



General Guideline

For Zakat, Tax and Customs Regulations on the Special Integrated Logistics Zone

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The Zakat, Tax and Customs Authority ("ZATCA", "Authority") has issued this Guide for the purpose of clarifying certain tax treatments concerning the implementation of the statutory provisions in force as of the Guide's issue date. The content of this Guide shall not be considered as an amendment to any of the provisions of the Laws and Regulations applicable in the Kingdom.

Furthermore, the Authority would like to highlight that the clarifications and indicative tax treatments prescribed in this Guide, where applicable, shall be implemented by the Authority in light of the relevant statutory texts. Where any clarification, interpretation or content provided in this Guide is modified - in relation to unchanged statutory text - the updated indicative tax treatment shall then be applicable prospectively, in respect of transactions made after the publication date of the updated version of the Guide on the Authority's website.



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1. Introduction

The Zakat, Tax and Customs Authority (the Authority) has prepared this guideline to provide the necessary clarifications and guidance for the application of the tax and customs provisions of the Special Integrated Logistics Zone «the Zone».

This guideline attempts to minimize any uncertainty or ambiguity that may arise for anyone conducting economic activity in the zone. It provides details and controls for tax and customs treatment in compliance with the zone's tax and customs laws and regulations.

The Authority is eager to collaborate with all individuals, but this does not preclude disagreements between the Authority and taxpayers. The Authority also confirms its responsibility in auditing and enforcing fines on individuals who violate tax and customs requirements in accordance with applicable laws and regulations.

For more information regarding the application of tax, zakat, and customs laws and regulations, or special tax rules applicable in the zone in certain cases, contact the Authority through the channels designated for that purpose to request the issuance of a Tax Ruling⁽¹⁾.

⁽¹⁾ For information on whether a person is qualified to request a Tax Ruling from the Authority, refer to the guidance on requests for Tax Ruling available on the Authority's website via the link provided [here](#).



2. Definitions of key terms

Authority/ZATCA: Zakat, Tax and Customs Authority.

Competent Authority: General Authority of Civil Aviation (GACA).

Kingdom: Kingdom of Saudi Arabia.

The Unified Value-added Tax Agreement: The Unified Value-added Tax Agreement for the Cooperation Council for the Arab states of the Gulf.

VAT Law: The Value Added Tax Law promulgated by Royal Decree No. (M/113) dated 2 Dhul Qa'dah 1438 H, and any amendments thereto, or any other law that replaces it.

Income Tax Law: The Income Tax Law promulgated by Royal Decree No. (M/1) dated 15 Muharram 1425 H, and any amendments thereto, or any other law that replaces it.

The Implementing Regulations for Zakat Collection: The Implementing Regulations for Zakat Collection issued by Ministerial Resolution No. (2216) dated 07 Rajab 1440 AH, and any amendments thereto, or any other law that replaces it.

Common Customs Law: The Common Customs Law for the Gulf Cooperation Council countries approved by Royal Decree No. (M/41) dated 3 Dhul Qa'dah 1423 AH, and its implementing regulations and any amendments thereto, or any other law that replaces it.

The Customs regulations applicable in the Special Integrated Logistics Zone:

Rules and conditions of customs procedures and operations in the Special Integrated Logistics Zone.

Zone Statute: The Statute of Special Integrated Logistics Zone issued by Royal Decree No. (A/17), dated 01 Safar 1440 AH.

Special tax Rules: Tax rules applicable in the Special Integrated Logistics Zone.

Transfer Pricing bylaws: Transfer Pricing bylaws issued pursuant to the Authority's Board of Directors Resolution No. (6-1-19) dated 25 Jumada I 1440 AH and any amendments thereto or their replacement.



The Zone: The Special Integrated Logistics Zone at King Khalid International Airport.

Mainland ⁽²⁾: The territory of the Kingdom of Saudi Arabia, excluding the zone.

Resident: A natural person or company who meets the residency conditions specified in Article (3) of the Income Tax Law, or any government entity, ministry, public authority, any legal person, or anybody incorporated in the Kingdom⁽³⁾.

Established Entity: Any company or branch thereof that engages in one or more activities within the zone.

Non-Resident: Every person who does not meet the status of a resident⁽⁴⁾.

Person: Natural or legal person⁽⁵⁾.

Investor: The legal person wishing to incorporate an entity to carry out zone activities.

