.2 Zakat Collection	5
1.3 Application of Zakat Collection in the Kingdom of Saudi Arabia	6
1.4 Zakat, Tax and Customs Authority	7
1.5 About this Guideline	9
2. Key Definitions	10
3. Methods of Calculating Zakat for Companies	11
4. Estimated Calculation Method	12
5. Sharia Basis for the Treatment of the Zakat Calculation of Estimated Status Zakat payer	13
6. Determination of the Zakat Base for Estimated Status Zakat payer	14
7. Final Adjustment of Tax Data	19
8. Unique Number Unit	20
9. Clarifying Examples	21
10. Zakat Calculation and Issuance of the Assessment by the Authority	32
11. Objection and Appeal Procedures	33
12. Request for Issuance of an Interpretive Decision	39
13. Contact Us	39
14. Frequently Asked Questions	39

1. Introduction

1.1 About Zakat

Zakat is the third pillar of Islam and the most important financial act of worship in absolute terms. Accordingly, it is repeatedly mentioned in the Holy Qur'an, and Allah has associated it with prayer in more than eighty instances. It is one of the most important pillars that distinguish the Muslim community from others, and it represents a manifestation of the sublimity of Islamic legislation, insofar as it constitutes an effective means of combating poverty and alleviating the suffering of those in need, thereby achieving social solidarity.

1.2 Zakat Collection

Indicative of the great status of Zakat in Islam is that its administration and supervision are entrusted to the State, as the State is authorized to collect Zakat on apparent assets and to disburse it to those entitled thereto. This is carried out through assigning certain officials specifically appointed for Zakat to visit asset holders throughout the Islamic State, calculate the amount of Zakat due from them, collect it therefrom, and supervise its disbursement and distribution to eligible beneficiaries. The Zakat, Tax and Customs Authority undertakes the task of Zakat collection, as it assumes all procedures related to the calculation of the Zakat payer's Zakat, starting from the registration of the Zakat payer, through the process of calculating the amount of Zakat due which includes supervision of the filing of Zakat returns and payment procedures examining the submitted data and verifying it through the human competencies available to the Authority, and ending with the issuance of the final Zakat certificate, as well as the subsequent burden of examining Zakat payer objections to the Authority's Zakat assessments.

1.3 Application of Zakat Collection in the Kingdom of Saudi Arabia

The collection of Zakat and its disbursement to eligible beneficiaries is considered one of the fundamental duties of the State, as stipulated in the Basic Law of Governance in Article 21, which provides that: "Zakat shall be collected and expended in its legitimate channels." Article 7 also includes provisions evidencing the State's care for the obligations of Sharia and commitment thereto in general, which include the collection of Zakat and its disbursement to eligible beneficiaries, as stated therein: "Governance in the Kingdom of Saudi Arabia derives its authority from the Holy Qur'an and the Sunnah of the Prophet Muhammad (peace be upon him), which are the supreme authorities over this Law and all other state regulations."

In affirmation thereof, during the reign of the Founder King Abdulaziz, may Allah have mercy upon him, Royal Decree No. (178634/28/2/) dated 29th Jumada al-Akhirah 1370H/6th April 1951G was issued, ordering the collection of Zakat. This was followed by numerous Royal Decrees affirming it, Ministerial Decisions implementing it, and Regulations and circulars interpreting and clarifying it. These include, inter alia: Royal Decree No. (M/40) dated 2nd Rajab 1405H/24th March 1985; the Implementing Regulations for Zakat Collection issued pursuant to Ministerial Decision No. (2082) dated 1st Jumada al-Akhirah 1438H/28th February 2017G; and the Implementing Regulations for Zakat Collection issued pursuant to Ministerial Decision No. (2216) No. (1007) dated 7th Rajab 1440H/14th March 2019G; and the Implementing Regulations for Zakat Collection issued pursuant to the Decision of His Excellency the Minister of Finance No. (1007) dated 19th Sha'ban 1445H/29th February 2024G, which apply to fiscal years commencing after 1st January 2024G.

The Implementing Regulations for Zakat Collection have given particular attention to clarifying the provisions of collection with respect to commercial activities, to the exclusion of other Zakatable assets, as well as the requirements for filing the Zakat return, the procedures for assessment, audit, and payment, and the specific timelines related thereto. The Zakat proceeds collected by the Zakat, Tax and Customs Authority are transferred and deposited into the social insurance account, which undertakes disbursement to the poor and the needy, in accordance with Royal

Decree No. (611/5/) dated 5th Muharram 1383H/28th May 1963G. Paragraph (1) thereof provides that Zakat is due in full from all joint stock companies and others, as well as individuals subject to Zakat, and Paragraph 2 thereof provides that all collected amounts shall be transferred to the Social Insurance Fund.

1.4 Zakat, Tax and Customs Authority

The Council of Ministers Resolution No. (570) dated 22nd Ramadan 1442H/4th May 2021G was issued, providing for the merger of the General Authority of Zakat and Income and the General Authority of Customs into a single entity under the name "Zakat, Tax and Customs Authority." The Authority undertakes the collection of Zakat and the collection of taxes and customs duties, and seeks to achieve the highest levels of compliance by Zakat payers and in accordance with best practices and with high efficiency. The Authority also strives to enable the Kingdom to become a global logistics hub by facilitating trade and protecting national security, and by regulating and managing all activities related to customs operations and customs ports, in a manner that ensures elevating their performance to the highest levels of efficiency, productivity, and competitiveness, through the provision of high-quality services with a focus on the customer and customer service in accordance with best practices.

1

Royal Decree dated 29th Jumada al-Akhirah 1370H / 7th April 1951G

Collection of Zakat from those holding Saudi nationality.

2

Ministerial Decision No. (394), dated 7th Shaban 1370H / 13th May 1951G

Establishment of the Zakat Department.

3

Royal Decree No. (M/40) issued on 2nd Rajab 1405H / 23rd March 1985G

Ordering the full collection of Zakat from all companies, institutions, and others, including individuals subject to Zakat.

