



Simplified Guide

Exemption of Penalties Initiative



This Guide aims to elaborate H.E. Minister of Finance's Resolution with regard to re-launch of

Cancellation of Fines and Exemption of Penalties Initiative

which is part of incentive initiatives taken by Zakat, Tax and Customs Authority ("ZATCA") to mitigate the financial implications resulting from COVID-19 that affected the establishments. This is for a period of six (6) months, as of 1 June 2022.

Rectifying the status of your establishment

exempts you from fines



Take advantage of

Exemption of Penalties Initiative

During the period

1 June 2022 - 30 November 2022

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Highlights of the Resolution

1. Exemption from unpaid fines, including:

- **Exemption** from fine resulting from late registration in all Tax systems or Tax laws?
- **Exemption** of payment delay fines and delay in filing a tax return in all tax systems;
- **Exemption** from fine resulting from correcting VAT return; and
- **Exemption** from fines resulting from field detection of violations of VAT and e-invoicing.

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

- Registering in the tax system where registration was required for non-registered persons.
- Filing all tax return that shall be filed to ZATCA and which have not been previously filed and/or correctly stating all unstated taxes, and paying the full tax debt principal associated with the tax return to be filed or amended to correctly state the tax liabilities due.

3. All dues may **be paid in installments** according to a specific schedule approved by ZATCA in accordance with ZATCA's applicable rules and procedures, provided that the request for paying in installment shall be submitted to ZATCA and ZATCA's approval thereof shall be issued during the initiative period, i.e. before end of 30 November 2022.

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

5. The Resolution shall become effective as of **1 June 2022** and shall expire on **30 November 2022**.





Types of taxes included in the Initiative

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



Initiative Exclusions

- Fines paid before the effective date of this Initiative;
- Fines resulting from Tax Evasion violations;
- Fines of late payment associated with the tax principal included in an installment plan, which becomes payable the initiative expires on 1 November 2022.



Conditions for Benefiting from the Initiative

The taxpayer shall be exempted from:

- **Late registration fines in the tax systems, provided that the following conditions shall be met:**
 1. Registering and specifying the date on which the registration was required;
 2. Filing all tax returns past due;
 3. Paying the full tax debt principal resulting from the submitted returns;
- **The taxpayer shall be exempted from the fines of delay in filing the tax return which must be filed to ZATCA prior to the effective date of the Initiative for all tax systems, provided that the following conditions be met:**
 1. Submitting all declarations and Paying the full tax debt principal associated with the fine resulting from submitting;





- **The taxpayer shall be exempt from fines for late payment related to a tax return due to ZATCA prior to the effective date of the Initiative for all tax systems, whether the unpaid amount resulted from disclosure by the taxpayer or from reassessment by ZATCA, provided that:**
 1. Paying the full tax debt principal associated with the unpaid fine resulting from delay in filing, self-disclosure or ZATCA's assessment.

- **The taxpayer shall be exempt from the fine of correcting VAT returns, whether the amendment was made by the taxpayer as a result of disclosure thereby or as a result of an amendment by ZATCA, provided that:**
 1. The full tax debt principal resulting from correction be paid;

- **The taxpayer shall be exempt from unpaid fines resulting from field detection of VAT and E-Invoicing violations, provided that:**
 1. The taxpayer shall have neither any unfiled returns to ZATCA, nor an outstanding tax debt principal. In case that the taxpayer has unfiled returns or an outstanding tax debt principal, the taxpayer may benefit from the exemption only through filing all unfiled returns.
 2. Paying any outstanding tax debt principal.

A request for paying the dues in installments may be submitted and approved by ZATCA prior to expiry date of the Initiative, while adhering to the installment plan which may not be canceled as a result of delay in paying the installments.



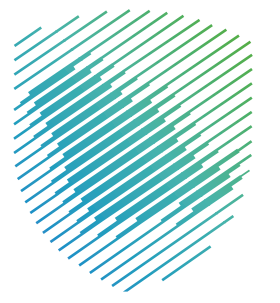


Tax due installment steps

1. The taxpayer shall provide tax due installment plan to ZATCA through the initiative period.
2. The installment plan is to be reviewed and approved by the competent team in ZATCA to make sure the taxpayer is qualified for the installment plan .
3. The payments shall be scheduled under certain months as per the procedures and conditions of the tax due installment.
4. The taxpayer shall comply with the plan adopted and pay each installment on the due date as agreed with ZATCA.
5. In case of cancellation of the installment plan by ZATCA, due to the lack of taxpayer's compliance, ZATCA shall calculate all the fines due to the unpaid amounts as of the initiative expiry date and retroactively as of the original payment due date.
6. In case of complying with the installment plan with ZATCA by the taxpayer, to its end, all the fines calculated shall be cancelled as of the original due date, while ensuring the calculation of the payment delay fine as per all the tax laws on the unpaid amounts until the initiative expiry date. The installment shall be paid on 1 December 2022, and only as of such commencement date (new payment due date).

We advise that the months included in the taxpayer's schedule plan shall be within the exemption initiative period (6 months as of the initiative effective date), in order not to apply the payment delay fines to be calculated on the dues scheduled to be paid after the initiative expiry on 30 November 2022.