Zone Activities: The activities listed in Article (6) of the Statute of the zone.

Taxpayer: The person subject to the Income Tax Law or Zakat Collection Regulations.

Tax: Income tax, VAT, excise tax, or real estate transaction tax.

Person obligated to Withhold Tax: Every person residing in the Kingdom, whether taxpayer or not, and any permanent establishment of a non-resident in the Kingdom who pays an amount to a non-resident from a source in the Kingdom, in accordance with the Income Tax Law and its Implementing Regulations.

Investment Regulations: Investment regulations of the Special Integrated Logistics Zone.

⁽²⁾Article (1) of The Statute of the zone

⁽³⁾Article (1) Income Tax Law

⁽⁴⁾Article (1) Income Tax Law

⁽⁵⁾Article (1) Income Tax Law



3. Overview of the Special Integrated Logistics Zone

3.1. Activities allowed in the zone

The zone intends to attract qualitative value-added investments to the national economy by carrying out authorized activities in compliance with the applicable regulatory framework.

It is also a strategic investment destination, aiming to attract significant international and local corporations, as well as an integrated logistics zone that promotes imports and exports.

Entities inside the zone can carry out the following activities⁽⁶⁾:

1. Maintaining, repairing, processing, modifying, developing, assembling, and storing goods.
2. Sorting, packing, repackaging, packaging, trading, distributing, handling, and using in any form goods or other goods, including simple manufacturing processes.
3. Importing, exporting, and re-exporting.
4. Value-added services, logistics, and after-sales services.
5. Recycling Waste and electronic waste.

The investor may obtain a license from the competent authority to practice one or more of the above-mentioned activities in accordance with the requirements and procedures contained within the Investment Regulations.

⁽⁶⁾Article (6) of The Statute of the zone



4. Tax incentives for established entities in the zone

An established entities in the zone shall be entitled to benefit from tax incentives and exemptions as detailed below, with regard to income tax, withholding tax, VAT, and customs duties.

These tax incentives, i.e. the period of benefiting from incentives related to income tax and withholding tax, shall be applied from the date on which the established entity within the zone, obtains a license to practice zone activities until one of the following two events occurs, whichever is first:

1. Expiration of (50) years.
2. If the entity no longer exists within the zone for any reason, including cancellation or suspension of its license.

The following sections describe the incentives and tax exemptions granted to established entities within the zone.

4.1 Income tax

Eligible income earned by an established entity within the zone from the activities of the zone is subject to income tax at a rate of zero percent (0%) during the tax exemption period.

Ineligible income earned by the entity from sources other than the zone's activities or after the expiration of the period of tax incentives shall be taxed at the current basic rate of twenty percent (20%) currently in force in accordance with the Tax Law applicable in the mainland. Such income from Ineligible Activities shall be calculated separately, and the process of submitting a tax return for income from eligible activities and income from ineligible activities shall be in accordance with the procedures set forth in paragraph (2.6) of this Guideline.

If a non-resident person who does not have a physical presence in the Kingdom carries on activities related to goods located in the zone, such activities are not considered permanent establishment for income tax purposes.



4.2 Withholding Tax

Established entities can benefit from exemption from withholding tax during the tax exemption period, with respect to the following types of payments to non-residents in the Kingdom:

1. Dividends.
2. Loan charges.
3. Royalties, provided that the recipient of such Payment is a Related Person⁽⁷⁾ to the Established Entity.
4. Consideration for technical services, other service, or both provided that the recipient of Payment is a Related Person to the Established Entity.

"Recipient" in clauses (3) and (4) above means the ultimate beneficiary or beneficial owner of the payments.

Exemption from withholding tax shall not apply in the following cases:

1. Non-compliance of the established entity in the zone with the licensing conditions.
2. If the payment made by the Established Entity relates to Non-Prescribed Activities.
3. If the payment made by an Established Entity are or will be sourced from Payments made by Related Persons carrying on activities in the Mainland, which relate to the same types of payments exempt from the withholding tax.
4. Cases of tax avoidances, as described in more detail in Section (5) below.

Income that is not eligible for exemptions is treated, from a tax perspective, in accordance with the tax regulations in force in the Kingdom, i.e., applicable in the mainland.

⁽⁷⁾A person is considered associated with another person in case of the application of the conditions contained in the Income Tax Law.



