



Simplified Guideline for Income Tax



The Zakat, Tax and Customs Authority (henceforth 'ZATCA') 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.



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1. Income Tax

Income tax is a direct tax imposed on resident capital companies regarding shares owned directly or indirectly by non-Saudi persons or by persons engaged in the production of oil and hydrocarbons. It is also imposed on non-Saudi resident natural persons who practice an activity in the Kingdom, non-resident persons who practice an activity in the Kingdom through a Permanent Establishment or who have taxable income from sources within the Kingdom without having a Permanent Establishment, and every person engaged in the field of natural gas investment and transportation, and the production of oil and hydrocarbons.

2. Who is subject to income tax?

- Shares of non-Saudi partners in resident capital companies.
- Shares of persons engaged in the production of oil and hydrocarbons, with the exception of shares in resident capital companies listed on the Saudi Stock Exchange.
- A non-Saudi resident person who practices a commercial activity in the Kingdom.
- A non-resident person who derives income from practicing an activity through a Permanent Establishment in the Kingdom.
- A non-resident person who derives income from a source in the Kingdom without having a Permanent Establishment.
- A person engaged in the field of natural gas investment.
- A person engaged in the field of oil and hydrocarbon production.

3. Exemptions from Income Tax



Capital gains realized from the disposal of securities traded on the Stock Exchange in the Kingdom, as well as on a stock exchange outside the Kingdom if those securities are traded on the Stock Exchange in the Kingdom, regardless of whether this disposal was executed through a stock exchange in the Kingdom or outside it, or through any other means, in accordance with the rules outlined in the Implementing Regulations of the Income Tax Law⁽¹⁾.

(1) Provided that the disposed investments did not exist prior to the effective date of the tax system specified in Article 74 of the Implementing Regulations of the Income Tax Law.



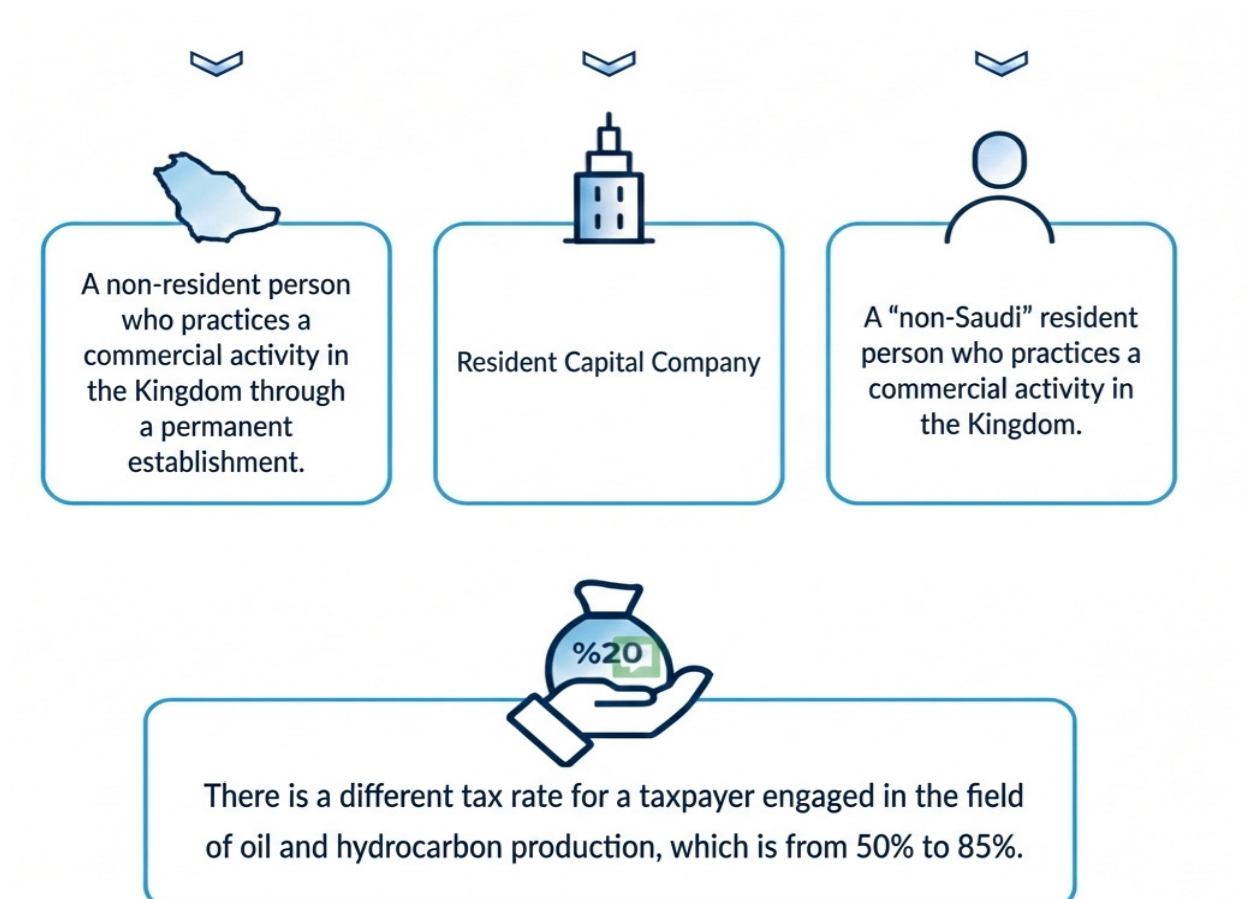
Gains resulting from the disposal of property other than business assets.