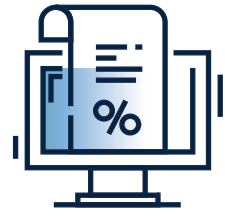




Field Detection Violations included in the Initiative

The violations are divided into the following:

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



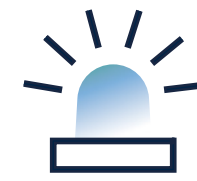
Failure to comply with issuing tax invoices.



Failure to comply with adding all the tax invoice elements in the tax invoices or the credit and debit notes.



Failure to maintain the accounting invoices, records and document through the maintenance period specified in the regulation



Failure to issue or provide the credit and debit notes to the client.



Prevention or hindering ZATCA employees from performing their functional tasks and duties.



Incorrect calculation of the tax due.



Violation of any other provision of the VAT Law or Regulation.





VAT violations of the E-invoicing Provisions, including:



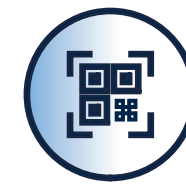
Failure to issue and maintain invoices and notes electronically maintaining of the e-invoices and notes as per the format provided in the Law.



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



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



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



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



Removal or amendment of the e-invoices and notes after issuance.



Violation of any other provision of e-invoicing and implementing resolutions thereof.





Illustrative Examples of the Initiative

Example 1

Saad has an establishment for selling fragrances, was late in submitting the VAT return of 2021 Q3. Saad desires to benefit from the recent exemption initiative; therefore, he has submitted his returns to ZATCA and paid the tax dues, through the specified period to benefit from the exemption, which will end on **(30 November 2022)**.

The establishments payable fines

- **Declaration submission delay fine**= up to **25%** of the tax to which the establishment shall issue a declaration.
- **Tax due payment delay fine**= **5%** of the unpaid tax amount of each month or a part thereof until the actual payment.



Explanation

The establishment shall be exempted from the previous fines, due to the returns submission and the full payment of the tax due principal through the specified period to benefit from the exemption.

Example 2

A soft drink company has delayed to pay the tax dues of the excise tax returns for the **2021 (November/ December)** tax period (6), which shall be paid on **(15 January 2022)** as a maximum. After the issue of the exemption initiative from fines on **(1 June 2022)**. The company has desired to benefit from the initiative and pay the tax dues during **August 2022** in the specified period to benefit from the exemption initiative.

Establishment payable fines

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



Explanation

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





Example 3

Fahad is the owner of a coffee shop, and is in compliance with issuing invoices in a legal proper manner, however, he sometimes does not maintain the invoices and documents issued, and some of the invoices has been partly damaged. In the first time, he was notified of the violations, and after 3 months, he has not remedied such mistake, hence, another violation and a fine of SAR 1000 has been issued. Fahad has paid before the date of the initiative effective date, and in the third field visit, it has been clear that such violation has not been remedied. Accordingly, ZATCA has imposed a non-compliance fine of SAR 5000 before the date of the initiative commencement.

Establishment payable fines

- Issuing two non-compliance violations against Fahad in the amounts of SAR 1000 and SAR 5000, due to continuation of the same violation, even-though 6 months have passed since fahad was notified of the violation.



Explanation

The taxpayer may benefit from the exemption period (**from 1 June 2022 to 30 November 2022**) with regard to the unpaid fine of SAR 5000, provided that all the taxpayer's tax returns shall be submitted to ZATCA. The taxpayer shall have paid the tax due accordingly. In case of failure to submit any returns or pay any tax due principal, the same shall be submitted or paid to ZATCA to be exempted from the fine.





Example 4

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

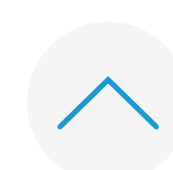
Establishment payable fines

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



Explanation

The establishment may benefit from the fine exemption period (**from 1 June 2022 to 30 November 2022**), provided the establishment amends the relevant tax return and disclose and pay the tax due to ZATCA prior to the initiative expiry date. In addition, the establishment may submit a tax due principal installment plan request to ZATCA, provided that the request shall be submitted and then approved by ZATCA through the initiative period. The facility shall comply with the payment dates agreed with ZATCA as per the approved installment plan.





Example 5

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

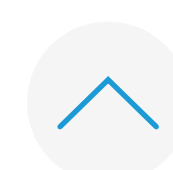
Establishment payable fines

- **Declaration submission delay fine**= up to **25%** of the tax to which the facility shall issue a return.
- **Tax due payment delay fine**= **5%** of the unpaid tax amount of each month or a part thereof until the actual payment for each tax period.



Explanation

The taxpayer shall be exempt from the fines calculated on the facility as of the due dates until the initiative expiry date on **(30 November 2022)**, provided that he shall submit all returns and provide an installment request to be approved by ZATCA prior the initiative expiry date. In addition, the taxpayer shall comply with the installment plan for all the dues scheduled through the initiative period. Knowing that the payment delay fine will be calculated in the amounts scheduled needed to be paid after the initiative expiry date and until the full payment completion as per the scheduling agreed with ZATCA (5% for each month or a part thereof).



External document

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



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