4.3 Suspension of Value-Added Tax (VAT) and Customs Duties

A Special Integrated Logistics Zone is an area with a suspension status of customs duties and restrictions. Consequently, goods entering the zone are subject to special customs controls and procedures. The suspension extends to VAT in accordance with the VAT provisions and legislation in force in the Kingdom.

Goods of foreign origin from outside the Kingdom may enter the zone and be taken outside of the Kingdom without being subject to customs duties, VAT and restrictions if they are related to the activities licensed to be practiced in the zone while fulfilling the customs procedures and controls associated with the suspension. If the customs duties on foreign goods imported into the zone are suspended in accordance with the Common Customs Law and customs procedures related to the provisions of the suspension, the VAT entitlement on those goods shall also be suspended, i.e. the tax is not due on them, until the date of the goods entering the local market and the end of the customs suspension status. The goods are removed from the customs suspension status as soon as they are transported from the zone to the mainland⁽⁸⁾.

Goods leaving the Zone to the local market shall be subject to customs duties and restrictions according to the customs tariff in force on the date of registration of the customs declaration upon their exit, as well as to VAT according to the rate applicable to them in normal circumstances⁽⁹⁾, in addition to any other amounts due on them in accordance with the normal rules on the same date.

If goods are temporarily transported from the zone to the mainland and vice versa, for repair, maintenance and after-sales services, they remain in a suspended mode of customs duties, taxes and restrictions, provided that the customs procedures specified in accordance with the tax and customs regulations are met.

⁽⁸⁾Article (7) of The Statute of the zone

⁽⁹⁾ Article (15) of the Common Customs Law



Special treatment in terms of value added tax (VAT) for certain supplies of goods associated with the zone

The VAT shall not be payable on supplies of goods that meet the definition of goods or other goods related to the exercise of licensed activities in the zone that is under customs suspension, and such supplies shall be considered outside the scope of tax in any of the following two cases⁽¹⁰⁾:

1. By transportation from the mainland to the zone.
2. Within the zone between different people (as these goods remain within the zone as a result of the supply process).

The VAT is also not payable on supplies of goods that meet the definition of goods or other goods exported from the zone to outside the Kingdom.

If the person supplying the previous goods in any of the above cases is subject to VAT and registered with the Authority for VAT purposes, the previous supplies will be considered subject to the zero rates, which enables him to refund the VAT incurred by him on those supplies through his regular tax returns submitted periodically to the Authority.

In the event of the supply of goods from the zone to the mainland, VAT shall be applied at the time of the exit of the goods for free circulation and the end of the suspended status of customs duties, restrictions and VAT, and the tax shall be payable by the person identified as the importer of the goods in the customs declaration in accordance with the normal customs procedures for importing into the Kingdom.

4.4 Zakat and other taxes

There is no special exemption applicable to Zakat and other taxes (real estate transaction tax and excise tax) for activities within the zone, as the normal rules for collecting zakat, excise tax and calculating real estate transaction tax apply if the transaction is taxable in accordance with the provisions of the real estate transaction tax.

⁽¹⁰⁾ Article (8) of Special Tax Rule



5. Transactions between established entities in the zone, the mainland and anti-tax avoidance provisions

The established entities in the zone are independent of the entities on the mainland.

In the event of transactions between the established entity in the zone and related person in the mainland, the established entity in the zone shall disclose the transfer of any activities from the mainland as a transaction between related persons in accordance with the provisions of Article (3) of the transfer pricing bylaws.

In addition, the established entities in the zone shall provide, upon request, information regarding the profits realized from activities previously practiced in the mainland and any new activities carried out in the zone.

It should also be noted that tax incentives do not apply to activities previously conducted on the mainland by the established entity itself or any person associated with it, unless the transfer of such activities is disclosed in accordance with their fair market value.

In addition to the imposition of appropriate penalties, the penalties stipulated in the Investment Regulations or the penalties to be issued in accordance with the provisions of combating tax avoidance stipulated in the tax rules of the zone shall be applied in any of the following cases:

1. If the established entity has knowingly or intentionally submitted false or misleading declarations or information to the Authority.
2. If the established entity has intentionally misapplied the Tax Rules or misused the Tax incentives to obtain or assist another in obtaining a tax benefit or advantage in respect of non-prescribed activities
3. If the established entity has facilitated Payments to non-residents on behalf of Persons not eligible for the Tax incentives.

