

ظريبة
القيمة
المضافة

VAT

Examination, Assessment, Correction and Objection on GAZT Decisions Guideline

December 2018

Version 1

VAT.GOV.SA

@SaudiVAT | ☎ 19993

Contents

1. Introduction	4
1.1. Implementing a Value Added Tax (“VAT”) system in the Kingdom of Saudi Arabia (“KSA”)	4
1.2. General Authority of Zakat and Tax	4
1.3. What is Value Added Tax?	4
1.4. This Guideline	5
2. Definitions of Key Terms	6
3. Economic Activity and VAT Registration	7
3.1. Who carries out an Economic Activity?	7
3.2. Mandatory VAT registration	7
3.3. Optional VAT registration	8
4. Assessment	9
4.1. Tax Period	9
4.1.1. Change to Tax Period	9
4.2. Taxpayer Assessment	9
4.3. Issuance of Estimated Assessment by the Authority	13
4.4. Issuance of New Assessment by the Authority	13
4.4.1. Time limit to issue an Assessment	14
4.5. Assessment in cases of Joint Liability	15
5. Taxpayer Correction of Returns	17
5.1. Overstatement of Net Tax Due	17
5.1.1. How to correct the Tax overstatement	17
5.1.2. Required information and records to substantiate the validity of the adjustment	18
5.2. Understatement of Net Tax Due	18
5.2.1. How to notify the Authority and correct the understatement	18
5.2.2. Required information and records to substantiate the validity of the adjustment	19
5.2.3. Issuance of a new Assessment to replace the original Assessment	19
5.3. Low Value Understatements of Net Tax	19
5.3.1. Correction of multiple errors related to the Net Tax Due of previously submitted Tax Returns	20
5.4. Correction of single error repeated in multiple Tax Periods	20
6. Examinations by the Authority	22
6.1. Notifying the Taxable Person of an examination	22
6.2. What to expect during a standard Audit	22
6.2.1. Examination on the premises of the Taxable Person	22

6.2.2. Transfer of documents	23
6.2.3. Failure to provide requested information	23
6.2.4. Procedures during examination	23
6.2.5. Additional records	23
6.3. Completion of the Examination	23
6.3.1. Assessment in respect of any Tax Period	24
6.3.2. Penalty in respect of an incorrect VAT return or other violation	24
6.3.3. Direction to apply correct VAT treatment in future practice	24
6.3.4. Request the registration or cancellation of registration of a Taxable Person	24
6.3.5. Notification of completion and conclusions of the examination without further formal action	24
6.4. Examination of Electronic Records	24
7. Obtaining information	26
7.1. Requesting information	26
7.1.1. Access to information held by third parties	26
7.1.2. Time-limit to provide requested information	26
7.2. Confidentiality of information	26
8. Objecting to an Assessment issued by the Authority	28
8.1. Objecting to an Assessment	28
8.1.1. Security	28
8.1.2. Internal review	28
8.2. Internal Dispute Settlement Committee	29
8.2.1. Settlement Committee Process	29
8.2.2. Rejection of Settlement	30
8.3. Appealing to the VAT First Instance Committee	30
8.4. VAT objection flowchart	31
9. VAT obligations of the Taxable Person	33
9.1. Issuing tax invoices	33
9.2. Filing VAT Returns	33
9.3. Keeping records	33
9.4. Display of certificate of registration within the VAT system	34
10. Penalties	35
11. Applying for the issuance of rulings (interpretative decisions)	37

1. Introduction

1.1 Implementing a Value Added Tax (“VAT”) system in the Kingdom of Saudi Arabia (“KSA”)

The Unified VAT Agreement for the Cooperation Council for the Unified Arab States of the Gulf (the “VAT Agreement”) was approved by the KSA by Royal Decree No. M/51, dated 31438/5/H. Pursuant to the provisions of the Unified VAT Agreement, the KSA issued the VAT Law under Royal Decree No. M/113 dated 21438/11/ H (the “VAT Law”) and its corresponding Implementing Regulations were subsequently issued by the Board of Directors of the General Authority of Zakat and Tax (“GAZT”) by Resolution No. 3839 dated 141438/12/ H (the “Implementing Regulations”).

1.2. General Authority of Zakat & Tax (“GAZT”)

GAZT, also referred to as “the Authority” herein, is the authority in charge of the implementation and administration of VAT (which may be referred to hereinafter as “the tax”) in KSA. In addition to the registration and deregistration of taxable persons for VAT, the administration of VAT return filing and VAT refund procedures, and undertaking audits and field visits, GAZT also has the power to levy penalties for noncompliance with legal provisions relating to VAT.