4

Issuance of the Implementing Regulations for Royal Decree No. (M/40) by Ministerial Decision No. (2082), dated 1st Jumada al-Akhirah 1438H / 28th February 2017G.

5

Pursuant to Ministerial Resolution No. (2216) issued on 7th Rajab 1440H / 14th March 2019G, applicable as of 1st January 2019G

The Implementing Regulations for Zakat Collection were issued.

6

On 20th Rajab 1438H / 17th April 2017G

Issuance of the Regulations of the General Authority of Zakat and Tax pursuant to the Council of Ministers Resolution No. (465).

7

22nd Ramadan 1442H / 4th May 2021G

The General Authority of Zakat and Tax was merged with the General Authority of Customs under the name Zakat, Tax and Customs Authority.

8

The Implementing Regulations for Zakat Collection issued by Decision of His Excellency the Minister of Finance No. (1007) dated 19th Shaban 1445H / 29th February 2024G

Which shall apply to fiscal years beginning after 1st January 2024G.

1.5 About this Guideline

This Guideline provides directional guidance and essential information regarding the requirements for Zakat collection and its implementation mechanism, as well as the obligations of persons subject to Zakat (Zakat payer). It assists in forming a clear understanding and offers practical guidance concerning the operational applications of Zakat collection in the Kingdom of Saudi Arabia. This Guideline represents the Authority's interpretation and understanding with respect to the application of the Implementing Regulations for Zakat Collection issued on 19th Sha'ban 1445H/29th February 2024G. It is noteworthy that this Guideline is not a legally binding document, and its provisions are purely advisory. It does not aim to incorporate all relevant provisions of the Implementing Regulations for Zakat Collection. Although these directional guidelines are not binding on either the Authority or the Zakat payer regarding any executed transaction, they provide general guidance on how the Authority handles procedures related to Zakat at a practical level. For guidance on specific transactions, the official website of the Authority, zatca.gov.sa, may be consulted. The website contains a wide range of tools and information specifically designed to assist Zakat payers, including visual guidance materials, all relevant data, and responses to frequently asked questions.

2. Key Definitions

Regulations: The Implementing Regulations for Zakat Collection issued pursuant to Ministerial Decision No. (1007) dated 19th Sha'ban 1445H/29th February 2024G.

Estimated Status Zakat payers: A Zakat payer who does not have financial statements reflecting the actual nature of their activity and is not required to issue financial statements in accordance with the relevant laws and regulations in force in the Kingdom.

Zakat Assessment: A decision issued by the Authority disclosing its acceptance of the Zakat return or its amendment, or determining the amount of Zakat due for an estimated status Zakat payer or a Zakat payer with accounts, in accordance with the available information and the procedures applied by the Authority.

Social Insurance: The General Organization for Social Insurance.

Point-of-Sale Data: Data from point-of-sale terminals processed through the Saudi Payments Network and provided by the Saudi Central Bank.

Etimad Platform: The electronic platform for government financial services affiliated with the Ministry of Finance.

Zakat Year (Hawl): The Zakat payer's fiscal year, whether Hijri or Gregorian, short or long, commencing at the beginning or end of the activity.

Zakat Collection: The State calculates Zakat on Zakatable assets, collects it from the Zakat payers, and transfers it to the social insurance account for disbursement to eligible beneficiaries. Zakat collection is one of the fundamental duties of the State. Historically, the Prophet (Peace and Blessings be Upon Him) dispatched collectors annually to collect Zakat from all Muslims. Currently, the Zakat, Tax and Customs Authority (ZATCA) carries out this function on behalf of the Ruler, in accordance with the relevant regulations, rules, and procedures. The Authority has issued regulations and rules governing Zakat collection and provides high-quality services to Zakat payers to assist them in fulfilling their obligations, ensuring proper collection of Zakat, and transferring it to the competent authority.

3. Methods of Calculating Zakat for Companies

Zakat for modern companies is calculated using one of the following methods:

1. Direct Method (Net Zakat Assets Method)
2. Indirect Method (Sources of Funds Method)
3. Apportionment Method (Percentage of Zakatable Funds Sources Method)
4. Estimated Calculation Method

The procedures of each method differ from the others, as do the items used therein for the purposes of calculating Zakat, while they are consistent in the outcome (the Zakat Base). Both methods (the direct and indirect methods) lead to the same result when applied correctly and when the same standards and data are used, unlike the third method. Below is a summary of the three methods:

Direct Method (Net Zakat Assets Method):

This method is based on two main procedures, as follows:

- Adding all Zakatable assets of the establishment, including receivables due to the Zakat payer
- Deducting the value of the liabilities that financed the Zakatable assets. The result of this equation represents the Zakat Base of the Zakat payer.

Zakat Base = Total Zakatable Assets – Total Liabilities that Financed Them

Indirect Method (Sources of Funds Method):

This method is based on two main procedures, as follows:

Addition:

1. Equity and items thereof
2. Liabilities stipulated in Article 29 of the Implementing Regulations, within the limits of the deductible assets.
3. The difference between the adjusted net profit/loss and the book net profit/loss, after Zakat and tax, whether the result is positive or negative.

Deduction:

1. The value of the establishment's non-Zakatable assets required to be deducted in accordance with the conditions of the Regulations.
2. The value of assets on which Zakat has been paid in other establishments, such as investments in shares of Saudi companies.

The result of this equation represents the Zakat Base of the Zakat payer. This method is the one applied by the Zakat, Tax and Customs Authority (ZATCA).

4. Estimated Calculation Method

A method used by the Authority to assess a Zakat payer who does not have financial statements or statutory accounts. As a general principle, the determination of the Zakat Base of a Zakat payer relies on the Zakat payer's statutory records containing the data through which the base can be determined. Where this is not available, the Authority shall determine a Zakat Base for the Zakat payer based on the information available thereto, in a manner that enables it to approximate the Zakat payer's Zakat Base to the greatest extent possible. In such cases, the Authority has the right to carry out a Zakat estimation and issue a Zakat assessment, in accordance with the Authority's view and in light of the circumstances and facts related to the case and the information available to it.