There are other provisions regarding combating avoidance and evasion in the Kingdom's tax laws that can also be applied in cases of tax avoidance.



6. Tax procedures

6.1 Registration

Established entities, for tax purposes, are obliged to register with the Authority (ZATCA) in accordance with the relevant provisions stipulated under tax laws. If a branch is registered as an established entity, then the branch shall have a Tax Identification Numbers (TIN) separate from the registered main branch/parent company based in the mainland.

If the established entity has opened a branch on the mainland, this branch shall be registered separately with the Authority (ZATCA) and has its own Tax Identification Numbers (TIN) without being granted any of tax incentives distributed among given Zone.

6.2 Tax/ Zakat Base, Returns Fillings, and Payment of Tax/ Zakat

Established entities in the Zone shall fulfil the stipulated obligations to file tax returns/ declarations and shall pay any owed amounts, or any amounts not covered by incentives and exemptions in accordance with Tax Laws and the Implementing Regulation for the Collection of Zakat.

6.2.1 Corporate Income Tax

Without prejudice to the applicable tax Laws in the Kingdom, established entities are obligated to file an annual tax return regardless of in case those given entities are exempted from tax.

The taxpayer shall file a tax return for purposes of income tax within (120) days from the end of the year included in given tax return. This tax return shall include all income earned during the given tax period⁽¹¹⁾ given that Income earned from ineligible activities in addition to associated expenses and costs shall be calculated separately. And if an established entity does not separate profits earned from eligible income from those earned from ineligible income, then tax base shall be calculated according to the following equation:

Calculated Tax Base= Tax base of an established entity x (ineligible income ÷ total income).

⁽¹¹⁾ Article Sixty (60) of Income Tax Law, and Article fifty-seven (57) of Implementing Regulations of Income Tax Law.



Amounts due of tax -if any- (as well as tax on income from non-prescribed activities) shall be calculated in accordance with the given Tax Return within (120) days from the end of taxpayer reporting year. The provisions of the expedited payments may apply in accordance with Income Tax Law and the Implementing Regulations thereof⁽¹²⁾.

The taxpayer who paid an excess amount shall be entitled to recover this given excess amount and receive a compensation amounting to (1%) for each (30) days, calculated after the expiration of (30) days since the submitted claim, and it shall continue to be applied till the given amount is refunded to the taxpayer⁽¹³⁾.

Withholding Tax

The Income Tax Law and the Implementing Regulations thereof provide for the applicable obligations in connection with submission of monthly Withholding Tax Return and payment of respective withholding tax. The person obligated to Withhold Tax shall abide by the relevant requirements in connection with submission of monthly Withholding Tax Return and payment of respective withholding tax in accordance with the Income Tax Law and the Implementing Regulations thereof⁽¹⁴⁾.

The person obligated to Withhold Tax shall register with the Authority -in case that given person has not been registered at the Authority for zakat or income tax purposes- and submit the Withholding Tax Return that includes any paid amounts subject to withholding tax in given reporting month, in addition to any payments subject to the provisions and conditions of withholding tax incentives. The person obligated to Withhold Tax shall file Withholding Tax Return and pay the levied taxes- if any- within ten (10) days from the month came after the month where the beneficiary has received the amounts due.

⁽¹²⁾Article seventy (70) of Income Tax Law, and Article sixty-four (64) of Implementing Regulations of Income Tax Law.

⁽¹³⁾Article seventy-two (72) of Income Tax Law, and Article sixty-six (66) of Implementing Regulations of Income Tax Law.

⁽¹⁴⁾Article Sixty-eight (68) of Income Tax Law, and Article sixty-three (63) of Implementing Regulations of Income Tax Law.



In addition to submission of monthly Withholding Tax Return and payment of respective withholding tax, the person obligated to Withhold Tax shall also file an annual declaration no later than (120) days after the end of fiscal year of given taxpayer (person obligated to Withhold Tax), while taking into account the provisions stipulated under the Income Tax Law and the Implementing Regulations thereof in this regard. This annual declaration of withholding tax shall be considered as a summery or a brief overview of the monthly withholding tax returns filed throughout the year. Thus, the given taxpayer is not obligated to pay any additional amounts upon submission of annual declaration of withholding tax.

It is worth to note that in this regard, and contrary to the monthly withholding tax returns, the submission of annual declaration of withholding tax is obligatory even the value of withholding tax mentioned in respective tax returns and declarations throughout the fiscal year amounts to zero⁽¹⁵⁾.