Cash or in-kind dividends due from investments of a resident capital company in resident or non-resident companies, if the following conditions are met:

1. The participation percentage in the capital of the investee company is not less than 10%.
2. The ownership period of the minimum participation percentage in the investee company is not less than 1 year.

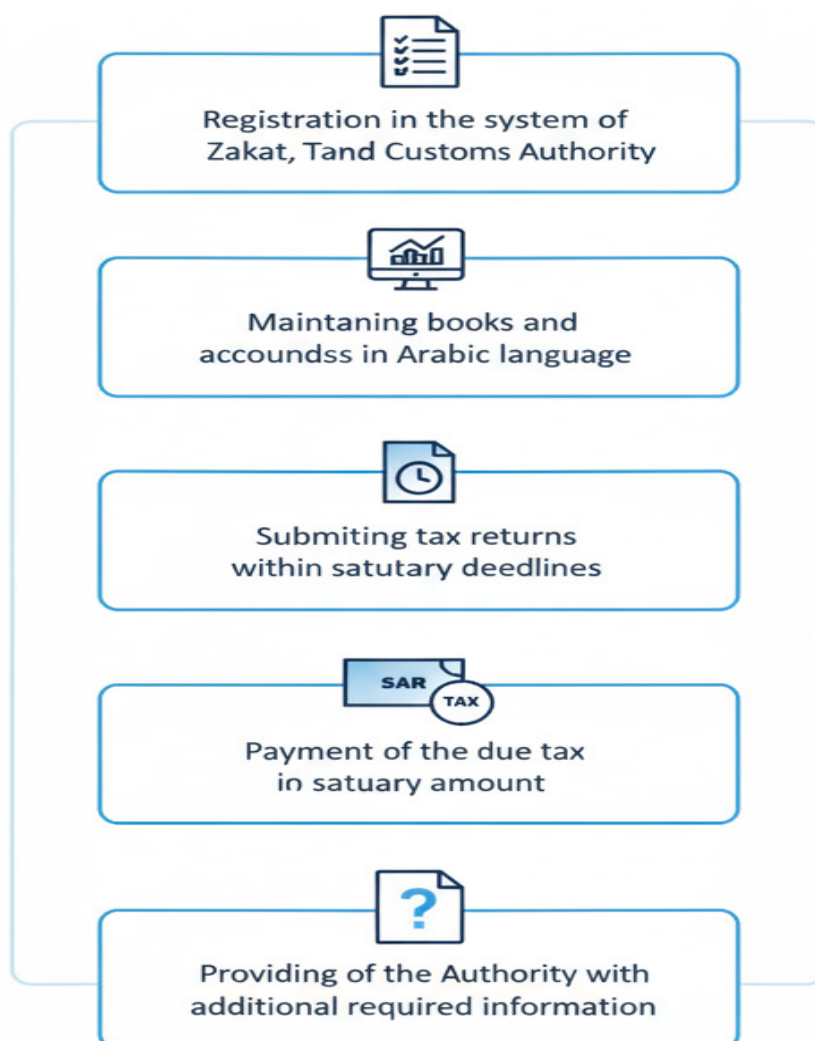
4. Income Tax Rates





5. Obligation of Establishments Subject to Income Tax

OBLIGATIONS OF ESTABLISMENTS SUBJECT TO INCOME TAX





6. Income Tax Return Submission Steps

According to the Zakat, Tax and Customs Authority (ZATCA), the steps for submitting income tax returns are as follows:



Access your account through the Authority's electronic portal at zatca.gov.sa.



Click on the "Returns" section and fill out the approved form.



Submit the return after verifying the data and agreeing to the terms and conditions.