5. Sharia Basis for the Treatment of the Zakat Calculation of Estimated Status Zakat payers

The estimated calculation method is based on criteria aimed at accurately determining the Zakat Base, by identifying tools that approximately reveal the scale of the activity and the number of capital cycles, in order to reach a fair estimation of the Zakat Base. The application of these criteria contributes to the provision of data that disclose the volume of Zakatable assets. Accordingly, the Zakat, Tax and Customs Authority (ZATCA), through its experience in Zakat collection, audit, and dealings with Zakat payers, has developed a treatment through which Zakatable funds may be determined, taking into account that the application of this treatment is limited to estimated status Zakat payers who do not maintain commercial books.

The reference for the accounting treatment of estimated status Zakat payers based on a realistic approach is derived from Islamic Sharia principles concerning the recognition of estimation (khar) in Zakat collection. Estimation, in its essence, constitutes an assessment and an exercise of judgment in determining the amount of Zakatable assets, and it represents one of the tools of measurement and criteria. The linkage between facilitating the calculation for estimated status Zakat and estimation lies in the fact that the accounting of estimated status Zakat payers pursuant to the Authority's procedures is based on the application of tools that encompass all Zakat payers, the application of which results in the disclosure of Zakatable assets to the Authority. The Sharia Committee of the Zakat, Tax and Customs Authority issued Decision No. (1) regarding the permissibility of resorting to estimation in the calculation of Zakat, provided that such estimation is based on data that accurately reflect the Zakat payer's actual situation. Where the Authority is able to access data or information that more accurately disclose the Zakat payer's actual situation, the Authority shall be required to take such data or information into account.

6. Determination of the Zakat Base for Estimated Status Zakat payers

6.1 Zakat payers Subject to the Provisions Governing the Calculation of Zakat for Estimated Status Zakat payers Pursuant to the Implementing Regulations for Zakat Collection 1445H

The Implementing Regulations for Zakat Collection was issued pursuant to the decision of His Excellency the Minister of Finance No. (1007) dated 19 Sha'ban 1445H/29th February 2024G, which included in Chapter 3 the provisions for calculating Zakat for Zakat payers subject to estimated assessment, applicable to fiscal years beginning after January 1, 2024.

6.2 Estimated Capital and Estimated Profit

The provisions of the Implementing Regulations for Zakat Collection, issued pursuant to the decision of His Excellency the Minister of Finance No. (1007) dated 19 Sha'ban 1445H/29th February 2024G, aim to reach the estimated capital in addition to the estimated profit that can be relied upon to establish the Zakat Base for Zakat payers subject to estimated assessment

6.3 Estimating the Zakat Base for Estimated Zakat payers

The Zakat Base for estimated status Zakat payers is estimated based on determining capital commensurate with the size of the Zakatable Zakat payer's activity, whereby the average capital turnover rate is eight times per year, and the average estimated profit for all activities is 15%. This takes into account Paragraph 6 of Article 89, which stipulates that the Zakat Base of an estimated status Zakat payer shall not be less than the capital stated in the commercial records, licenses issued for the activity, or any other documents through which the Authority may determine the capital. Accordingly, the Zakat Base consists of two parts:

First: Determining the Zakat payer's capital based on the sales for the zakat year divided by 8.

Second: Determining the result of the activity during the year (net profit) by multiplying the sales achieved by an average net profit margin for all activities of 15%. The sum of the two parts is then compared to the capital registered in the Zakat payer's commercial records. This is done according to the following equation:

Zakat Base = (Sales (Revenues) / 8) + (Sales × 15)

Example 1: The total sales disclosed for a Zakat payer subject to the Zakat calculation applicable to estimated status Zakat payers who do not maintain statutory accounts, as disclosed for Value Added Tax (VAT) purposes, for the year 1441H/20192020-G, amounted to SAR 1,000,000. It is noted that the value of the capital registered in the commercial register amounted to SAR 250,000.

How is the estimated Zakat Base for the activity calculated?

The calculation relies on the data disclosed in the Value Added Tax (VAT) return to determine the sales conducted during the year.

First: (Sales / 8) + Sales × 15%
Second: (1,000,000 / 8) + 1,000,000 × 15%
Estimated capital of the business: 125,000 + 150,000
Zakat Base = 275,000

6.4 How to Calculate Sales (Revenues)

The sales (revenues) mentioned in paragraph 4.3 shall not be less than the sales disclosed in the VAT return (including zero-rated and exempt sales), in addition to the data disclosed in the Real Estate Transactions Tax for economic activities, based on the nearest disclosed period or tax year corresponding to the Zakat year under assessment. The sales disclosed in the VAT return and the Real Estate Transactions Tax data shall together constitute the Zakat payer's sales for which Zakat is calculated for the relevant Zakat year. The determination of sales for the Zakat year shall be based on the total of the submitted returns whose due dates fall within the reporting period.

Example 2: If the Authority estimates the Zakat for an estimated Zakat payer on 1st March 2025G, what is the determination of sales based?

It is based on the Zakat payer's sales according to the VAT returns submitted during the Zakat year for the Zakat payer, and the data from the Real Estate Transactions Tax for the same period. If the Zakat payer does not have recorded sales (revenues) in VAT, their sales shall be estimated according to the following criteria, whichever is greater:

Average number of employees (workers) × 6,000
The number of employees is verified through data from the General Organization for Social Insurance and includes both Saudi and non-Saudi employees. The number of employees is calculated based on the average number of employees during the year.

Imports × 115%
Import data is verified based on data from the Zakat, Tax and Customs Authority.

Purchases × 115%
Purchase data is verified through the VAT return.

Total sales made through points of sale, the Etimad platform, export data, and eligibility contract data.
Sales data is verified through the Saudi Central Bank, the Ministry of Finance, and the Ministry of Finance's electronic platform for government financial services.

Any other criteria that the Authority deems appropriate to reflect the Zakat payer's actual sales.

6.5 Calculation of Zakat

Zakat is calculated at a rate of two and a half percent (2.5%) of the Zakat Base indicated in the equation mentioned in paragraph (4.3).