⁽¹⁵⁾ Article Sixty-eight (68) of Income Tax Law, and Article sixty-three (63) of Implementing Regulations of Income Tax Law.



6.2.2 Value-Added Tax (VAT)

In exception of cases which stipulate particular transactions in connection with suspension of tax, non-entitlement of tax or even the zero-rated ones on goods supplies mentioned within the scope of defined goods and other goods related to Zone activities from mainland to the Zone, and in connection with the goods supplied within the range of the Zone, the VAT shall apply to any supplies in connection with the Zone according to the standard rules. For instance, supplies of services ⁽¹⁶⁾, from person subject to tax in the mainland to established entities in the Zone, shall be subject to VAT as usual. The same shall be applied on the supplies of services from an established entity in the Zone registered for VAT to the Service Recipients whether inside the Zone or the mainland. Meanwhile zero rate shall be applied on supplies of services from an established entity in the Zone registered for VAT to any customer outside the Kingdom in accordance with the provisions under the Article Thirty-Three (33) of VAT Implementing Regulations.

Further, the VAT shall apply to goods supplies that are not related to the licensed activities in the Zone in accordance with the standard rules, given that those given activities are not subject to the provisions of tax suspension and custom duties that apply to an established entity in the Zone by taxable person in the mainland or in the Zone.

⁽¹⁶⁾ The Supplies of Services can be defined as any transaction are not classified under the Goods Supplies in accordance with the Unified Agreement for VAT.



Supply of goods in the Zone

In case of supplying goods, related to the licensed activities, from an established entity to another (without moving them out the Zone), thus it shall be placed free of custom duties and VAT i.e. under suspension status, as it is considered out of the VAT scope in accordance with the provisions and procedures set out in the tax and customs laws and regulations.

The previously mentioned supplies shall not be subject to the VAT and out of the scope thereof, under the fulfilment of the following two conditions:

1. The goods shall be placed free of customs duties (under suspension status) inside the Zone in accordance with the provisions and procedures stipulated under the Common Customs Law.
2. The goods shall be related to the licensed activities by an established entity in the Zone.

In case that the person who is supplying the goods according to the conditions mentioned above is subject to the VAT and registered with the Authority for VAT purposes, the previously mentioned supplies, then, shall be considered as a zero rate, which enable the given person to refund the paid VAT on those supplies based on the regular Tax Returns filed to the Authority.

Meanwhile, the supplies of services to the Zone and supplies of goods that are consumed/used within the Zone for purposes other than the activity licensed by the competent authority shall be subject to tax. In the event of supplying both goods and services together at a unified price, the value of the services shall be determined separately and the VAT shall apply at the basic rate, with exception to the cases where the value of services cannot be separated from the value of the good supply, in which cases the basis of the supply shall be calculated on the supply of goods, such as the basic warranty service associated with the supply of a good to which that warranty applies.



Supply of Goods from the Zone to the Mainland

The supply of goods from the Zone to the recipient entity in the mainland, and the exit of goods supplied from the Zone to the mainland shall be considered as an importation process to the Kingdom. Given that the VAT and the Custom Duties, and relevant restrictions shall apply thereto as soon as they exit the Zone and released for free circulation in the markets. The VAT on importation process shall be collected in the same manner it usually collected, but in addition to the applicable customs duties. Therefore, the VAT shall be applied in the same manner, regardless of whether the customer is any of the following:

- . An established entity in the Zone.
- . An Authorized Taxpayer on the Mainland.
- . Another Taxable Person.
- . A Government Entity.
- . Any other persons, including the end customer/ end user of natural persons.

The responsibility for paying the VAT (and any applicable customs duties) lies with the entity importing the goods prescribed in the customs declaration -usually this entity is the customer-. The value of the goods is determined at the time of their departure from the zone according to the provisions of the Common Customs Law. For suppliers within the zone, the supply of these goods is considered outside the scope of VAT.