1.3. What is Value Added Tax?

VAT is an indirect tax which is imposed on the importation and supply of goods and services, with certain exceptions. VAT is imposed in more than 160 countries around the world.

VAT is a tax on consumption that is paid and collected at every stage of the supply chain, starting from the point when a manufacturer purchases raw materials until a retailer sells the end-product to a consumer. Unlike other taxes, persons registered for VAT will both:

- Collect VAT from their customers equal to a specified percentage of each eligible sale; and
- Pay VAT to their suppliers, if any, from whom they have received the goods or services, equal to a specified percentage of each eligible purchase.

When taxable persons sell a good or service, a 5% VAT charge – assuming a standard case – is assessed and added to the final sales price. The taxable persons will account for that 5% that they have collected or due for collection from all eligible sales separately from its revenue in order to later remit a portion of it to the Authority. The VAT taxable persons collect on their sales is called Output VAT.

The same will apply to purchase transactions, in that VAT will be added at the rate of 5% to purchases of goods or services made from suppliers registered for VAT (on the assumption that the basic rate applies to those supplies). The VAT a business pays to its suppliers is called Input VAT.

For further information about VAT, please refer to the KSA VAT guideline which can be found at vat.gov.sa.

1.4. This Guideline

This guideline is addressed to all natural persons and legal persons who carry on an economic activity and who will be required to register for VAT. The purpose of this guideline is to provide information on the rights and obligations of Taxable Persons and the Authority when dealing with Examinations, Assessments and Corrections.

This guideline represents GAZT's views on the application of the Unified VAT Agreement, the VAT Law and the Implementing Regulations as of the date of this guideline. This guide amounts to a guideline, and does not include or purport to include all the relevant provisions of the Unified VAT Agreement, the VAT Law, or the VAT Implementing Regulations. It is not binding on GAZT or on any Taxable Person in respect of any transaction carried out and it cannot be relied upon in any way.

However, for further advice on specific transactions you may apply for a ruling or visit the official VAT website (vat.gov.sa), which contains a wide range of tools and information that has been established as a reference to support persons subject to VAT, as well as visual guidance materials, other relevant information, and FAQs.

2. Definitions of Key Terms

Assessment - An assessment of a Taxable Person's Net Tax due is made either:

- by a Taxable Person upon submitting the Tax Return⁽¹⁾, or
- by the Authority in any other circumstances⁽²⁾.

Correction - A notification made to the Authority by the Taxable Person in relation to an error or incorrect amount made in a filed Tax Return, for the purpose of correcting the Tax Return.

Examination - An audit of the compliance of a Taxable Person with its VAT obligations, carried out by the Authority at the Taxable Person's premises or the Authority's premises or any other location specified by the Authority⁽³⁾.

Net Tax - Defined in the Unified VAT Agreement as "Tax resulting from deducting the Deductible Tax in a Member State from the Tax due in that State within the same Tax Period. Net Tax may either be payable or refundable."⁽⁴⁾

Objection - A formal objection made to the relevant committee or judicial body by a Taxable Person to an Assessment or decision issued by the Authority.

Records - The required books, tax invoices, accounting documents and other records, which are required to be maintained for VAT compliance purposes.

Tax Return or VAT return - The filing made to the Authority by a Taxable Person declaring the total Output Tax, Deductible Input Tax and Net Tax payable or refundable in respect of a specific Tax Period.

Tax Period - Defined in the Unified VAT Agreement as "The period of time for which the Net Tax must be accounted⁽⁵⁾." In the KSA, the tax period is either a calendar month or calendar quarter, depending on the value of the annual taxable supplies for that Person.

(1) Article 62(1), Tax Returns, Implementing Regulations

(2) Article 64, Examination and assessment procedures, Implementing Regulations

(3) Article 64, Examination and assessment procedures, Implementing Regulations

(4) Article 1, Definitions, Unified VAT Agreement

(5) Article 1, Definitions, Unified VAT Agreement

3. Economic Activity and VAT Registration

3.1. Who carries out an Economic Activity?

An Economic Activity may be carried out by natural persons or legal persons.

It will be presumed that a legal person that has a regular activity making supplies carries on an Economic Activity.

Natural persons may perform certain transactions as part of their Economic Activity, or as part of their private activities. There are therefore specific rules to determine whether or not a natural person falls within the scope of VAT.