Zakat = Zakat Base x 2.5%

Example 3: The Zakat Base for a Zakat payer subject to Zakat for the Zakat year 1441H/2019-2020G amounts to SAR 100,000.

How is the Zakat calculated?

Zakat = Zakat Base x 2.5%
Zakat = 100.000 x 2.5%
Zakat = 2.500

6.6 Zakat Year

The Zakat payer's fiscal year is a lunar year (354 days or more) and begins from the date of issuance of the commercial registration, or from the date of obtaining the first of the required licenses, or from the date of capital deposit, whichever is earlier, unless the Zakat payer specifies another commencement date for the activity with documentary evidence accepted by the Authority. Short fiscal periods, at the beginning or end of the activity, are not subject to Zakat unless they exceed 354 days.

6.7 Minimum Zakat for Estimated Status Zakat payers

Zakat for a Zakat payer subject to the estimated Zakat payer calculation shall not be less than SAR 500.

Example 4: A Zakat payer holds a municipal license but did not conduct any activity during the year and has no employees registered with the General Organization for Social Insurance.

How is Zakat calculated based on the estimated calculation?
The minimum Zakat of SAR 500 shall be applied.

6.8 Recalculation of the Zakat payer's Sales

The Authority may recalculate the Zakat payer's sales if it determines that actual sales are higher than those initially used.

Example 5: The Authority issued a Zakat assessment for a Zakat payer subject to the estimated Zakat payer calculation method. Subsequently, the Authority determined that the sales used in the original assessment for the same period had increased.

Accordingly, the Authority has the right to issue an amended Zakat assessment reflecting the increase in sales.

6.9 Accounting of the Zakat payer Based on Financial Statements (Accounts)

The Authority has the right to hold accountable a Zakat payer who is being accounted for according to the estimated Zakat payer zakat account treatment based on accounts if it is found that the Zakat payer has financial statements.

6.10 Transition from Accounting According to the Estimated Zakat payer Method to Accounting Based on Financial Statements (Accounts)

An estimated Zakat payer has the right, before the end of the zakat year, to submit a request to the Authority to transfer from the estimated Zakat payer zakat account to the accounts Zakat payer

zakat account. The Authority shall issue its decision regarding this within (30) days from the date of completion of the request. In the event of the transfer to the accounts Zakat payer treatment, the Zakat payer shall not be allowed to return to the estimated Zakat payer zakat account except with the approval of the Authority, and after submitting justifications acceptable to the Authority.

7. Final Adjustment of Tax Data

If the Authority estimates the Zakat of the Zakat payer based on the VAT returns submitted to the Authority or the Real Estate Transaction Tax data, and final adjustments are subsequently made to these data, the Zakat assessment shall be adjusted accordingly, and the Zakat shall be re-estimated, whether resulting in an increase or a decrease.

Example 6: On 15th March 2021G, the Authority issued an estimated Zakat assessment for a Zakat payer accounted for under this method, based on the data disclosed in the VAT return and the Real Estate Transaction Tax data available to the Authority. The data were as follows:

Total Sales **VAT Returns + Real Estate Transaction Tax**	**SAR 1,000,000**
Estimated Capital = Sales / 8	SAR 125,000
Estimated Profit = Sales × 15%	SAR 150,000
Zakat Base	SAR 275,000
Zakat Due	SAR 6,875

On 1st July 2021G, the Authority issued an estimated Zakat assessment for the Zakat payer based on the VAT returns submitted and the available Real Estate Transaction Tax data.

Total Sales **VAT Returns + Real Estate Transaction Tax**	**SAR 1.400.000**
Estimated Capital = Sales / 8	SAR 175,000
Estimated Profit = Sales × 15%	SAR 210,000
Zakat Base	SAR 385,000
Zakat Due	SAR 9.625

Accordingly, the Zakat assessment payable by the Zakat payer is the Zakat due: SAR 9,625.

Consequently, the Zakat payer is required to pay the difference.

8. Unique Number Unit

The Zakat payer is subject to this treatment based on the unique number, regardless of the number of records or licenses under that number. The total number of commercial records is calculated as one Zakat payer as long as they fall under one unique number. The minimum zakat stipulated in Article 86 applies.

Example 7: A Zakat payer has three commercial records under one unique number. All records are calculated according to the treatment for calculating the estimated Zakat payer's zakat. He has VAT and real estate transaction tax return data as follows:

	Capital stated in the commercial record	Total sales according to the VAT return and real estate transaction tax data
Commercial Record No. 1	SAR 50,000	SAR 700,000
Commercial Record No. 2	SAR 20,000	SAR 200,00
Commercial Record No. 3	SAR 10,000	0

Increase in zakat for the estimated Zakat payer:

The Zakat payer may increase the valuation of the authority if it appears to him that the amount of zakat due is more than what the authority has estimated.

How is the estimated zakat calculated for a Zakat payer?

Based on considering the Zakat payer's unique number, under which several sub-registrations fall, as a single Zakat payer, zakat is calculated as follows:

Total Sales VAT Returns + Real Estate Transaction Tax	SAR 900.000
Estimated Capital = Sales / 8	SAR 112,500
Estimated Profit = Sales × 15%	SAR 135,000

Zakat Base	SAR 247,500
Zakat Due	SAR 6.187.5

Example 8: A Zakat payer has several commercial registrations under one unique number, and not all of these registrations are required to submit financial statements. How is the minimum SAR 500 calculated for these registrations?

These registrations are considered as one Zakat payer as long as they fall under a unique number. If the Zakat payer has no sales disclosed in the VAT and Real Estate Transaction Tax returns, and the other criteria do not apply, then the Zakat payer must pay the minimum SAR500 for the unique number.

9. Clarifying Examples

9.1 Calculation of the Zakat Base Based on Sales Disclosed in the Value Added Tax Return

Example 9: The total sales disclosed by a Zakat payer who does not maintain formal accounts in the Value Added Tax return for the year 1441H/20192020-G amounted to SAR 3,000,000. It is noted that the capital registered in the commercial register amounted to SAR 500,000.

How is the Zakat Base calculated?

