



Guideline

For the Frequently Asked Questions



The Zakat, Tax and Customs Authority (ZATCA) has issued this guideline with the purpose of clarifying certain treatments regarding the implementation of the statutory provisions in effect as of the date of its issuance. the content of this guideline may not be construed as an amendment to any of the provisions of the laws and regulations applicable in the Kingdom.

ZATCA shall apply the explanatory treatments stated in this guideline - wherever applicable - considering the relevant legal texts. In the event that any clarification or content herein is amended - to an unamended legal text - then the updated clarification treatment shall then be applicable to transactions completed after the publication date of the updated version of the guideline on ZATCA's website.



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1. Introduction

1.1. About Zakat

Zakat is the third pillar of Islam. It is the most important financial way of worship. Therefore, often quoted in the Holy Qur'an. Allah Almighty has associated it with prayer in more than eighty verses. It is one of the most important pillars that distinguishes the Muslim community from others. It is a manifestation of the supremacy of Islamic legislations; as it represents a useful means to fight poverty and alleviate the suffering of the needy, leading to social solidarity in general.

1.2. Levying of Zakat

As an indication of the great status of Zakat in Islam; the state is entrusted with of administering and supervising the collection of Zakat. In fact, the State is responsible to collect Zakat on funds and allocate it to eligible ones, by appointing some personnel (employees engaged for Zakat collection purposes) to visit the owners of funds throughout the Islamic State, calculate the amount of their Zakat, then collect it from them, and oversee the disbursement and distribution of it to the beneficiaries.

ZATCA undertakes the task of collecting Zakat. It undertakes all procedures related to the computing the Zakat for Zakat payer, starting with the registration of the Zakat payer, through the process of Zakat assessment for the Zakat payer, which includes supervision over the Zakat payer's submission of Zakat declarations, payment procedures, examination of the submitted statements, verify such by well-trained personnel working at ZATCA, and ending with the issuance of the final Zakat certificate. This may also include examining the resulting Zakat payers' objections to ZATCA's Zakat assessments.



1.3 Application of Zakat Levying in the Kingdom of Saudi Arabia

The collection and disbursement of Zakat to the beneficiaries is one of the basic tasks of the State, as stipulated in the Basic Law of Governance in Article 21, which stipulates as follows: (Zakat shall be collected and spent for legitimate expenses). 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 its power from the Holy Qu'ran and the Prophet's tradition, which are the rules governing the Law as well as all State laws).

To confirm this, Royal Decree No. (17/2/28/8634) dated 29/6/1370H corresponding to (6 April 1951) was issued during the reign of the founder King Abdul Aziz (may Allah have mercy on him), which included the order for levying of Zakat. This was emphasized in many subsequent royal decrees, implementing ministerial resolutions, in addition to the regulations and circulars, including Royal Decree No. (M/40) dated 2/7/1405H, and the Zakat implementing regulations issued by Ministerial Resolution (MR) No. (2082) dated 1/6/1438H, Corresponding to (28 February 2017) and the Zakat implementing regulations (ZIR) issued by Ministerial Resolution No. (2216) dated 7/7 1440H corresponding to (14 March 2019), which applies to the Zakat years starting from January 1, 2019 for all Zakat payers, except for those who are accounted for by the discretionary method according to the chapter 4 of the regulations, whereas the regulations apply to their declarations submitted after 31 December 2019. Therefore, the Zakat implementing regulations issued on 7/7/ 1440H do not apply to the fiscal years prior to this date, and those years are treated in accordance with the regulations and instructions prior to this date.

The ZIR has been particularly concerned with clarifying the provisions for Zakat collection on commercial and professional activities, and alike, besides other Zakat funds, the requirements for submitting the Zakat declaration, procedures of the assessment, examination 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. (1/5/16) Dated 05 / 01 / 1383 AH corresponding to (28 May 1963), wherein Paragraph (1) provides for: "Zakat shall be collected in full of 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 The Zakat, Tax and Customs Authority

Zakat, Tax and Customs Authority (ZATCA) is a Saudi government authority that was established pursuant to the Council of Ministers' Resolution dated 23 Ramadan 1442H corresponding to (4 May 2021), following the Resolution to merge (previously named) The General Zakat and Income Authority with the General Customs Authority to be one entity named the Zakat, Tax and Customs Authority.

1.5 ZATCA's Responsibilities

The Statute of ZATCA defines the tasks of ZATCA in Article (3) thereof, and it includes the following:

1. Collect Zakat, taxes, and customs fees from Zakat payers according to the relevant laws, regulations, and instructions.
2. Provide high quality services to the Zakat payers and help them meet their obligations.
3. Follow up with the Zakat payers, and take the required procedures to ensure collection of dues
4. Work to raise awareness of Zakat payer and strengthen the degree of voluntary commitment and ensure his commitment to the instructions and guidelines issued by ZATCA in its jurisdiction.
5. Leverage modern technology in implementing, monitoring and facilitating ZATCA's operation, and in enhancing the security role in combating customs smuggling.
6. Cooperate with the private sector in the implementation and management of some supportive works.
7. Develop the necessary plans to organize, manage and invest in the customs port facilities, in coordination with the relevant authorities.
8. Set standards for following up on the performance indicators for ZATCA's works and plans, which ensure the development of its performance and services. ZATCA may coordinate in this regard with whomever it deems relevant to its mandates.
9. Cooperate and exchange expertise with regional and international bodies and organizations, and specialized consultancy firms inside and outside the Kingdom, within the limits of ZATCA's mandate.
10. Representing the Kingdom in regional and international organizations, bodies, forums and conferences related to ZATCA's mandate.



1.6 About the Guidelines for the Frequently Asked Questions

These guidelines collect the most frequently asked questions related to collecting zakat from Zakat payers in different cases. It shall assist in creating a clear vision and provide guidance regarding the concept of Zakat and the practical applications for Zakat collection.

This guideline represents ZATCA's understanding and interpretation regarding the application of ZIR issued pursuant to the Ministerial Resolution No. (2216) dated 7 Rajab 1440H.

In order to obtain guidance on any special transaction, please visit ZATCA's official website (ZATCA.gov.sa), which offers a wide range of tools and information that have been developed specifically to assist the Zakat payer, including visual guidance materials, all relevant data, as well as answers to the most FAQs.



2. Frequently Asked Questions

First Section: General Concept of Zakat

1. How is the Zakat payer accounted for if the first fiscal year is a short or a long fiscal year?

In accordance with Article (14) of the Zakat regulations issued by Ministerial Resolution No. (2216) dated Rajab 7 1440H: "Where Zakat Payer's fiscal year is not matching Hijri year Zakat should be calculated on the number of days basis by dividing two and a half percent (2.5%) by the number of days of Hijri year multiplied by the actual number of days of Zakat Payer's Zakat Year except for net adjusted profit which shall be subject to Zakat at two and a half percent (2.5%) for any fiscal period. Accordingly, Zakat for calendar fiscal period, long or otherwise short period upon the commencement of business activity, change of fiscal year or otherwise transfer of sole proprietorship's ownership, shall be calculated on the foregoing basis.