Natural persons and legal persons who carry on an Economic Activity must register for the purposes of VAT if the registration requirements are fulfilled, and such persons must calculate the VAT applicable to their activities, collect and pay the tax to the Authority through their periodic returns.

3.2. Mandatory VAT registration

Registration is mandatory for all persons whose annual taxable supplies exceed a certain threshold. If the total value of a person's Taxable Supplies during any 12 months exceeds SAR 375,000, (the "mandatory VAT registration threshold"), that person must register for VAT⁽⁶⁾ on the supplies made, subject to the transitional provisions provided for in the Implementing Regulations.

Taxable Supplies do not include:

Exempt supplies – such as exempt financial services or residential rental which qualifies for VAT exemption;

Supplies taking place outside the scope of VAT in any GCC state; or

Revenues on sales of capital assets – a capital asset is defined as an asset allocated for long-term business use⁽⁷⁾.

In certain circumstances, other tests will apply for mandatory registration:

- Persons who are not resident in the Kingdom of Saudi Arabia are required to pay the VAT in respect of supplies made or received by them in the Kingdom of Saudi Arabia and to register for VAT irrespective of the value of the supplies for which they are obliged to collect and pay the VAT⁽⁸⁾.
- During a transitional period up to 1 January 2019, businesses will only be required to register where annual turnover exceeds SAR 1,000,000, and an application for registration must be submitted no later than 20 December 2017⁽⁹⁾. Starting from the year 2019, the mandatory registration threshold amounting to SAR 375,000 will be applied as stipulated in the Unified VAT Agreement, and an application for registration must be submitted on or before 20 December 2018.

More information on mandatory registration for VAT is contained at vat.gov.sa

(6) Article 3, Mandatory registration - Supplies exceed the Mandatory Registration Threshold, Implementing Regulations

(7) Article 1, Definitions, Unified VAT Agreement.

(8) Article 5(1), Mandatory registration of Non-Residents obligated to pay Tax in the Kingdom, Implementing Regulations.

(9) Article 79 (9), Transitional provisions, Implementing Regulations

3.3. Optional VAT registration

Any Resident person in the Kingdom of Saudi Arabia who has Taxable Supplies or taxable expenses exceeding the “Optional VAT registration threshold” of SAR 187,500 in a twelve-month period may register for VAT on a voluntary basis⁽¹⁰⁾.

Optional VAT registration may be desirable where a business wishes to claim VAT charged to it on their costs before invoices are raised or the occurrence of an onward supply.

More information on voluntary registration for VAT is contained at vat.gov.sa.

(10) Article 7, Voluntary Registration, Implementing Regulations

4. Assessment

4.1. Tax Period

Each VAT registered person, or the person authorised to act on his behalf, must file a VAT return with the Authority for each Tax Period. A Tax Period is defined in the Unified VAT Agreement as “The period of time for which the Net Tax must be accounted.” In the KSA, the tax period is either a calendar month or calendar quarter.

Monthly tax periods are mandatory for taxable persons with annual taxable supplies exceeding SAR 40 million. For all other VAT registered persons, the standard tax period is three months.

4.1.1. Change to Tax Period

The Authority may permit a Taxable Person to change his Tax Period pursuant to a request submitted to the Authority in accordance with the terms and conditions included in the Implementing Regulations⁽¹¹⁾.

A Taxable Person whose annual taxable supplies does not exceed the threshold of SAR 40 million may submit an application to apply a monthly Tax Period⁽¹²⁾. Applying a monthly Tax Period can be beneficial for a Taxable Person that might be in a permanent refundable VAT position.

A Taxable Person who has applied the monthly Tax Period for two years may submit an application for a Tax Period of three months, provided that Taxable Person’s value of annual Taxable Supplies during the last twelve months does not exceed the threshold of SAR 40 million⁽¹³⁾.

In case the Authority approves the application to use the monthly Tax Period, the Authority will issue a notification to the Taxable Person which includes the effective date of the change⁽¹⁴⁾.

The Authority may, with a reasoned decision, obligate a Taxable Person to change his Tax Period⁽¹⁵⁾. In cases where the Authority directs the Taxable Person to apply a certain Tax Period it will issue a notification and the effective date of applying such Tax Period⁽¹⁶⁾.

4.2. Taxpayer Assessment

The VAT return is considered the Taxable Person's self-assessment of tax due for the relevant Tax Period. All figures on the submitted VAT return form part of the Assessment of the Taxable Person’s own tax obligations and rights.