The calculation of the estimated Zakat Base is based on the data in the Value Added Tax return according to the following:

Estimated Capital = Sales ÷ 8	3,000,000 ÷ 8 = 375,000
Estimated Profit = Sales X 15%	3,000,000 X 15% = 450.000

Estimated Capital + Estimated Profit = Zakat Base 375,000 + 450.000 = 825.000	
Zakat Due = Zakat Base × 2.5%	Zakat Due = 20.625

9.2 Calculation of the Zakat Base in the Absence of Sales Disclosed in the Value Added Tax Returns

Example 10: A Zakat payer has no revenues recorded in the Value Added Tax records. One of the factories operating in the plastic manufacturing sector, based on import data obtained through the customs declaration for the year 1441H/20192020-G, amounted to SAR 110,000, while sales based on export data amounted to SAR 140,000.

How are the sales and the Zakat Base calculated based on the estimated calculation?

First: Sales are estimated based on either import or export data, whichever is greater.

Second: Estimated sales based on import data
Sales = Import value × 115
Sales = 115% × 110,000
Sales = SAR 126,500

Third: Estimated sales based on export data
Sales = SAR 140,000

It is evident that the sales referred to in item (Third), which were estimated based on the export data, constitute the higher amount; accordingly, the Zakat is calculated based thereon.

First: (Sales / 8) + Sales x 15%

Second: (140,000 / 8) + 140,000 x 15%

Estimated Capital of the Business = 17,500 + 21,000

Zakat Base	38,500

Zakat Due	963

Example 11: A Zakat payer has no revenues recorded in the Value Added Tax records. The Zakat payer's sales conducted through point-of-sale terminals amounted to SAR 160,000, while the average number of employees registered with the General Organization for Social Insurance amounted to 24 employees.

How are the sales and the Zakat Base calculated based on the estimated calculation?

First: Sales are estimated based on point-of-sale (POS) data or employee count data, whichever is greater.

Second: Estimated sales based on POS sales
Sales = SAR 160,000.

Third: Estimated sales based on average employee count data
Sales = 24 x 6,000
Sales = SAR 144,000

It is evident that the sales referred to in item (Second), which were estimated based on sales through point-of-sale terminals, constitute the higher amount; accordingly, the Zakat is calculated based thereon.

First:)Sales / 8) + Sales x 15%

Second: (160,000 / 8) + 160,000 x 15%

Estimated Capital of the Business = 20,000 + 24,000

Zakat Base =	44,000

Zakat Due =	1,100

Example 12: A Zakat payer has no revenues recorded in the Value Added Tax records. The import volume of one of the factories owned by the Zakat payer, based on import data obtained through the customs declaration for the year 1441H/20192020-G, amounted to SAR 120,000, while the average number of employees registered with the General Organization for Social Insurance amounted to 20 employees.

How are the sales and the Zakat Base calculated based on the estimated calculation?

First: Sales are estimated based on import data or employee's number data, whichever is greater.

Second: Estimated sales based on import data

Sales = Import value × 115%

Sales = 120,000 X 115%

Sales = SAR 138,000

Third: Estimated sales based on average employee count data

Sales = 6,000 × 20

Sales = SAR 120,000

It is evident that the sales referred to in item (Second), which were estimated based on import data, constitute the higher amount; accordingly, the Zakat is calculated based thereon.

First:)Sales / 8) + Sales x 15%

Second: (138,000 / 8) + 138,000 x 15%

Estimated Capital of the Business =	17.250 + 20.700
Zakat Base =	37.950

Zakat Due =	949

Example 13: A Zakat payer has no revenues recorded in the Value Added Tax records. The Zakat payer's imports amounted to SAR 170,000, while the value of sales conducted through point-of-sale terminals amounted to SAR 165,000.

How are the sales and the Zakat Base calculated based on the estimated calculation?

First: Sales are estimated based on import data or sales made through points of sale, whichever is greater.

Second: Estimated sales based on import data
Sales = Import value × 115%
Sales =115% × 170,000
Sales = SAR 195,500

Third: Sales at points of sale = SAR 165,000

It is evident that the sales under criterion (Second), which were estimated based on import data, constitute the higher amount; therefore, the Zakat is calculated based thereon.

First: (Sales8 /) + Sales x 15%

Second: (195,500 / 8) + 195,500 x 15%

Estimated Capital of the Business = 24.438 + 29.325

Zakat Base =	37.950

Zakat Due =	1.344

Example 14: A law firm and legal consultancy has no VAT-registered revenue, while the average number of employees registered with the General Organization for Social Insurance is 19 employees.

How are sales and the Zakat Base calculated based on the estimated figure?

First: Sales are estimated based on the number of employees registered with the General Organization for Social Insurance

Second: Estimated sales based on the average number of employees

Sales = 19 × 6000

Sales = 170,000 × 115%

Sales = SAR 114.000

Third: Calculation of the Zakat Base based on the estimated figure

First:)Sales / 8) + Sales x 15%

Second: (114,000 / 8) + 114,000 x 15%

Estimated Capital of the Business = 14.250 + 17.100

Zakat Base =	31.350

Zakat Due =	784

Example 15: An engineering consultancy firm has no revenue recorded in its VAT records. Based on Etimad platform data, it has a contract worth SAR 360,000 to supervise the implementation of a project with a government entity. The average number of employees registered with the General Organization for Social Insurance is 65.

How are sales and the Zakat Base calculated based on the estimated account?

First Sales are estimated based on Etimad platform data or employee number data, whichever is greater.
Second: Estimated sales based on Etimad platform data Sales = SAR 360,000.
Third: Estimated sales based on the average number of employees Sales = 65 x 6,000 Sales = SAR 390,000.
Fourth: It is evident that the sales figure used in calculating the third criterion, estimated based on the number of employees, is greater. Therefore, zakat is calculated based on it.
Fifth: Calculating the Zakat Base and the Zakat Based on the estimated account
First: (Sales8 /) + Sales x 15%
Second: (390,000 / 8) + 390,000 x 15%
Estimated Capital of the Business = 48.750 + 58.500
Zakat Base = 107.250
Zakat Due = 2.681

Example 16: A Zakat payer has no recorded revenue in the VAT records. Based on Etimad platform data, there is a contract for SAR 160,000 to supervise the implementation of a project with a government entity, while sales made through points of sale amounted to SAR 205,000.