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

$$\frac{2.5\%}{\text{Days of Hijri year}} \times \text{The actual number of days of Zakat Payer's Zakat Year}$$



2. How does the zakat is calculated where the fiscal year is different from Hijri year - (354) days?

In accordance with Article 14(2) of the ZIR "Where Zakat Payer's fiscal year is not matching Hijri year, Zakat should be calculated on the number of days basis by dividing two and a half percent (2.5%) by the number of days of Hijri year multiplied by the actual number of days of Zakat Payer's Zakat Year.

$$\frac{2.5\%}{\text{Days of Hijri year}} \times \text{The actual number of days of Zakat Payer's Zakat Year}$$

Excluding adjusted net profit, it is subject to two and a half percent (2.5%) for any fiscal period. Accordingly, Zakat for calendar fiscal period, long or otherwise short period upon the commencement of business activity, change of fiscal year or otherwise transfer of sole proprietorship's ownership, shall be calculated on the foregoing basis.

3. How is the Zakat payer accounted for where the fiscal year is a calendar year begins on January 1 and ends on December 31?

Zakat is calculated for the calendar year by dividing two and a half percent (2.5%) by the number of days of Hijri year (354 days) multiplied by number of days of the Zakat Payer's calendarYear.

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



$$\frac{2.5\%}{\text{Days of Hijri year}} \times \text{The actual number of days of Zakat Payer's Zakat Year}$$

4. When does the Zakat payer's fiscal year begin for in which he held accountable regarding zakat collection?

In accordance with Article (13) of the Zakat implementing regulations: "Zakat Payer's First Zakat Year shall commence from the earliest of the date of the commercial registration's issuance, the date of obtaining the first license of necessary licenses, or the date of capital deposit, unless the Zakat payer specifies another date on which its activities commence as evidenced by supporting documents accepted by ZATCA.

5. Can zakat be paid to one of the official charitable institutions in KSA, where the ZATCA is provided with supporting documents, and the payment made to the entity would be enough?

Zakat shall not be paid to an entity other than ZATCA, where it is the authority entrusted with collecting zakat from the establishments subject to zakat. 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.

6. If there are several establishments owned by the same partners, or a holding company and fully owned subsidiaries, whether directly or indirectly are (100%) owned with the same percentages, may such establishments submit a consolidated Zakat declaration?

Yes, in accordance with Article (15) the establishments owned by the same partners, holding company and fully owned subsidiaries with the same percentages, whether directly or indirectly, may file a consolidated Zakat declaration, in addition to commitment of each of subsidiaries to file an annual declaration for information purpose within the statutory period provided for in Article (17) of the Regulations, and take ZATCA's approval in case of filing a consolidated declaration.



7. Is it mandatory for a company that owns several wholly owned subsidiaries outside KSA to include the results of those subsidiaries' operations in the parent company's account?

The holding company and its wholly owned subsidiaries, whether the subsidiaries are registered inside or outside KSA, and whether this ownership is direct or indirect, may submit a consolidated account and a consolidated zakat declaration and be accounted for on the basis of their results with a single zakat base in accordance with Article (15) of the regulations.



Second Section: Those who are subject to Zakat collection

1. Who are the persons subject to collection of Zakat?

Article two of the ZIR indicated that the following persons who engage in an activity are subject to collection of Zakat, including:

- Resident Saudi natural persons and nationals of a member state of the Gulf Cooperation Council for the Arab States of the Gulf ("GCC") accorded similar treatment as Saudi nationals.
- Saudi Arabian resident companies in respect of Saudi partners' shareholding and the shareholding of GCC nationals accorded similar treatment the same as Saudi nationals, and any person engaged in business activity pursuant to a license issued by a competent government or administrative body in accordance with the criteria set by ZATCA.
- Shares held by non-Saudi partners in Saudi resident listed companies, other than founding shareholders or their successors as per articles of association or other statutory documents, and the shares owned by Saudi government departments/organizations.
- Permanent establishments of non-resident Saudi nationals [of the Kingdom] and such other persons accorded similar treatment, where the requirements for main office are applicable to such permanent establishment as provided for in the regulations.

2. What is the ZATCA's method for calculating the Zakat of companies who maintain commercial books and regular accounts?

The ZATCA's method for calculating the Zakat of companies who maintain commercial books and regular accounts is (method of sources of funds) which consists of debts and equivalent subject to collection of zakat as per Article 4 (3) and Article 4 (10) of the Zakat implementing Regulations not exceeding the deductions, otherwise shall be subject to zakat as per Article 4 of the same Regulations.



3. What activities are subject to Zakat upon goods?

Every activity intended to make a profit from money or work is subject to Zakat in accordance with Article two of the ZIR, including but not limited to:

- Commercial Activities: All types of business including trading in goods and services.
- Investments: All types of Investment activity, including investment in financial securities, whether long-term or short-term securities and whether issued by private or public sector, local or foreign. In addition to investment in goods, services and business contribution.
- Industrial activities: All types of industrial activity such as factories, laboratories, workshops.
- Services: All types of service activity such as financial services, crafts, leasing works, rent, brokerage and agencies.
- Finance: All types of financial activity such as banking, insurance and finance services.

4. When are companies wholly owned by the State subject to Zakat in accordance with the Ministerial Resolution No. (57732) issued on 03\11\1443H?

- Companies wholly owned by the state are subject to zakat upon fulfilment of the following conditions:
- The company shall have a commercial register, or a license issued by a competent authority.
- Company's business could be attributed to the private sector.
- Along with certain exclusions as contained in the Ministerial Resolution No. (57732) issued in this regard.



5. What are the exceptions that exempt the companies wholly owned by the State from zakat collection in accordance with Ministerial Resolution No. (57732)?

Companies wholly owned by the state are excluded from being subject to the collection of Zakat for the financial year in which any of the following conditions are fulfilled:

1. All investments of the company shall be outside the kingdom.
2. The balance sheet of the company shall be financed through the treasury of the state, and the following conditions are fulfilled:
 - The company's nature of work shall include services.
 - The purpose of the Company shall be to support government entities in carrying out their business.
 - Most of its clients shall be government entities.
 - Its purpose shall not be to make commercial profit.
 - Its sales to the private sector shall not be more than (10%) of total sales.

6. In case of companies wholly owned by the State and investing exclusively outside the Kingdom, what types of investments are mentioned and referred to in Ministerial Resolution No. (57732) and the criteria for applying the exception contained in the Resolution?