The VAT system is based on the self-assessment of tax by the Taxable Person. The Authority therefore accepts any amounts reported by the Taxable Person, and assumes their validity, provided that those amounts may later be amended as a result of an assessment issued by the Authority within the statutory deadline.

An illustrative VAT return form is included below.

(11) Article 27 (2), VAT Law

(12) Article 58 (3), Tax Period, Implementing Regulations

(13) Article 58 (5), Tax Period, Implementing Regulations

(14) Article 58 (4) and Article 58 (6), Tax Period, Implementing Regulations

(15) Article 27(3), VAT Law

(16) Article 58 (7), Tax Period, Implementing Regulations

Amounts relating to sales and purchases are inputted manually by the taxpayer
1

Adjustments are typically used if there is a change in circumstances (e.g. goods sold in a previous period were returned in current period)
2

	Amount (SAR)	Adjustment (SAR)	VAT Amount (SAR)	
VAT on Sales	1- Standard rated sales	<input type="text"/> ?	<input type="text"/> ?	<input type="text"/>
	2- Private Healthcare/ Private Education sales to citizens	<input type="text"/> ?	<input type="text"/> ?	<input type="text"/>
	3- Zero rated domestic sales	<input type="text"/> ?	<input type="text"/> ?	<input type="text"/>
	4- Exports	<input type="text"/> ?	<input type="text"/> ?	<input type="text"/>
	5- Exempt sales	<input type="text"/> ?	<input type="text"/> ?	<input type="text"/>
	6- Total Sales	<input type="text"/>	<input type="text"/>	<input type="text"/>
VAT on Purchases	7- Standard rated domestic purchases	<input type="text"/> ?	<input type="text"/> ?	<input type="text"/>
	8- Imports subject to VAT paid at customs	<input type="text"/> ?	<input type="text"/> ?	<input type="text"/>
	9- Imports subject to VAT accounted for through reverse charge mechanism	<input type="text"/> ?	<input type="text"/> ?	<input type="text"/> ?
	10- Zero rated purchases	<input type="text"/> ?	<input type="text"/> ?	<input type="text"/>
	11- Exempt purchases	<input type="text"/> ?	<input type="text"/> ?	<input type="text"/>
	12- Total purchases	<input type="text"/>	<input type="text"/>	<input type="text"/>
	13- Total VAT due for current period			<input type="text"/>
	14- Corrections from previous period (between SAR ±5,000)			<input type="text"/> ?
	15- VAT credit carried forward from previous period(s)			<input type="text"/> ?
	16- Net VAT due (or claim)			<input type="text"/> ?

Back

Attachement

Validate

Next

Corrections – due to errors or omissions from a previous return – can be made in the return form if amount is between SAR ±5,000
3

If net VAT due is negative, your business may be due a refund
4

The major parts of the VAT return are the Output Tax, Deductible input tax and Net Tax due or refundable for the relevant Tax Period.

After the submission of the VAT return, the Taxable Person will receive a confirmation that the Assessment of the Taxable Person has been received. In this regard the Taxable Person will receive the following electronic notifications:

- Tax return receipt acknowledgement;
- Copy of the Tax return form;
- Notification for SADAD billing purposes "Payments system's invoice – SADAD invoice".

Return submission acknowledgement

Submitted return form

Billing notification

An Assessment received by the Taxable Person through the Return is not a final and closed Assessment. The Authority has the right to issue a new Assessment⁽¹⁷⁾ (for example, if an error is later found). In section 4.4 further information is provided on the issuance of a new Assessment by the Authority.

The VAT return must be filed, and the corresponding payment of Net Tax due made, no later than the last day of the month following the end of the Tax Period to which the Net Tax relates. The table below holds an overview of the applicable dates for submitting the VAT return and payment of the Net Tax due to the Authority.

Tax Period dates	Return and payment due	Tax Period dates	Return and payment due
Jan. 1-31	Feb 28	July 1-31	Aug. 31
Feb. 1-28	March 31	Aug. 1-31	Sep. 30
March 1-31	April 30	Sept. 1-30	Oct. 31
April 1-30	May 31	Oct. 1-31	Nov. 30
May 1-31	June 30	Nov. 1-30	Dec. 31
June 1-30	July 31	Dec. 1-31	Jan. 31

(17) Article 26 (1), VAT Law

Tax Period dates	Return and payment due	Tax Period dates	Return and payment due
Jan. 1-Mar. 31	April 30	July 1-Sept. 30	Oct. 31
April 1-June 30	July 31	Oct. 1-Dec. 31	Jan. 31

When the Authority receives a payment from a Taxable Person, this payment will first be applied to the balance of the Tax Period to which the payment refers. Any excess balance will be applied to penalties, fines or charges due originating from any previous Tax Period, and the remainder will then be applied to outstanding balances for other Tax Periods, starting from the oldest period with a balance payable⁽¹⁸⁾.