How are sales and the Zakat Base calculated based on the estimated amount?

First Sales are estimated based on the total data from the Etimad platform and sales made through points of sale.
Second: Sales based on the Etimad platform = SAR 160,000. **Sales based on points of sale** = SAR 205,000. **Total** = SAR 365,000.
Third: Calculation of the Zakat Base and Zakat Based on the estimated amount
First: (Sales8 /) + Sales x 15%
Second: (365,000 / 8) + 365,000 x 15%
Estimated Capital of the Business = 45.625 + 54.750
Zakat Base = 100.375
Zakat Due = 2.509

Example 17: A Zakat payer's total purchases, according to their VAT return, amounted to SAR 250,000, while they have no sales recorded in their VAT return.

How are sales and the Zakat Base calculated based on the estimated amount?

First Sales are estimated based on the purchases disclosed in the VAT return.

Second: Estimated sales based on import data Sales = 250,000 x 115% Sales = SAR 287,500.

Third: Calculating the Zakat Base and the Zakat amount based on the estimated amount

First: (Sales8 /) + Sales x 15%

Second: (287,500 / 8) + 287,500 x 15%

Estimated Capital of the Business = 35.938 + 43.125

Zakat Base =	79.063

Zakat Due =	1.977

Paragraph 6 of Article 89 of the Implementing Regulations for Zakat Collection

If the result of the Zakat Base calculation for a Zakat payer's estimated capital is less than the capital stated in the commercial registers, activity licenses, or any other documents that the Authority can use to determine the capital, then the capital stated in the registers and licenses shall be the Zakat Base.

Example 18: A Zakat payer has a commercial register, did not conduct any activity during the year, and has no employees registered with social insurance. The capital registered in the commercial register is SAR 10,000.

How is zakat calculated based on the estimated calculation?

First The capital registered in the registers is considered the Zakat Base.
Zakat Base = SAR 10,000
Zakat due at a rate of 2.5% of the Zakat Base = SAR 250
Since the value of the zakat is less than SAR 500, the zakat is calculated according to the minimum zakat threshold of SAR 500, based on the treatment of the estimated zakat payers

Example 19: The capital in a Zakat payer's commercial register is SAR 100,000, while the sales declared through the VAT return amounted to SAR 350,000.

How is Zakat calculated based on the estimated capital?

First: A comparison is made between the capital recorded in the registers and the estimated capital of the business.
Second: The base formula is used to reach the estimated capital of the business.
Third: (Sales8 /) + Sales x 15%
Fourth: (350.000 / 8) + 350.000 x 15%
Estimated capital of the business: 43.750 + 52.500
Zakat Base 96.250
Fifth: It is evident that the capital recorded in the registers is greater than the Zakat Base, and therefore Zakat is calculated based on the capital recorded in the registers.
Zakat Base SAR 100.000
Zakat due at a rate of 2.5% of the Zakat Base = SAR 2,500

Example 20: The Authority issued a zakat assessment for a Zakat payer subject to estimated Zakat Based on VAT data. The Zakat payer did not agree to it and submitted an objection within the prescribed period, arguing that the assessment was incorrect.

Is the Zakat payer entitled to inquire about and obtain the mechanism for calculating the Zakat Base?

The Zakat payer has the right to inquire with the Authority and obtain a detailed statement of the VAT submitted by them and approved by the Authority, which supports the method of calculating the Zakat Base. The Zakat payer can also access their tax return and view the details of the zakat calculation.

A Comprehensive Example

Example 21: A sole proprietorship with an average number of 27 employees registered with the General Organization for Social Insurance for the year ending 29th Dhu al-Hijjah 1441H/19th August 2020G, while total imports during the same year amounted to SAR 126,913. Total sales made through points of sale amounted to SAR 174,369, as the establishment has no sales recorded for VAT. Total purchases amounted to SAR 186,319.

How is Zakat calculated based on the estimated account?

Since the establishment has no sales recorded for VAT, sales are estimated based on employee data, import data, purchase data from the VAT return, or sales made through points of sale. Which is greater?

First: Estimated sales based on average number of employees Sales = 6,000 x 27 Sales = SAR 162,000.
Second: Estimated sales based on import data Sales = 115 x 126,913 Sales = SAR 145,950
Third: Estimated Sales Based on Purchases Sales = 115% x 186,913 Sales = SAR 214,950
Fourth: Estimated sales based on points of sale, Etimad platform, and export data. **Sales** = SAR 174,369

It is evident that the sales in standard (Third), estimated based on purchases, are the largest; therefore, the Zakat Base is calculated based on them.

First:)Sales / 8) + Sales x 15%
Second: (214,950 / 8) + 214,950 x 15%
Estimated capital of the business: 26.869 + 32.243
Zakat Base SAR 95.112
Zakat due at a rate of 2.5% of the Zakat Base = SAR 1.478

10. Zakat Calculation and Issuance of the Assessment by the Authority

Based on the data and information available to the Authority through the Value Added Tax Return and the other sources previously mentioned, the Authority shall calculate the Zakat due from the Zakat payer and issue the Zakat assessment as of the end date of the Zakat payer's financial year, including the calculation mechanism. Accordingly, and in a direct manner, the ERAD System shall issue an electronic invoice notification containing the payment reference number and the total amount of Zakat due pursuant to the assessment. Upon completion of the payment process, the system shall immediately issue the Zakat Certificate, provided that there are no outstanding amounts payable to the Authority. The Zakat payer may also, after the end of the financial year, access their return and issue the invoice.