For the purposes of applying the exception mentioned in the above-mentioned MR, it refers to any type of investments that may take the form of investments in the ownership rights of other companies or investments in other financial instruments, such as bonds, securities, units of investment funds, and other forms and types of investments.



7. What is the mechanism for submitting a request for exemption from Zakat collection for companies wholly owned by the State, and is it permissible to submit a consolidated exemption request?

Each subsidiary shall submit a request not to be subject to Zakat collection independently and on an annual basis to ZATCA, where ZATCA shall review the requests annually, and for each company-zakat payer-separately.

8. To whom do the rules for exempting zakat payer who is owned by an endowment apply in accordance with the Ministerial Resolution No. (37981) dated 9 Jumada Al-Thani 1444H?

The rules apply to the Zakat payer who is subject to zakat according to the ZIR, who is wholly owned, directly or indirectly, by one or more endowments, provided that the endowment is established in the Kingdom, documented in statutory means.

In fulfillment to the above, the rules mentioned explicitly the conditions for not to be subject to Zakat collection as follows:

- Waqf (endowment) document states that all Waqf disbursement channels are for general charity and not disbursement to a specific person or it has a disbursement to a specific person provided that it shall not exceed 10% of total revenues (Waqf (endowment) yields) considering the following:
 - A. Disbursement to a specific person includes everything disbursed on endower, its descendants, any certain person, a person does not belong to public charity categories or entities related to the Waqf (endowment).
 - B. Waqf (endowment) yield includes all Waqf (endowment) annual revenues including assets revenues, income and profits of investments, companies, donationsetc.
 - C. In the event more than one Waqf (endowment) own the Zakat payer, calculating the percentage of disbursement to a specific person shall be proportionately between these Waqf(endowments).
 - D. The evidence in determining the percentage of disbursement to a specific person in the event Waqf (endowment) document mentioned the disbursement to a specific person, shall be through the audited financial reports of the Waqf (endowment) or a report from a licensed chartered accountant in the Kingdom.



9. If the endowment wholly owns more than one company, whether directly or indirectly, is it permissible to submit a consolidated request for exemption from Zakat collection for all companies, or can the Waqf act on behalf of these companies to submit a consolidated request for Zakat exemption?

According to the rules, the company subject to the rules of Zakat exemption must separately submit a request for exemption and it is not permissible to submit a consolidated request for all companies.

10. What are the fiscal years covered by Ministerial Resolution No. (37981) issued on 9 Jumada al-Thani 1444H, regarding the exemption of zakat payer owned by an endowment from Zakat collection?

This Resolution applies to fiscal years beginning on or after 1 January 2023, and it is permissible, upon the zakat payer request, to apply them to the fiscal years to which the ZIR issued by Ministerial Resolution No. (2216) dated 7 Rajab 1440H, for which a final decision on subjecting to zakat has not been issued by ZATCA

11. Which entities and establishments are subject to the rules of Zakat exemption for associations, Non-Governmental Institutions and Training Units?

The following are subject to the provisions of these rules which issued by Ministerial Resolution No. (61600) dated 14 Shawal 1444 H:

- A. Non-profit associations and non-governmental institutions.
- B. Entities wholly owned by non-profit associations and non-governmental institutions.
- C. Training units established in accordance with the statutory rules for establishing non-profit training units in technical and vocational training field.



12. What are the conditions for the exemption from Zakat for non-profit associations and non-governmental institutions, and establishments wholly-owned by them, and training units?

Non-profit associations and non-governmental institutions, establishments wholly owned by any of them, directly or indirectly, and training units, are not subject to zakat, if the following conditions are met:

- Their revenues are allocated for spending on charitable purposes or society, and not for specific persons, with the exception of, Non-Governmental Institutions, if they have disbursement on a certain party that does not exceed (10%) of the net profit of the Institution, taking into account the following:
 - A. The specified disbursement is determined within the objectives of the Institution in its Bylaws, Articles of Association, or Incorporation deed.
 - B. To include in the disbursement account on a particular person all that is spent on a description outside the descriptions of public charity or society.
 - C. All revenues and gains from assets, income and profits from investments, donations, gifts, and the like should be included in the Institution's revenue.
 - D. The calculation of the percentage of the disbursements on a specific party - in the event that more than one institution participates in the ownership of the zakat payer - is proportional to these institutions.
 - E. The evidence in determining the percentage of the disbursements on a particular party should be through the audited financial reports of the Institution, or a report from a chartered accountant licensed in the Kingdom.
- It shall be licensed by the competent authorities in the Kingdom.
- It shall be documented by statuary means.
- It shall have audited financial statements by a chartered accountant licensed in the Kingdom, or documents accepted by ZATCA.
- The Training Unit shall have a final license- Non- Governmental Training Entity.



Third Section: Register with ZATCA

1. Is it obligatory to register with ZATCA for Zakat purposes?

Every zakat payer subject to the provisions of the Zakat implementing regulations shall register with ZATCA before the end of its first fiscal year.

2. When does the zakat payer have to register with ZATCA?

The zakat payer commits to register during its first fiscal year, where the last date for registration is the last day of its first fiscal year.

3. Does the registration certificate have a validity period?

Yes, upon completing the registration process and accepting it by ZATCA, the system issues a registration certificate and issues an assigned number for the zakat payer. The registration certificate is valid from its issue date up to (120) days from the end of the first fiscal year.

4. What are the main requirements for registration with ZATCA for Zakat purposes?

The zakat payer shall provide the following documents and information at least:

- Commercial register or licenses.
- Articles of association if the zakat payer is a legal entity.
- Fill out the activity's details.
- ID or resident card of the person responsible or the authorized person on behalf the zakat payer.



- Fill out the financial data.
- Fill out the shareholders details.
- Fill out the first fiscal year details.

5. If a company subject to provisions of Zakat collection was established in the kingdom, the articles of association stated that the beginning of the first fiscal year is from the date of commercial register to 31 December 2023 and the issuance date of the commercial register is 31 August 2022. What are the commitments of the zakat payer in this case in terms of registration and filing the Zakat declaration for the first fiscal year?

In this case, the zakat payer should register with ZATCA before the end of the first fiscal year - i.e., before the end of 31 December 2023 - and to file the Zakat return for the long period; from the issuance date of commercial register to 31 December 2023, before the end of 30 April 2024 - i.e.: before the end of the (120) days from the first fiscal year end date.



Fourth Section: Modification of Activity Result

1. What are the expenses that may be deducted from the zakat base?

Article (8) of the Regulations stated that 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.

2. Is it permissible for the establishment to deduct the employee's share in the statutory retirement funds from the zakat base, such as the pension fund, social insurance or savings and provident funds?

Article (9)(4) stated that the employee's share in pension funds and provident funds may not be deducted from the accounting net profit for zakat purposes.

3. Is it permissible for an establishment to deduct bad debts from zakat base?

What are the controls for that?