Example (1): Al Waha Co, established in the KSA, is active in the management consulting business. Al Waha Co is registered for VAT and files monthly VAT returns. Al Waha Co has an unpaid balance of SAR 2,500 for the VAT return submitted for the Tax Period July 2018. The VAT return submitted for the Tax Period August 2018 results in an amount of Net Tax payable to GAZT of SAR 20,000. Al Waha Co processes a payment to the bank account of the Authority of SAR 22,500, referring in full to the Tax Due of August 2018 Tax Period. This payment will first be applied to the August 2018 Tax Period as referred, until the outstanding amount of SAR 20,000 is fully settled. The excess payment of SAR 2,500 will be used to reduce the outstanding balance for the July 2018 Tax Period which amounts to SAR 2,500.

The Authority has the right to offset any VAT credit balance against any other taxes due by the Taxable Person. In this case, the Authority shall notify the Taxable Person where an offset of a credit balance is carried out⁽¹⁹⁾.

A separate guideline on VAT Filing provides additional information on the online Returns submission process, including detailed screenshots.

4.3. Issuance of Estimated Assessment by the Authority

In cases where a Taxable Person has not filed its Tax Return on or before the due date (on the last day in the month following the end of the Tax Period to which the Tax Return relates), the Authority has the right to issue an Assessment based on its best estimate of the Tax properly due for the relevant Tax Period⁽²⁰⁾.

For the purposes of applying the Law, the estimated Assessment which is prepared by the Authority has the same status as a Taxable Person's self-assessment. The Authority has all powers to collect any Tax due based on the Assessment and to impose the relevant penalties.

The penalty for a Taxable Person who fails to submit a Tax Return within the statutory deadline shall be not less than five (5) %, and not more than twenty five (25) %, of the value of the Tax that he should have reported. In cases where a penalty is imposed in respect of an estimated Assessment by the Authority, such penalty is based on the estimate of the Tax properly due⁽²¹⁾.

In all cases, the Taxable Person remains obligated to submit the outstanding Tax Return. An Assessment issued by the Authority based on another estimation of the Tax due can be withdrawn after the filing of a completed Tax Return for that Tax Period by the Taxable Person (or a person authorised to act on its behalf). In cases where the estimated assessment is withdrawn, the Authority will change any prior fines or penalties imposed based on the earlier Assessment to align with the new Assessment submitted by the Taxable Person.

(18) Article 59(7), Payment of Tax, Implementing Regulations

(19) Article 59(8), Payment of Tax, Implementing Regulations

(20) Article 62(1), Tax Returns, Implementing Regulations

(21) Article 42(3), Tax Evasion and Penalties, VAT Law

Example (2): Al Sunbolah Co, a KSA trading company, has failed to submit its VAT return for the period ended 31 March 2019 within the statutory deadline. As a result, the Authority issues an estimated Assessment on 20 May 2019 based on the estimated VAT amount due by the Authority. (The Authority might rely on the Net Tax reported in previous tax periods).

The estimated amount of Net Tax payable is SAR 100,000, resulting in a penalty of 5% of the estimated Net Tax. The payable amount by the Company has become SAR 105,000. After receiving the Assessment, Al Sunbolah Co submits a self-assessment on 25 May 2019 declaring Net Tax payable of SAR 50,000 for the respective period, based on the actual taxable turnover figures. The Authority agrees to withdraw the earlier estimated Assessment. As a result, the penalty for failing to submit a VAT return is adjusted to SAR 2,500 (being 5% of the total Net Tax actually due in the subject Tax Period).

4.4. Issuance of New Assessment by the Authority

The Authority is responsible for reviewing the correctness of VAT returns or other documents submitted to the Authority, and for carrying out formal examinations to ensure compliance to the VAT Law.

In case the Authority selects a VAT return or document filed by a Taxable Person to be subject to a review, then the Taxable Person may be contacted and asked:

- to explain any aspect of a document or Tax Return submitted by it;
- to provide evidence to prove the correctness of its VAT return, which may include certain tax invoices or relevant business records such as contracts or bank statements or accounts receivable and accounts payable or VAT accounts.