11. Objection and Appeal Procedures

In the event that the Zakat payer does not agree with a decision issued by the Authority, the Zakat payer shall have the right to formally object to such decision within the statutory period referred to in this section. Three methods are available to the Zakat payer to submit a review request (i.e., an objection) and resolve disputes related to the assessment or any other decisions issued by the Authority in relation to Zakat matters, as follows:

- Through internal review by the Objections Department at the Authority.
- Through the internal committee at the Authority for dispute resolution.
- Through the grievance submitted to the external committees: the Committee for Resolution (also referred to as the Committee for Tax Violations and Disputes) and the Appellate Committee (also referred to as the Appellate Committee for Tax Violations and Disputes).

11.1 Submission of an Objection

In the event that the Authority issues a Zakat assessment, the Zakat payer shall be notified of their right to object to the decision of the Authority. The Zakat payer may submit the objection to the competent department through the Authority's electronic system "ERAD".

11.2 Conditions for Acceptance of an Objection

For the Authority to accept the Zakat payer's objection to any decision issued by the Authority, the following conditions shall be met:

1. Submission of the objection within the statutory period:

The objection shall be submitted within sixty (60) days from the date of notification of the assessment, as stated in the notification. The assessment shall be deemed final if the objection is not submitted within the specified time period. The objection request must, at a minimum, include the points of dispute, the reasons for objecting to the Authority's decision, in addition to the supporting documents that substantiate the Zakat payer's position.

2. Payment of amounts related to the assessment, as follows:

a. **Non-disputed items:**
The Zakat payer must pay the amounts due in full for the non-disputed items within the statutory objection period.

b. **Disputed items:**
For the objection to be formally accepted, the Zakat payer must pay all Zakat dues related to the non-disputed items and pay no less than (10%) and no more than (25%) of the value of the Zakat amounts related to the disputed items, or provide a financial guarantee in lieu thereof. The Authority may set the governing rules in this regard.

3. Internal Review

The Authority shall commence the internal review process upon receipt of the objection. The Review and Objections Department shall conduct the internal review of the contested assessment submitted by the Zakat payer and respond to the objection within ninety (90) days. The internal review process may result in one of the following outcomes:

Full acceptance of the objection:

The Authority shall thereafter issue a new assessment in replacement of the initially contested assessment and notify the Zakat payer accordingly.

Partial acceptance of the objection:

The Authority shall thereafter issue a new assessment in replacement of the initial assessment and notify the Zakat payer accordingly.

Full rejection of the objection:

The Authority shall notify the Zakat payer of the rejection of their objection to the Authority's previous assessment.

In the event of rejection or partial acceptance, the Authority or the Zakat payer may propose referring the dispute to the Internal Settlement Committee for dispute resolution (see Section 7.4).

In the meantime, the Zakat payer must submit a grievance request to the General Secretariat of the Tax Committees within thirty (30) days from the date of issuance of the decision of the Review and Objections Department at the Authority addressed to the Zakat payer, or upon the lapse of ninety (90) days from the date of submission of the objection without a decision being issued by the Authority, in order to preserve the right to proceed with the formal grievance before the Committee for Resolution against the Authority (see Section 7.4).

11.3 Submission of an Objection

The Implementing Regulations for Zakat Collection stipulate the application of the Rules of Procedure of the Committees for Resolution of Zakat, Tax, and Customs Violations and Disputes, issued under Royal Order No. (25711) dated 8th Rabi' al-Thani 1445H/23rd October 2023G, to Zakat Zakat payers. Accordingly, the competent judicial bodies before which the Zakat payer may lodge a grievance against the Authority's decisions are the Committee for Resolution of Tax Violations and Disputes and the Appellate Committee for Tax Violations and Disputes, both of which are independent from the Authority. A Zakat payer who wishes to object to the final decisions issued by the Authority must submit the objection directly to the Committee for Resolution within a period of thirty (30) days from the date of issuance of the reassessment notification or the rejection of the objection, or upon the lapse of ninety (90) days from the date of submission of the objection without a decision being issued by the Authority. The Authority's decision shall be deemed final if no objection is received within the specified period. In the event that the Zakat payer or the Authority objects to the decisions of the Committee for Resolution, the dispute shall be referred to the Appellate Committee, whose decisions shall be final, binding, and not subject to appeal.

11.4 Settlement of the Dispute

The Authority has established a committee for the settlement of Zakat disputes arising from the Zakat payer's objection to the Authority's assessments. This committee is an internal committee established to facilitate the resolution of Zakat and tax disputes. The Settlement Committee is responsible for resolving disputes between the Authority and the Zakat payer by proposing a settlement solution as an alternative to submitting a formal grievance before the Committee for Resolution and the Appellate Committee, which are judicial bodies competent to hear Zakat disputes. The Zakat payer may submit a request to the Settlement Committee to review the decision issued by the Review Department at the Authority, and the Authority itself may submit a request for review to the Committee in the event that the Zakat payer submits a grievance to the Committee for Resolution. When the Zakat payer submits a request for the issuance of a settlement decision to the Settlement Committee, the request must, at a minimum, include the points of dispute, the reasons for objecting to the Authority's decision, and the supporting documents substantiating the Zakat payer's position. During this period, the formal grievance procedures before the Committee for Resolution or the Appellate Committee shall be suspended as a result of submitting the request to refer the dispute to the Settlement Committee, until a decision is issued rejecting the settlement request or rejecting its consideration by the Committee. The Settlement Committee shall notify the Zakat payer of the acceptance or rejection of the request to resolve the dispute through the Settlement Committee within thirty (30) days from the date of submission of the request.