Article (8)(3) stated that bad debts may be deducted from the accounting net profit for zakat purposes according to the following controls:

- It shall have been previously declared within the establishment's revenues in the year the revenues are due.
- Bad debts shall result from the exercise of the activity.



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

4. Is it permissible for the establishment owner to 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. Should the portion of utilized provisions from items that must be included be considered as adjustments to the activity's result upon calculating net profit (loss) for zakat purposes?

No, this item shall be treated in accordance with Article 4 paragraph (6) that obligates deduction of the balance utilized during the year from the opening balance of provisions for adding to zakat base purposes. With the exception if zakat base is the adjusted net profit for zakat purposes, where it is allowed to decrease the used provisions as deductible expenses, considering the following:

- A. In case of the zakat assessment where the base is higher than the adjusted net profit, the used provisions are to be deducted from the zakat base.
- B. In case of the zakat assessment where the adjusted net profit is higher than the base, the used adjusted net profit is to be deducted as a deductible expense, provided that the net profit shall be compared to the base after deducting the used profit - after canceling the effect of the base provision - and considering whichever is higher.



6. How can VAT be treated if charged as an expense and formed part of the activity?

The VAT is mainly a tax on consumption, meaning that the client is the one who incurs it not the seller. In cases where the VAT is incurred by the buyer on its purchases of goods and services and was recorded for the expense account – non-refundable tax – therefore its treatment follows the supply. i.e., if the original supply is represented by a deductible expense, then non-refundable tax incurred by the buyer (as the zakat-payer) on that supply is also deductible.

7. What is the minimum of evidence and documents to prove the deductibility of the expense for zakat purposes?

The Regulations did not mention an inclusive list of these documents. However, Zakat payer is expected to keep the minimum of these documents that can be represented by a contract, invoice, payment proof and other documents that support expense's incurring for the purposes of the activity.

8. In the event of differences in the external purchases between customs report and zakat declaration, what are the supporting documents to be kept proving the nature of these differences?

In such cases, zakat payer shall make the necessary settlements supported by documents and evidence to prove the nature of these differences. Therefore, zakat payer shall keep the said until the declaration is examined by ZATCA to prove the nature of these differences upon ZATCA's request. ZATCA has the right to assess the validity of the submitted settlements and documents upon examining the declaration.

9. Are there guidelines for the depreciation percentages of fixed assets for zakat purposes?

No, the Regulations left the matter for the zakat payer to depreciate the fixed assets and record depreciation expense in the books,



while taking into consideration that depreciation expense shall be within the reasonable and customary limit in the practical and applicable reality in the market.

10. What is the zakat treatment of changes in fair value of the statement of financial position items that are recognized within the activity's result?

In compliance with the provisions of Article 12 (paragraph 6) of the Regulation's, changes in fair value shall be taken into consideration upon calculating zakat base. Accordingly, positive or negative changes in the fair value remain within the zakat payer's activity's result without modification.

11. In the event of receiving dividends from resident or nonresident, listed or unlisted companies, how they are treated for zakat purposes if recognized within the statement of income - activity's result-?

In the cases where zakat payer receives dividends from its investments in other companies that are recognized in the statement of income within the activity's result, this does not require a modification of such result. Therefore, these dividends are subject to zakat as part of the adjusted net income for zakat purposes.



Fifth Section: Additions to the Zakat Base

- 1. In the event of purchasing equipment on credit from a supplier, is the supplier's closing balance added to the zakat bases? Noting that the balance will be paid within a period less than (354) days.**

Equipment is considered of the deductible items from zakat base, and according to the Regulations; supplier's whole balance shall be added to the zakat base because it financed a deductible item.

- 2. If an establishment obtained a new loan for payment of other liabilities, shall the loan's amount be added to the base?**

In accordance with the Regulations, obtaining a new loan for payment of other remaining liabilities is deemed among replacing liabilities with other liabilities or other funding sources that finance what these liabilities were financing, hence loan's balance shall be added to the base in accordance with the provisions of Article 4 (3) of the Regulations. Considering paragraph (10) of the same article in case this loan finances a deductible item from the zakat base.

- 3. A zakat payer declared distribution of profits before the end of the zakat year without paying them to partners and the profits remained with the company until the year's end, how is the profit under distribution item being treated in such case which usually recorded among the current liabilities after deducting same from the retained earnings balance in the Statement of Equity?**

This item shall be added to the zakat base as an equity item - i.e., it returns to its origin as part of the retained earnings at the beginning of the year to be subject to zakat - unless otherwise proved that such profits under distribution are deposited



in a separate account preventing disposal of the same and the partners never showed up to receive them in accordance with Article 4 (8) of the Zakat implementing regulations.

4. What is the zakat treatment of the changes in fair value recognized in the financial statements as a result of the revaluation of certain items of financial statements?

In accordance with the accounting standards in force in the Kingdome, changes in fair value may be recognized either in the statement of income or among equity. Accordingly, zakat treatment in such case is as follows:

- In case changes in the fair value recognized within the statement of income, the activity's result will not be modified whether the change is negative or positive.
- In case changes in the fair value recognized within the statement of equity, it shall be considered whether by adding it to the base in case of positive change or deducting same in case of negative change.



Sixth Section: Deductions from Zakat base

1. As for the spare parts maintained in the inventory for regular maintenance purposes carried out for the company's machines, equipment, and other owned fixed assets, how should such spare parts treated?

As per the regulations, spare parts not held for trade and sale purposes shall be considered deductible from the Zakat base. Moreover, the corresponding liabilities that financed the deducted spare parts, if any, shall be added.

2. In some cases, the Zakat payer may conclude contracts with suppliers to purchase fixed assets through advance payments before receiving the assets from the supplier. How are such payments treated?

As per Paragraph (1/B) - Article (5) of the Zakat Implementing Regulations, the Zakat payer may deduct the amount of the payments made to suppliers from the Zakat base, provided that such payments are proved to have been paid in advance for purchasing fixed assets not available for sale and have been used in the Zakatable activity.

3. The Zakat payer owns real estate investments represented in buildings leased by other parties. The Zakat payer evaluates such investments at fair value as required by the accounting principles endorsed in the Kingdom. Which method is followed when deducting these investments?

The real estate investments at fair value are deducted from the Zakat base according to the closing balance if the investment is not for trading and held to gain proceeds.



4. Is it permissible to deduct the statutory deposits of insurance and re-insurance companies?

Yes, it is permissible to be deducted under Paragraph (10) - Article (5) of the ZIR, provided that the Zakat payer has proof of the statutory deposit's amount such as a certificate of authenticity issued by the central bank.

5. Which investments are qualified to be deductible from the Zakat base of the Zakat payers who are holding statutory accounts?