Temporary Supply of Goods from the Mainland to the Zone

The temporary exportation or re-exportation of goods from the mainland to the Zone for purposes of maintenance, and the exit of goods from the Zone to the Mainland shall be considered as re-importation process to the Kingdom as the exportation status or temporary re-exportation status shall end by re-importation of the goods or diversion to a final exportation, or the expiration of the temporary exportation period. The re-imported goods are exempted from the customs duties under the condition given goods are re-imported in accordance with the conditions and controls set out in Common Customs Law and Implementing Regulations thereof, as well as the guidelines issued by the Authority in regard to the conditions and controls of exemption of re-imported goods from customs duties, given that these customs duties shall be calculated and collected on the basis of the increase due to the maintenance operations. With regard to the VAT, the goods exported or re-exported from the mainland to the Zone shall not be subject to the VAT, and in case of the re-importing the same, it shall be subject to tax based on the increase levied on the maintenance or completion of manufacturing thereof in accordance with the provisions of the Common Customs Law.

The Exit of Goods from the Zone to another Country outside the Kingdom

In accordance with customs procedures stipulated under the Common Customs Law, movement or exit of goods stored in customs territories and warehouses which suspension for customs duties shall be considered as exportation or re-exportation of those goods upon fulfillment of procedures set out in the customs laws and regulations. Therefore, it shall not be subject to the VAT in this case. And the person in responsible of re-exportation shall keep the commercial documents and movement/ exit papers that prove the re-exportation of goods to a destination outside the Kingdom.



Supply of Goods from The Zone to Another Special Economic Zone or the Zones of Suspended Status for Customs Duties and Taxes

The supply of goods from the Special Integrated Logistics Zone to any other Special Economic Zone or to any storing territories or the zones of suspended status for customs duties and taxes shall be placed free of customs duties, restrictions, and VAT in accordance with the provisions and procedures set out in the tax and customs laws and regulations, provided that the another Zone/territory shall be subject also to the provisions of tax and customs suspension in alignment with the provisions governing this another economic zone.

The suspension of VAT and customs duties for goods or merchandise imported/ supplied from outside the Kingdom or Special Economic Zone ("SEZ") to the Integrated Logistics Special Zone if given goods are related to licensed activities (or Prescribed activities) in the Zone.

The previous supplies done under the suspension status for customs duties shall be out the VAT scope i.e. not subject to VAT.

Deduction of Value-Added Tax (VAT)

The taxable established entities inside the Zone that registered for VAT shall be entitled to deduct the input tax incurred by them only in the scope of their activities that are restricted on taxable supplies; and the same shall apply to the zero-rated ones, including the supplies in the Zone or to outside the Kingdom, or to other economic zones that under suspension for customs and taxes in accordance with the VAT Law and Implementing Regulations thereof. Input tax shall be deducted by virtue of Tax Returns in connection with VAT. In many cases, the established entities in the Zone may supply goods that are zero-rated where the deductible input tax exceeds the output tax, therefore the difference shall be considered a refundable balance out of the VAT.

The established entities inside the Zone that registered for VAT inside the Kingdom or the authorized representative thereof shall be entitled to submit the respective refund requests in this regard, given that those refund request shall be submitted to the Authority (ZATCA) either with the tax returns or at any time during five (5) years calculated from the end of calendar year where suspension occurs in accordance with the VAT Implementing Regulations.



6.2.3 Submission of Zakat Returns and Payment of Zakat

The Zakat Taxpayer shall submit Zakat Returns and attachment thereto in Arabic and shall pay also the due amount of zakat within a period not exceeding (120) days from the end of Zakat year⁽¹⁷⁾. During the examination procedures by the Authority (ZATCA), the taxpayer shall pay the owed amounts in full within sixty (60) days from the date of examination/ assessment by the Authority in case the taxpayer has not raised any objection in this regard during the statutory period⁽¹⁸⁾. The taxpayer may request paying the outstanding amounts in installments in accordance with the controls stipulated under the provisions of Article twenty-seven (27) from the Implementing Regulation for Zakat Collection.

6.2.4 Transfer Pricing

The established entities in the Zone are obligated to apply the provisions of the Transfer Pricing bylaws issued by the Authority in order to ensure that all transactions between related parties are conducted in accordance with the Arm's Length Principle, and those entities shall also maintain and submit all relevant documents to the Authority, including the main file, the local file, and the report for each country⁽¹⁹⁾.

The established entities in the Zone may check the guidelines issued by the Authority for Transfer Pricing in order to view all information and details in connection with the Transfer Pricing bylaws, including but not limited to, the interpretation, implementation, enforcement and application of these given bylaws.

⁽¹⁷⁾Article seventeen (17) of the Implementing Regulations for Zakat Collection.