Cases of Rejection of Settlement

The settlement shall be rejected in any of the following cases:

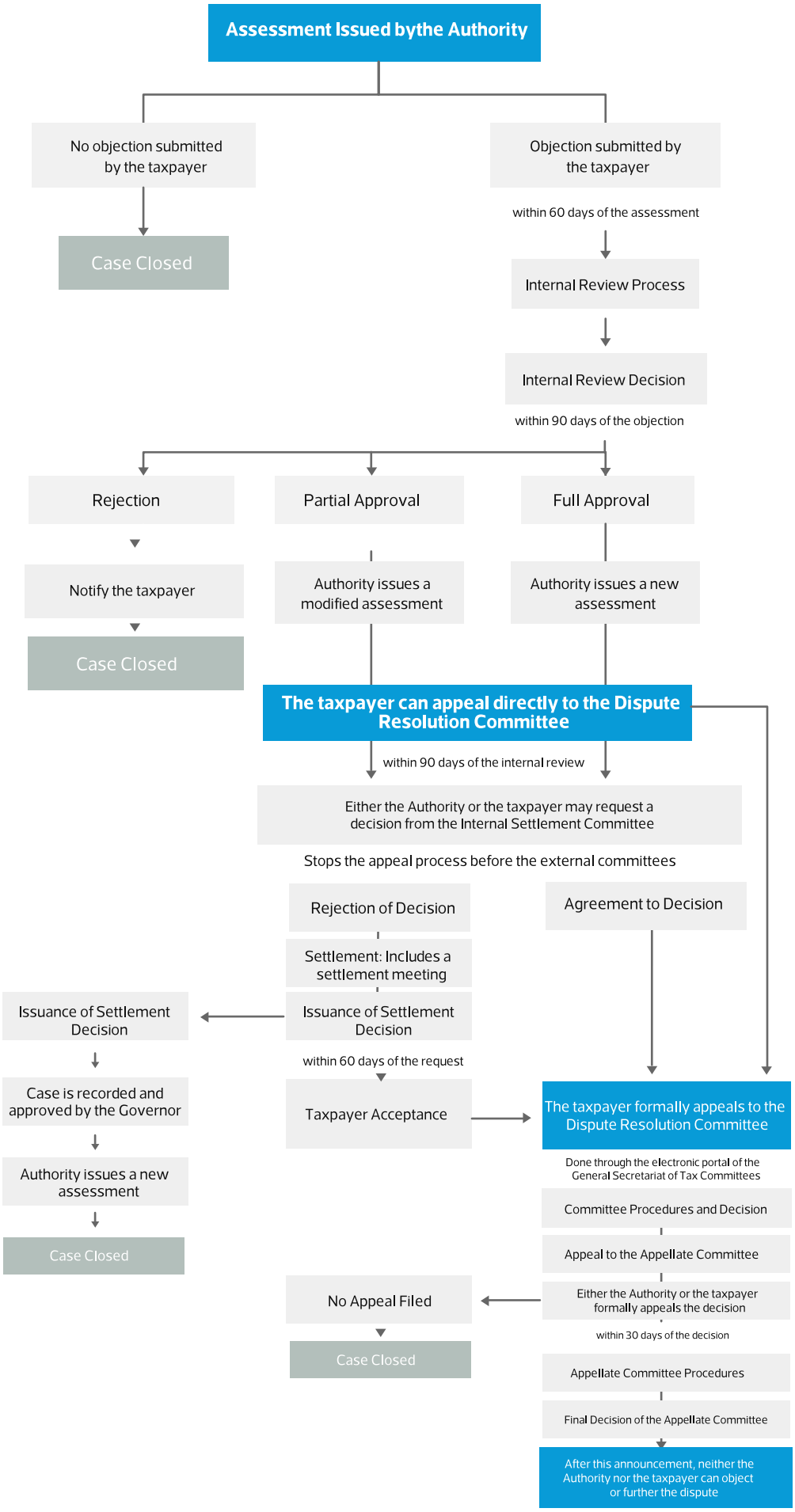
- Where the Authority is not convinced by the reasons for the Zakat payer's objection. In such case, the Authority shall notify the Zakat payer of the rejection of the settlement request for the purpose of issuing the settlement decision.

- Where the Zakat payer does not obtain a settlement decision within sixty (60) days from the date of submitting the request, unless the Zakat payer is notified of an extension of the period for an additional sixty (60) days; in such case, the request shall be deemed rejected.

- Where the Zakat payer rejects the settlement decision or fails to notify the Authority in writing of approval of the settlement decision.

Rejection of the settlement decision shall result in continuation of the formal grievance, whereby the objection procedures shall proceed before the Dispute Resolution Committee and the Appeal Committee and shall be temporarily suspended during the procedures of the Settlement Committee.

Objection and Appeal Flowchart



12. Request for Issuance of an Interpretive Decision

If you are not certain how Zakat applies to a particular activity or a particular transaction that you conduct or intend to conduct, and after reviewing the relevant statutory provisions and the related Guideline, you may submit a request to the Authority to obtain an interpretive decision in accordance with the Implementing Regulations for Zakat Collection issued by Ministerial Decision No. 1007 dated 19th Sha'ban1445H/29th February 2024G.

13. Contact Us

For further information regarding any transaction subject to Zakat collection, please visit the Authority's website at zatca.gov.sa or contact us at the following number: 19993.

14. Frequently Asked Questions

1. What is the minimum Zakat in the event of cessation of activity?

The minimum amount is SAR 500.

2. Does the Authority have the right to calculate Zakat Based on financial data obtained from sources other than those mentioned in the Guideline if such data differs from the data or information available to the Authority?

The Authority has the right to calculate Zakat Based on any information that may be available to it through its own sources or any other source that can be relied upon for data and information.

3. Are sole establishments that have a commercial registration and commercial books required to file the Zakat return based on the commercial books or in accordance with the Zakat calculation treatment for estimated status Zakat payers?

Establishments that have commercial books must file the Zakat return based on the approved financial statements and the commercial books.

4. Which establishments are subject to Zakat for estimated status Zakat payers?

Any establishment that does not have financial statements reflecting the true nature of its activity and is not obligated to issue financial statements.

5. Why was the formula for calculating the Zakat Base unified for different activities of estimated status Zakat payers?

The formula was unified in order to facilitate its application, understanding, and implementation by Zakat payers.

6. Is the Zakat payer required to file a Zakat return?

The Authority, based on the data and information available to it, issues the Zakat return directly after the end of the fiscal year, without the need for the Zakat payer to file a Zakat return.

7. Does the Zakat payer have the right to object to the Authority's Zakat assessment?

The Zakat payer has the right to submit an objection to the Authority's Zakat assessment within 60 days from the end of the fiscal year.



Scan this code to view the last
version and all published documents
Or visit the website zatca.gov.sa