As per the provisions of the Regulations, investments that are qualified to be deducted are the shares owned in local or foreign companies as per the controls mentioned in Paragraphs (4) and (5) - Article (4). Such investments may take one of the following forms:

- Investments in subsidiaries: companies controlled by other companies
- Investments in affiliates: companies in which the investor company has a significant influence over the investee, that is, the power to participate in the financial policies and operational decisions.
- Investments in a joint venture: joint control with another party over the investee
- Investments in equity instruments at fair value through profit or loss or other comprehensive income: investments owned in other listed or non-listed companies, whereas the investor company does not practice any form of significant influence or control.

In other cases, some items may take the form of investments, such as investments in real estate shares or other joint arrangements with other parties, provided that the Zakat payer carefully considers and treats them under the provisions of other relevant regulations. For example, real estate investments and others.



6. Does the change made to the investment's classification have consequences or impact on the investment's deductibility from the Zakat base?

Yes, it is permissible. The key factor in determining the deductibility of the investment is whether it is made in equity or shares in companies, along with whether it is held for non-trading purposes. As such, the change in classification in itself may not affect the purpose of holding these investments. For example, a company may own (25%) of another company that is classified as an associate company resulting from exercising significant influence over it. Such investments are essentially considered non-trading. However, the investing company may lose this significant influence, thus, it may be required to recognize such investments at fair value, while keeping the non-trading holding intention as is. Therefore, the change in accounting classification does not affect the Zakat treatment, assuming other factors remain constant.

7. What are the indicators that may allow the deductibility of the investment held for trading purposes?

Some of the indicators that prove that the Zakat payer holds investments in financial instruments for trading purposes are as follows:

- The company purchases and holds such investments for a short term; mostly for less than a year;
- During the said timeframe, the investor company forecasts an increase in the investment's value, and sells the investment to generate revenue;
- The trading concept aligns with other financial or business terms such as Speculation, i.e., the sale and purchase of financial securities or investments in order to generate profit in the short term;
- Usually, such portfolios or investments are exposed to frequent fluctuations during the year, which require further purchasing or selling procedures;
- Such types of investments are classified as current assets in the financial statements depending on the company's method of managing its financial assets, or the company's business model that documents the management's intention to hold the investments;



Based on the foregoing, the concept of trading through investments or financial securities can be summarized as a purchase or sale process of financial securities to generate revenues promptly based on the accuracy of the investor company's forecasts of the value fluctuation in the future. Noteworthy, such investment portfolios are subject to frequent sale and purchase fluctuation and movements on a short basis.

8. One of the resident companies follows the cost method to charge its investments in subsidiaries and associates that fall under its control. How are these investments deducted from the Zakat base?

Upon verifying the deduction controls mentioned in the regulations, the Zakat payer deducts the recognized value of the investment at cost without modifying the result of the activity for distributions (if any) recognized in the statement of profits or losses.

9. How the provision formed as a result of the derecognition of investments due to recurring losses that exceeded the balance of such investments is treated?

When the balance of investments is derecognized as a consequence of incurring losses that exceed the balance of these investments, provisions may be recognized in return, provided that they are represented in legal obligations incurred by the company, which requires recognition of these potential liabilities.

In this case, such liabilities are treated as provisions by adding the provision to the Zakat base in accordance with Paragraph (6) - Article (4) in the Regulations, while adjusting the result of the activity by the part formed during the year (if any) that is recognized within the result of the activity.

However, if the nature of this item is a liability to which the conditions for recognizing provisions do not apply, then it is treated in accordance with the provisions of Article (4) in the Regulations while considering the limits of addition.



10. How investments made in the Kingdom-based funds are treated?

According to the provisions of Zakat Collection rules from the investors in the investment funds issued pursuant to Ministerial Resolution No. (29791) dated 9 Jumada al-Awwal 1444, the Zakat payer is entitled to deduct his investments in these funds if the purpose of holding such investments is non-trading. Moreover:

- A. The Zakat payer shall compute his share in the fund's Zakat base and pay it to ZATCA;
- B. The Zakat payer shall disclose the method of computing his share in the base mentioned above under the notes to the Zakat payer's financial statements or under a chartered accountant's certificate issued in the Kingdom

11. What are the applicability extent and the level of adherence required from the Zakat payer for the Rules of Zakat Collection from Investors in the Investment Funds, issued under MR (29791) dated 09/05/1444?

It was originally optional. As such, if the Zakat payer opts to deduct his investment in investment funds from the Zakat base, this requires the Zakat payer to calculate and pay the Zakat on investments in the investment funds as stipulated in the rules.

On the other hand, if the Zakat payer chooses not to deduct his investments in investment funds from the Zakat base, the Zakat payer is not required to calculate and pay the Zakat on such investments.

12. Is the investment fund obligated to calculate and pay the Zakat due?

No. According to the decision and rules, the investment funds, including the investment funds in the form of a special purpose entity licensed by the Capital Market Authority, are not subject to the collection of Zakat. Rather, Zakat is collected from the Zakat payers/ unit owners in the investment funds who are subject to the rules.

However, investment funds must adhere to the disclosure requirements stated in the rules, such as submitting the information declaration and other disclosures to ZATCA within the statutory deadlines.



13. What is the percentage of Zakat used according to the rules for collecting Zakat on investment in investment funds?

According to the regulations, the Zakat percentage for the Zakat payer who follows the Gregorian year to calculate Zakat is approved by dividing (2.5%) by the number of days in the Hijri year, and the result is multiplied by the number of days of the Zakat year that is endorsed by the Zakat payer and approved by ZATCA. Noteworthy, the Zakat percentage according to the aforementioned equation is applied whether the Zakat is calculated on the Zakat base or the minimum amount - the adjusted net profit for Zakat purposes.

14. Who is obligated to calculate and pay Zakat on investments in investment funds?

According to the rules, Zakat payers subject to the provisions of these rules and own investment in funds are required to calculate and pay Zakat on these investments if they choose to deduct their investments from the Zakat base. Therefore, the Zakat payer who has not settled their investment in funds is not required to calculate and pay the Zakat related to these investments.

Direct and indirect financing funds are excepted from the rule above.

15. If a company owns 100% of the units of an investment fund and chooses to submit a consolidated Zakat declaration, is it necessary to submit an information declaration for the fund as well?

In the event that a consolidated Zakat declaration is submitted by the Zakat payer, the Fund is obligated to submit an information declaration for information and data within (120) days from the end of the Fund's financial year, regardless of whether consolidation has occurred for Zakat purposes or not.



16. How is the Zakat on the fund's investments calculated by the Zakat payer if the fund's financial year differs from the unit owner's financial year?

According to Paragraph (4) - Article (4) of the Rules, the Zakat payer who owns the investment unit shall rely on the latest audited financial statements of the Fund and the details of the Zakat base calculation in accordance with the information declaration submitted in light of the aforementioned financial statements.

