Withholding tax

هيئة الزكاة والضريبة والجمارك
Zakat, Tax and Customs Authority

Simplified Guideline

for Tax Withholding

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 (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.

Tax Withholding



It is a direct tax withheld from payments earned by a non-resident from a source in the Kingdom. The implementation of Withholding Tax began in 2004

To whom do the Withholding Tax provisions apply?



The responsible for withholding and remitting the tax to the Authority

The person responsible for withholding and remitting the tax amount to the Zakat, Tax and Customs Authority is the resident who pays the amounts subject to tax (Withholding Tax) in the Kingdom to a non-resident.



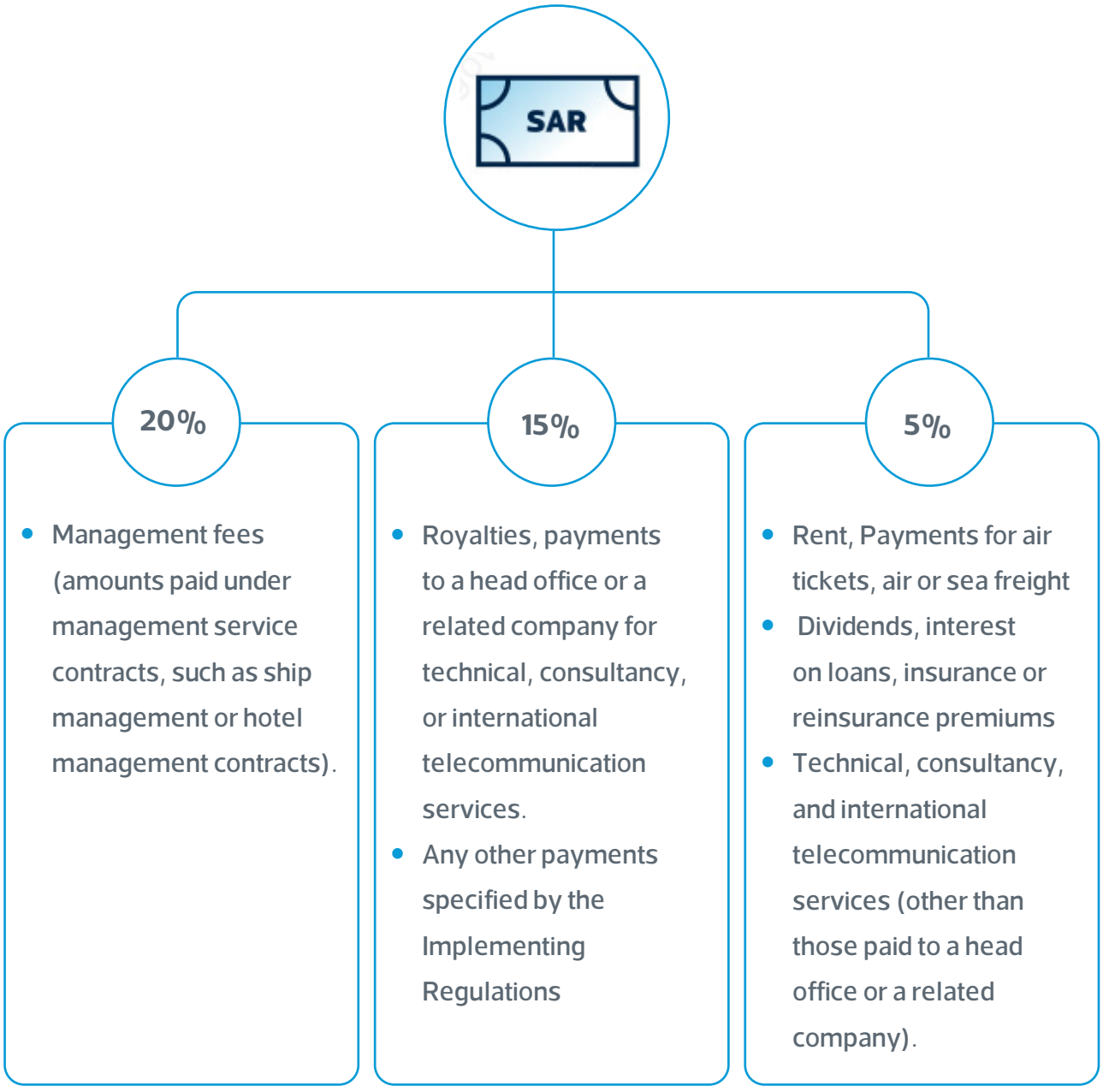
Who is the person subject to tax withholding?

It is imposed on a non-resident who does not have a Permanent Establishment (PE) in the Kingdom when they realize income from a source within the Kingdom.

Example:

An American company provides technical services within the Kingdom and does not have a Permanent Establishment in the Kingdom; therefore, tax must be withheld from the amount paid for these services.

To whom do the Withholding Tax provisions apply?



- Management fees (amounts paid under management service contracts, such as ship management or hotel management contracts).

- Royalties, payments to a head office or a related company for technical, consultancy, or international telecommunication services.
- Any other payments specified by the Implementing Regulations

- Rent, Payments for air tickets, air or sea freight
- Dividends, interest on loans, insurance or reinsurance premiums
- Technical, consultancy, and international telecommunication services (other than those paid to a head office or a related company).

Establishments' Obligations Related to Withholding Tax



Registration with the Authority



Submitting the Withholding Tax form through the account on the Authority's portal



Payment of dues based on the Withholding Tax form



Submitting information related to withholding operations for each fiscal year



Maintaining records related to withholding for at least 10 years

Steps to File a Withholding Tax Return



Issuance of the invoice and paying it via SADAD system



Submit the form, and the amount will be calculated electronically



Create a Withholding Tax form and fill in the financial data



Log in to the Authority's electronic portal **zatca.gov.sa**

Example:

An American company provides technical services within the Kingdom and does not have a Permanent Establishment (PE). The resident company paid for those services on January 5, 2018. Therefore, the resident company must withhold tax from the amount paid to the American company and remit the due tax within the first 10 days of February 2018

Penalty for Non-payment of Withholding Tax 1% of the unpaid amount for every 30 days of





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