Pay the due amount through the SADAD payment system after the invoice is issued



7. Penalties

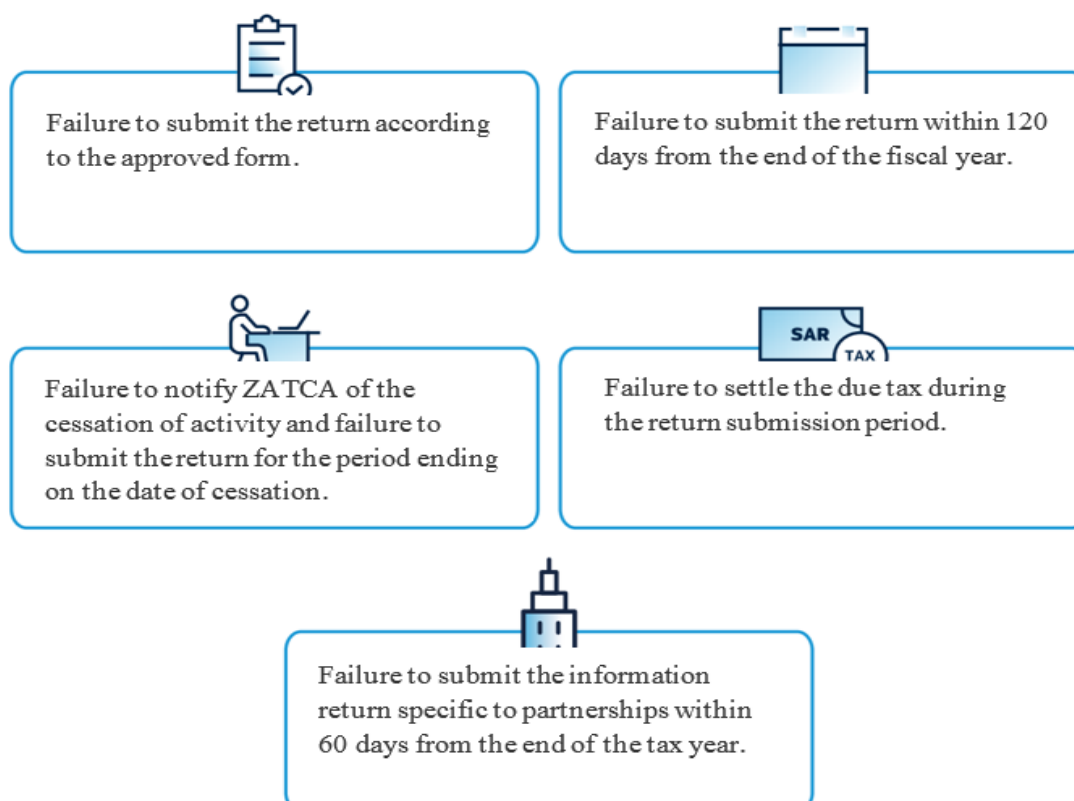
7.1 Penalties for Failure to Register for Income Tax within the Statutory Deadlines

A person subject to Income Tax must register with ZATCA before the end of their first fiscal year.

ZATCA shall impose a fine for failure to register within the statutory deadline according to the following:

Taxpayer Category	Fine
1- Natural person	SAR 1,000
2- Joint stock capital company	SAR 10,000
3- Other entities	SAR 5,000

A penalty for failure to submit an Income Tax return is imposed in the following cases:





7.2 Penalties for Late Filing of Income Tax Returns

The penalty for late filing is determined by choosing the higher of the following two cases:



1% of total revenue, capped at a maximum of SAR 20,000.



- 5% of the unpaid tax if the delay does not exceed 30 days.
- 10% of the unpaid tax if the delay exceeds 30 days.
- 20% of the unpaid tax if the delay exceeds 90 days.
- 25% of the unpaid tax if the delay exceeds 365 days.



7.3 Penalties for Delay and Fraud

A taxpayer must pay a delay penalty of 1% of the unpaid tax for every 30 days of delay. This penalty applies to delays in paying taxes required to be withheld, as well as advance payments. The penalty is calculated from the tax due date until the date of payment.

A financial penalty of 25% of the tax difference is imposed if the taxpayer or their Certified Public Accountant provides false information or commits fraud with the intent to evade tax, especially in the following cases:

1. Submitting false books, records, accounts, or documents that do not reflect the taxpayer's true status.
2. Filing a return claiming no books or records exist while including information that contradicts what their actual books and records show.
3. Submitting forged or artificial invoices/documents, or altering purchase or sales invoices to decrease profits or increase losses.
4. Failing to disclose one or more taxable activities.
5. Destroying or hiding books, records, or documents before ZATCA conducts an audit.



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