17. Shall the Fund adhere to any other regulatory requirements under the relevant provisions concerning the Income Tax Law or the Transfer Pricing Guidelines currently endorsed in the Kingdom?

Unless the resolution or rules stipulate otherwise, any other legal requirements stated in the aforementioned regulations shall apply to the Fund equally with the rest of the Zakat payers.

18. In the case of an investment fund that invests its assets in other funds, is it permissible to deduct the fund's investments in the other funds when calculating the Zakat base?

The Fund's investments in the other funds are treated as foreign investments in accordance with the provisions of Paragraph 5 - Article 5 in the regulations, bearing in mind that the burden of calculating and paying the Zakat on the foreign investments rests with the Zakat payer/ the owner of the investment unit, and not on the Fund.

Accordingly, the Zakat payer owning investment unit (the fund) would deduct the funds related to the owned fund within the limits of its share to deduct investments from the fund's base and deduct the share of the Zakat payer owning the fund from the Zakat base.



19. Is the Zakat payer/the unit owner, required to calculate the Zakat on his investments in the funds by disclosure in the financial statements or the certificate of a chartered accountant?

In this case, the rules have given the Zakat payer the choice to calculate the Zakat on his investments in the funds by either one of the two methods mentioned above.

20. If the investment fund's base was negative and incurred losses for the year, is the Zakat payer/ the unit holder, entitled to deduct its investments in its Zakat declaration?

If the fund has submitted an information declaration in accordance with the rules, that does not prevent the unit holder from including the investments among the deductions, provided that the deduction rules that are stated in the regulations and rules are adhered to, even if the fund's base is negative and the Zakat is not due on these investments.

21. What is the procedure that should be taken if the Zakat payer has deducted its investments in the fund from its Zakat base, while the fund is not registered with ZATCA in accordance with the rules?

The rules apply to the investment funds registered under the Regulations and Laws of the Capital Market Authority in the Kingdom. Accordingly, Zakat payers/ unit holders in foreign funds, which are established outside the Kingdom are not subject to these rules.

However, if it is proven that the fund is not registered for Zakat purposes, the Zakat payer is not entitled to deduct his investment from Zakat base unless it is proven that the fund is registered with ZATCA and the Zakat payer submits the information declaration for the last financial year. This is in addition to the Zakat payer's commitment to the rest of the conditions and controls stipulated in the rules.



22. Are the Zakat payers/ unit holders in foreign funds, which are established outside the Kingdom subject to the rules?

The rules apply to the investment funds registered under the Regulations and Laws of the Capital Market Authority in the Kingdom. Accordingly, Zakat payers/ unit holders in foreign funds, which are established outside the Kingdom are not subject to these rules.

However, such investments are dealt with in the books of the Zakat payers as foreign investments in accordance with the provisions of Article (5) of Paragraph (5) of the Regulations.

23. Are the nature of the fund's activity and the assets structure considered to determine the Zakat payer's right to deduct its investments in units from the Zakat payer's Zakat base?

The principle is to treat these investments in the books of the Zakat payer based on the intention to keep them, and the way he manages the financial assets, including the units in investment funds (for trading or not), regardless of the nature of the fund's activity.

It is also important to mention some examples of indicators that prove the Zakat payer is keeping his investments for the purpose of trading, as follows:

- The company purchases these assets and holds them for a short time, usually less than a year;
- Within this time frame, the investing company expects to see the investments increase in value and sell them to generate profit;
- The concept of trading is consistent with other financial or business terms such as speculation, which means buying and selling securities or investments to make a profit within a short period;
- Such portfolios or investments are usually subject to frequent fluctuations during the year, and require additional buying and selling; and
- Such types of investments are classified as current assets in the financial statements depending



on the company's method of managing its financial assets, i.e. the company's business model, which documents management's intention to hold the investments.

24. To what extent do the rules apply to those individuals (natural persons) investing in the investment funds' units?

It is noted that the decision and the rules apply to the Zakat payers mentioned in Article (2) of the Regulation, including (Saudi natural persons and those who are treated as citizens of the Gulf Cooperation Council countries).

25. Are the debts of the Zakat payer that are classified as long-term, such as long-term notes receivable, permissible to be deducted from the Zakat base?

Notes receivable are the debts of the Zakat payer, and they are Zakat assets that are not deductible from the base.



Seventh Section: Zakat on financing activities

1. Are insurance companies and other financial companies regulating their activities under the supervision of the Capital Market Authority, such as financial brokerage companies, fall under the umbrella of the Rules for Calculation of Zakat for financing activities?

According to the definition of financing activities mentioned in the beginning of the Rules for Calculation of Zakat for financing activities, it clarifies that they are: banks and financing companies licensed by the Saudi Central Bank, thus, the entities mentioned in the question are not subject to these Rules.

2. What percentage is used for the amount of Zakat according to the Rules for Calculation of Zakat for financing activities?

According to the Zakat Implementing Regulations, the Zakat rate for the Zakat payer who uses the Gregorian year is calculated by dividing two and a half percent (2.5%) by the number of days in the Hijri year (354 days) multiplied by the number of actual days of the year for the Zakat payer. If the adjusted net profit is the Zakat base, the Zakat rate is (2.5%).

3. If the Zakat payer is a mixed company - Saudi and non-Saudi partners - and there is a change in ownership percentages during the year, how shall the sources of funds be calculated for the purpose of the Rules for Calculation of Zakat for financing activities?

The percentage of ownership for the purposes of these rules shall be adopted as at the end of the Zakat year. However, in the event of a change in the ownership ratios during the year, the percentage of the Saudi partner subject to the Zakat under these rules is calculated on prorate basis with the number of days.



4. Are negative items in equity, such as treasury shares, taken into account when calculating the Zakat base for the purpose of the Rules for Calculation of Zakat for financing activities?

Yes, in general, the equity item consists of capital, retained earnings, statutory reserves, and any reserves required by the Zakat payer to be incorporated under an accounting law, regulation, bylaw, or principle, including negative items such as treasury shares from previous years. The entity's obligation to declare liabilities included in its income once they are collected. The treasury shares are those shares that the issuing company repurchases from the financial market via purchase transaction through the stock market. These shares are not entitled to any distribution or voting rights during the period of ownership of the company.

5. In the event of cessation of activity or liquidation, how is Zakat calculated for the purpose of these Rules?

In case that the company is liquidated or discontinues its activities during the Zakat year, in accordance with the rules and regulations in force at the Saudi Central Bank, Zakat is not calculated according to the formula mentioned in the rules.

6. How to determine the maturity date (less than or more than a year) - for the items of assets and liabilities mentioned in the Rules?

Generally, items of assets and liabilities are classified in the financial statements based on 12-month operating cycle and the extent to which the assets are depreciated, used or realized during or after the next operating cycle.