⁽¹⁸⁾Article twenty-six (26) of the Implementing Regulations for Zakat Collection.

⁽¹⁹⁾Transfer Pricing bylaws issued by Zakat, Tax and Customs Authority pursuant to Board Resolution No. [6-1-19] dated 25/05/1440 AH, corresponding to 31/01/2019 AD.



6.3 Refund of Value-Added Tax (VAT) and Customs Duties

6.3.1 Value-Added Tax (VAT)

The established entities in the Zone having VAT taxable supplies whether at the basic rate or zero-rated ones, registered for purposes of VAT inside the Kingdom due to such supplies of goods shall be entitled to submit a request to the Authority to refund the VAT resulted from deduction of the input tax incurred by given entities only in the scope of their restricted activities on taxable supplies. Consequently, a credit balance achieved in a case the deductible input tax exceeds the output tax may be refunded. Those refund requests shall be submitted whether in conjunction with the tax returns filed to ZATCA in a regular basis or separately by filing independent refund request to ZATCA in connection with the refunded amounts of VAT. Please refer to Section (6.2) herein in these guideline to view the details about the "Deduction of Value-Added Tax (VAT)".

In the event that an entity registered for VAT purposes in the mainland imports goods or merchandise from an established entity in the Zone in accordance with the provisions of the tax and customs regulations, the VAT shall apply to imported goods once their exit from the Zone and upon the expiration of the suspension period for customs duties, restrictions and taxes in accordance with the regular usual measures of importation to the Kingdom and the mainland. Given that such entity shall have the right to deduct the input taxes incurred from the importation in the relevant Tax Return at the date of import according to the usual provisions stipulated in those cases.

If the provisions of Article No. (44) of the VAT Implementing Regulations apply to imports made by given entity, it shall be obliged to mention the tax payable on imports in the relevant tax return dated at the time of import and deductions applicable as well in accordance with the procedures set out under the provisions of previously mentioned Article No. (44).



It is worth to note that in case of returning the imported goods from mainland to the Zone once again- given that the latter is done by any establishment licensed inside the mainland-, then such goods shall be placed free of taxes (under suspension status), thus it shall not be subject to tax. In case that the established entity, which re-export given goods, registered for purposes of VAT, such entity shall be entitled to refund the VAT and customs duties related to the importation activities in accordance with what has been stipulated herein above based on the provisions which state that the re-exportation of goods shall be subject to zero-rate tax.

The refund request shall be submitted through the Authority's website, through tax returns filed to ZATCA in a regular basis or through the form specified for this purpose by the Authority as previously mentioned above, where the Authority will review the refund requests and pay the refund amounts for approved requests directly to the taxpayer's account (IBAN) according to the terms and conditions specified for this purpose, and the Authority may offset excess Tax held in the Taxable Person's account against taxes, penalties or any other amounts due to the Authority.

In some particular cases, the Authority may allow persons not registered for VAT purposes who engage in specific activities to apply for a refund request in regard of paid taxes for supplies of goods and services received in the Kingdom, whereas the Board of ZATCA shall issue a list including the names of persons eligible for tax refund in accordance with Article seventy (70) of VAT Implementing Regulation.



6.3.2 Customs Duties

Consignments and parcels sent from the Zone may be allowed to enter the mainland through establishments licensed from the competent authority to carry out such activity of temporary transportation of postal consignments and parcels, given that it shall be in a suspended status for customs duties in accordance with the provisions of the Common Customs Law and the Implementing Regulations thereof, and the controls of the temporary admission of postal consignments and parcels issued by the Resolution No. (7121) dated 8 Safar 1445 AH. (Corresponding to 24/08/2023).

If given consignments are sent from the Zone to the mainland and the respective customs duties are paid as well, then a refund request of customs duties paid in regard of re-exported consignments may be submitted via the website or any other means approved by the Authority, whereas the Authority will review the refund requests according to the relevant specific conditions and controls.

6.4 Record keeping and Maintenance Requirements

The established entity shall keep and maintain the books and records, in addition to the audited financial statements in accordance with applicable Tax Laws and Regulations and Implementing Regulations for Zakat Collection. Provided, however, that such books, records and financial statements that the established entities in the Zone are obligated to maintain shall be separate from those books, records and financial statements of the Parent Company.