Regarding liabilities, they depend on whether the company is able to meet its obligations during or after the next operational cycle. Accordingly, a special system and supporting documents, including the report,



of the External Auditor certified of the Bank's financial statements, are required to approve the classification of the Bank's items and liabilities in its financial statements.

7. Certain assets and liabilities are classified under 'unspecified maturity date', such as demand deposits. How will such items be treated for the purposes of the Rules for Calculation of Zakat for financing activities?

According to general accounting conventions, liabilities or assets that do not have a fixed term are classified as current assets or liabilities, except for other liabilities that have a term of more than one year or include provisions. Accordingly, the depreciation or recognition of such assets or the fulfilment of those liabilities ceases during the operational cycle (i.e. the 12 months of the company). Therefore, for the purposes of the Rules for Calculation of Zakat for financing activities, such items are considered non-zakatable (in the case of assets) and sources of zakatable funds (in the case of liabilities), except for the statutory deposit, it is deducted regardless of its maturity date.

8. In what cases can a company subject to the Rules for Calculation of Zakat for financing activities files a consolidated declaration with 100% owned subsidiaries?

A company subject to the Rules for Calculation of Zakat for financing activities may submit a consolidated declaration with its 100% owned subsidiaries if a company is subject to these Rules and is owned by another company subject to the same rules. In this case, a consolidated Zakat declaration may be filed. Similarly, if the company subject to these rules owns another company or companies that are not subject to these rules by (100%), a unified Zakat declaration is also permissible.

However, if the company subject to these Rules is owned by a company that is not subject to the same Rules, the Zakat declaration may not be consolidated.



9. Are deposits considered among the sources of funds subject to Zakat according to the rules?

Deposits are of two types: time-bound and non-term deposits. Deposits not bound by time are not considered as sources of funds subject to Zakat according to the rules for Calculation of Zakat for financing activities, whereas for time deposits, maturity should be considered, If more than a year, they are sources of funds, but if it is less than a year, they shall not be considered a source of funds.

10. If the establishment issues 10-year sukuk or bonds with a 5-year redemption right, how can Zakat be treated if five years have passed? Shall they be considered a sources of funds subject to Zakat according to these rules? If the bank called them during the current year and added them to the zakat base within the sources of funds for the past year, how shall b treated?

In this case, they shall be treated as early repayment as calling them shall not have affect on the Zakat base for the following year because they were added to the sources of funds last year.

11. With regard to savings accounts, will they be treated as fixed-term deposits and thus be among the sources of funds subject to Zakat?

If the savings accounts have a term of one year or less, they are not considered among the sources of funds subject to Zakat. If they are one year or more, they are treated as fixed-term deposits and added to the Zakat base within the sources of funds subject to Zakat.

12. If the mortgage was executed on assets other than real estate, such as investments in shares, and they were transferred to the bank, will it be treated similarly as real estate and be deducted from the base?

In this case, these shares will be considered investments and therefore treated as such.



13. If the bank is an investor in an external bank and wants to calculate the Zakat on this investment, will the Zakat be calculated in accordance with the Zakat regulations or in accordance with the Rules for Calculation of Zakat for financing activities?

The Zakat is calculated in accordance with the Zakat implementing regulations because these rules are specific to financing activity companies licensed by the Saudi Central Bank.

14. Regarding investments for which Zakat has been paid independently, if the Zakat base is calculated and it is less than the minimum, should the investments of which Zakat has been paid be taken into account and raise the base to reach the minimum limit as the Zakat payer had paid their Zakat independently?

No, when the minimum is reached, it is determined by the net profit (or total profit) without considering the components of the base, including foreign investments.

15. What is ZATCA's method of Zakat for investment in Government bonds for financing activities?

As for financing activities, they are considered non-Zakatable assets, regardless of their term. Therefore, the Zakat payer is not required to file a special declaration, provided that the bank fills out the declaration and the table for the instruments correctly and places the instruments in their correct place within the declaration.



Eighth Section: Deemed Zakat

1. What is the minimum Zakat amount for the Zakat payers receiving deemed Zakat assessment?

The minimum amount is SR (500).

2. Does ZATCA have the right to calculate Zakat based on financial information obtained from sources other than those mentioned in the guidelines in case they differ from the data or information ZATCA already has?

ZATCA has the right to calculate Zakat based on any information available to it through its sources or any other source that can be relied upon in obtaining data and information.

3. Should individual entities that have a commercial register and commercial books submit a declaration based on the commercial books or according to the rules for calculating the deemed Zakat of Zakat payers?

Entities that have commercial books shall commit to submitting a Zakat declaration based on the financial statements and commercial books.

4. Which entities are subject to the deemed assessment?

Any entity that does not have commercial books reflecting the reality of its activity and is not obligated to issue financial statements.

5. Is the Zakat payer required to submit an deemed Zakat declaration?

ZATCA, based on the data and information available to it, issues the Zakat return immediately after the end of the financial year without the need for the Zakat payer to submit a Zakat declaration.



6. Is the taxpayer entitled to object to the assessment raised by ZATCA?

The taxpayer has the right to object to the ZATCA's assessment within 60 days from the date of being notified of the ZATCA's assessment.

Nineth Section: Submissions of Zakat Declarations

1. When shall the Zakat payer submit Zakat declarations?

The Zakat payer who is not subject to deemed computation must submit his Zakat declaration through ZATCA's online portal and pay the due Zakat within (120) days from the end of his financial year. If the last day takes place as an official holiday, it shall be extended to the first working day after the holiday.

2. Which documents need to be submitted along with the Zakat declaration?

In general, the Zakat payer is required to submit a copy of the Zakat declaration according to the form prepared by ZATCA (S/10) and Form 11 and its Arabic-related attachments as shown in the instructions in the declaration, such as the audited financial statements if necessary. This is with some additional attachments in special cases:

- Central Bank certificate in respect of the statutory deposit with the Saudi Central Bank if the Zakat declaration is for financing companies pursuant to Ministerial Resolution No. (2216) dated 7 Rajab 1440 AH;
- The certified public accountant's certificate regarding the Zakat on foreign investments pursuant to the provisions of the fifth paragraph of Article Five in the Zakat Implementing Regulation;
- Certificate of the certified public accountant in the event that the Zakat payer has investments in investment funds that he has deducted and the Zakat payer has not disclosed the mechanism for calculating his share of the Zakat on these investments within the notes to the financial statements.



3. Is it necessary to have the Zakat declaration certified by a public accountant before submitting it to ZATCA?

The Zakat payer is not required to certify the Zakat declaration of companies that are subject to Zakat at a rate of (100%). Rather, the Zakat payer is required to certify the declaration in the case of mixed companies in accordance with the provisions of the Income Tax Law endorsed in the Kingdom.

4. If the Zakat payer submits his Zakat declaration on the due date and then makes an amendment to his financial statements, thus, resulting in differences in the declaration in the form of an increase or decrease, is the Zakat payer entitled to submit an amended Zakat declaration?

The Zakat payer may submit an amended Zakat declaration, and ZATCA has the right to examine the amended return to ensure the accuracy of what is stated therein.



Tenth Section: Procedures for examining and objecting to the Zakat assessment

1. What is the inspection procedure, and what are the limitations of this procedure?

The inspection is an audit conducted by ZATCA to verify the Zakat payer's compliance with the provision of the regulations. The inspection may be conducted at the Zakat payer's workplace, ZATCA's headquarters, or any other place specified by ZATCA.

ZATCA shall issue a prior notice, stipulating the inspection procedure, and details of the information and documents required, and when necessary, it shall specify the Zakat periods that will be reviewed.

During the inspection phase period, ZATCA's employee may visit the Zakat payer's workplace to verify that the Zakat payer is complying with all Zakat obligations as stated in the implementing regulations for collecting Zakat. The Zakat payer shall grant the examiner access to all invoices, books, records and accounting documents that he maintains upon request for the purposes of inspection by ZATCA.

2. Does ZATCA have the right to re-assess the Zakat payer?

Yes, if ZATCA concludes at any time that the data provided by the Zakat payer is incorrect, it has the right to revise the assessment in light of the correct information within a period not exceeding five years from the deadline for submitting Zakat returns, and rectify errors resulting from calculations or placing a wrong number within ten years. ZATCA has the authority to refer those who provided inaccurate or misleading information to the relevant authorities for the application of penalties as prescribed by law.

3. Is it necessary to settle amounts to accept the objection to ZATCA's decisions?

Regarding settlement:

- A. Non-contested items: The Zakat payer must pay the amounts due completely within the statutory period of objection.



- B. Contested items: The Zakat payer must either pay a portion of the amounts due by no less than (10%) and not more than (25%) of the total amounts due on the contested items or provide a financial guarantee for that.

4. Does the Zakat payer have the right to appeal ZATCA's final decisions?

The Zakat implementing regulations stipulate the application of Operating Procedures for the Tax Violations and Disputes Resolution Committees contained in Royal Decree No. (M/113) of 1438 to those who pay Zakat. Accordingly, the competent judicial authority before which the Zakat payer may appeal against ZATCA's decisions is the Tax Violations and Disputes Resolution Committee and the Tax Violations and Disputes Appellate Committee, which are two independent committees of ZATCA.

The Zakat payer who wishes to object to the final decisions issued by ZATCA shall submit the appeal directly to the Resolution Committee within (30) days from the date of issuing the notice of revised assessment or rejection of the objection, or if (90) days have passed from the date of submitting the objection without it being decided upon. ZATCA's decision is considered final if no objection is received within the specified period.

In the event that the Zakat payer or ZATCA objects to the decisions of the Resolution Committee, the dispute shall be referred to the Appellate Committee, whose decisions are final, binding and unappealable.

5. Is there a way to resolve Zakat disputes before or during the official grievance before the General Secretariat of Tax Committees?

ZATCA has formed a committee to settle Zakat disputes that arise from the Zakat payer's objection to ZATCA's assessments. It is an internal committee to facilitate the resolution of Zakat and tax disputes.

The Settlement Committee is responsible for resolving the dispute between ZATCA and the Zakat payer, as the Committee provides dispute resolution as an alternative to filing a formal grievance before the Resolution Committee and the Appellate Committee.



When the Zakat payer submits a request to issue a settlement decision to the Settlement Committee, the request must include - at least- the items of dispute and the reasons for objection to ZATCA's decision. In addition to the supporting documents that further defend their view point . In the meantime, formal grievance procedures before the Resolution Committee or the Appellate Committee shall be suspended, as a result of the request to go to the Settlement Committee, until the settlement request is refused, or is refused to be considered by the Committee. Then, the Settlement Committee notifies the Zakat payer whether the request to resolve the dispute is accepted or rejected within (30) days from the date of submitting the request.



Eleventh Section: Electronic services with ZATCA

1. What is the mechanism for paying Zakat dues after the invoice number is issued?

All ZATCA's dues can be paid through the SADAD system using the code (020) or via Mada through the Fawateery service in the Zakat payer's account, with a maximum limit of 20,000.

2. What are the types of certificates? What is the mechanism for granting it?

- Registration certificate: The establishment obtains it when the registration requirements in the system with ZATCA are completed within the first financial year, not exceeding (12) months from the beginning of the activity.
- Final certificate: The establishment obtains it after submitting the declaration and paying the dues accordingly. The entity can complete all its governmental procedures and receive the final dues.

3. If the Zakat declaration is submitted and the resultant Zakat is paid, what is the method of obtaining a certificate?

The Zakat payer has the right to apply for a certificate through ZATCA's electronic portal via the "Request a Certificate" icon, select a new application, fill out the form with the required information, and upon ZATCA's approval, a certificate will be issued.

Noteworthy, the Zakat payer shall ensure that all his liabilities have been paid or prove his objection to such liabilities before ZATCA or other litigation authorities prior to applying for the certificate.

4. What is the mechanism for submitting a unified declaration request for the holding company and its subsidiaries?

The Zakat payer may request to submit a consolidated Zakat declaration for the holding company through ZATCA's electronic portal using the "Register/Cancel Holding Company" icon, fill out the information and submit the following documents:

- Ensure that the holding and subsidiary companies are registered with ZATCA and obtain an assigned number.



- Articles of association for the holding and subsidiary companies.
- Commercial records of holding and subsidiary companies.

5. Is the Zakat payer entitled to apply for installment payment of the due Zakat?

Yes, the Zakat payer has the right to submit a request to ZATCA to pay the Zakat due in installments in cases where he faces difficulties in paying the due amounts in full. This can be done through the electronic portal using the "Zakat Installment Plan" icon, and completing the required information. Upon ZATCA's approval, a notification will be sent to the Zakat payer of approval with the payment plan

6. What is required to be done in case of business activity cessation? And what are the consequences that follow?

When the Zakat payer stops practising the activity, he shall notify ZATCA within (60) days from the date of cessation and submit declarations up to the date of cessation and deletion of the record. Failure to comply with the same, ZATCA has the right to make an assessment based on the information and data available to it.

7. Is the Zakat payer required to disclose contracts concluded with other parties?

Yes, the Zakat payer is required to disclose contracts whose value exceeds SR (100) thousand to ZATCA by filling out and submitting the special form for disclosing contracts available at ZATCA's electronic portal.



Twelfth Section: Books and records

1. If a specific document is not available in Arabic, which document shall be submitted?

The principle is that all documents and records shall be in Arabic. If a document is not available in Arabic, a certified Arabic translation of the document shall be submitted.

2. For how long is it required to maintain accounting records and books?

According to the Law of Commercial Books issued by the Ministry of Commerce, commercial books, documents, and correspondence shall be maintained for at least ten years.



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