In cases that given established entities, or any person related/affiliated thereto carry out certain activities other than those prescribed in the Zone inside the Kingdom, it is obligatory on such entity to maintain a separate accounts/records for Zone activities. The income shall be attributed to certain activities in accordance with Arm's Length Principle as if such activities are completely independent from the other activities of the entity.



For the purpose of compliance with tax requirements in connection with record keeping, the established entities shall apply the applicable Tax Laws and Regulations in the Kingdom and review the same to determine their obligations stipulated thereunder⁽²⁰⁾.

In accordance with the applicable laws and regulations, at least the following documents shall be kept and maintained:

General journal, general ledger, inventory book, tax invoices, and other accounting records and documents necessary for the calculation of tax liability. The taxpayer shall maintain the supporting documents, and the explanatory statements and notes. The Authority (ZATCA) shall have right to request submission of additional records for purposes of registration procedures, as well as assessment and examination procedures.

Given that for the purposes of Withholding Tax, the Person obligated to Withhold Tax shall submit a list containing the names and addresses of beneficiaries, from whom the tax is withholding from the amounts paid to them during given tax year to the Authority (ZATCA) at the end of given tax year. Knowing that the Person obligated to Withhold Tax shall do the latter to the extent that such information is available to them. However, ZATCA may request additional information and may make the same obligatory on the taxable persons.

The Person obligated to Withhold Tax shall keep records that prove their compliance with the provisions of the Income Tax Law as well as the validity of the withholding tax. Such records shall at least contain name and address of given beneficiary, type of tax payment, its value, date, and the withholding amount.

The record keeping works shall be conducted electronically or via computers with strict compliance with certain conditions set out in the Implementing Regulations of Income Tax Law⁽²¹⁾, and the VAT Implementing Regulations⁽²²⁾.

⁽²⁰⁾Article fifty-eight (58) from Income Tax Law; Article fifty-six (56) from the Implementing Regulations of Income Tax Law; Article sixty-six (66) from the VAT Implementing Regulations; Article twenty-two (22) from the Implementing Regulation of Excise Tax Law; Article eighteen (18) of the Implementing Regulations for Zakat Collection.

⁽²¹⁾Article fifty-six (56) from the Implementing Regulations of Income Tax Law.

⁽²²⁾Article sixty-six (66) from the VAT Implementing Regulations.



For customs purposes, the established entities shall electronically keep and maintain all papers, documents, records, correspondence, commercial contracts and documents of any kind, directly or indirectly in connection with customs operations for at least five (5) years from the date of completion of those customs operations and submission of the latter to the relevant officials in ZATCA upon request.

It is worth to note that the established entities in the zone shall be obligated to comply with E-Invoicing (electronic invoicing) Regulations issued by the Authority (ZATCA), known that the latter regulations shall apply to supplies made by such established entities in the Zone that are registered with ZATCA.

6.5 Tax and Customs Assessment and Examination, and the Objection Procedures

6.5.1 Tax and Customs Assessment and Examination

The established entities shall be subject to the tax assessment, as well as the tax and customs examination and audit that carried out by the Authority in accordance with the tax and customs laws and regulations applicable in the Kingdom and the Zone. Subsequently, the established entities shall comply with those laws and regulations.

For more information about tax assessment and examination, please review the given guidelines on examination, assessment, correction, and objection on ZATCA decisions available on ZATCA website [Zatca.gov.sa](https://zatca.gov.sa).

6.5.2 Objection Procedures

Objections on the Authority (ZATCA) decisions shall be made in accordance with the work rules of the Zakat, Tax and Customs Committees issued by Royal Order No. (25711) dated 08 Rabi' al-Thani 1445 AH. (Corresponding to October 23, 2023.), also as per any amendments of those work rules and substitutes thereof.



6.6 Penalties for Non-compliance

In case of non-compliance with the provisions of the laws and regulations applicable in the Special Integrated Logistics Zone, as well as the Tax Rules and the Investment Regulations, the established entities therein may be subject to penalties such as payment of fines, cancellation of licenses or any other penalty as the competent authority may consider and apply.

In addition, any customs violations to customs declarations and other requirements stipulated in relation to the Zone shall be subject to fines, while customs smuggling crimes are subject to more severe penalties and/or imprisonment in accordance with the Common Customs Law.

Moreover, the non-compliance with the requirements contained in the laws and regulations applicable in the Kingdom in connection with income tax, VAT, excise tax, real estate transaction tax can result in imposing the penalties mentioned as per the tax laws and regulations.



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