If the Authority observes an error in a VAT return or other document submitted to it by a Taxable Person during an examination or in any other cases, it may issue an Assessment to correct that error.

The powers of the Authority to raise a new assessment are not limited to the occurrence of an examination. An assessment can be issued at any time (subject to the time limitations outlined below), and can also be based on any relevant information provided by the Taxable Person or a third party.

A new Assessment may replace any earlier Self-Assessment of the Taxable Person or any earlier estimated Assessment issued by the Authority. In these cases any prior fines or penalties imposed based on the earlier Assessment will change to align with the new Assessment.

The Authority shall notify the Taxable Person that an Assessment is issued and of its rights to object on the Assessment. An Assessment issued will at a minimum show the following⁽²²⁾:

- Net VAT payable;
- Due date for payment of any Tax differences if any; and
- The basis for the calculation of the Assessment.

Where applicable, an Assessment may also show a penalty or fine issued in respect of a Tax Period or Tax Periods.

It is to be noted that the new payment deadline shown on the Assessment Notification does not change the original deadline to pay the Tax for the relevant Tax Period.

(22) Article 64(1) and (2), Examinations and assessment procedures, Implementing Regulations

4.4.1 Time limit to issue an Assessment

The Authority may make an Assessment of a Taxable Person in respect of one or more Tax Periods, within five years from the end of the calendar year in which the Tax Period falls⁽²³⁾. In cases where any transaction is carried out with the intention of breaching VAT Law and Regulations or failure to register for VAT, Assessments may be issued or amended up to a period of twenty years from the end of the calendar year in which the Tax Period falls⁽²⁴⁾.

Examples of Taxpayer's Tax Periods – (no intentional breach of the law)	GAZT may issue an assessment at any time up to:
Quarter ended 31 March 2018	31 December 2023
Month ended 31 March 2018	31 December 2023
Month ended 30 September 2020	31 December 2025
Quarter ended 31 December 2020	31 December 2025

Examples of Taxpayer's Tax Periods – (failure to register or intentional breach of the laws)	GAZT may issue an assessment at any time up to:
Quarter ended 31 March 2018	31 December 2038
Quarter ended 31 December 2020	31 December 2040

Example (3): The Ideal Supplies Co, a KSA retail company specialized in medical goods, has a monthly Tax Period. Due to an error, The Ideal Supplies Co incorrectly applied the zero rate on the supplies of certain non-qualifying medical goods by mistake, resulting in the submission of incorrect VAT returns in the three monthly tax periods of November 2018, December 2018 and January 2019.

After this time, The Ideal Supplies Co ceased selling those particular goods. During an examination of the company' tax affairs in February 2024, the Authority becomes aware of the incorrect application of the zero rate. The Authority is able to issue an Assessment during 2024 for the monthly Tax Period of January 2019, as the assessment date falls within five years from the end of the calendar year in which the Tax Period falls.

The error does not involve any intentional breach of the law, therefore the Authority may not issue an assessment at any time in 2024 for the two monthly periods falling within 2018, i.e. after the end of the 5-year deadline to issue a new Assessment in normal circumstances.

4.5. Assessment in cases of Joint Liability

Any Person who wilfully participates in violating any of the obligations mentioned in the Unified VAT Agreement or the KSA VAT Law and its Implementing Regulations shall be jointly liable with the concerned Person to pay the Tax and any other amounts resulting from the violation⁽²⁵⁾.

In cases where a Person is jointly liable with a Taxable Person for Tax, penalties and other amounts due in accordance with the Unified VAT Agreement and the KSA VAT Law and its Implementing Regulations, the Authority may raise an Assessment on that Person in respect of the amounts of Tax and penalties due in relation to that violation.⁽²⁶⁾ In case of the settlement of the liability by one of the Persons, it automatically extinguishes liability for the other.

(23) Article 64(3), Examinations and assessment procedures, Implementing Regulations

(24) Article 64(4), Examinations and assessment procedures, Implementing Regulations

(25) Article 43, Persons who are Obligated to Pay Tax, Unified VAT Agreement

(26) Article 67, Joint liability for Tax and penalties, Implementing Regulations

Example (4): The Green House Ltd., a construction company established in Jeddah submits false VAT returns. The Green House Ltd. has contracted an external accountant to assist with the submission of its VAT returns. It becomes clear to the Authority that the external accountant wilfully participates with the submission of false VAT returns for The Green House Ltd. as this is being discussed in email correspondence between The Green House Ltd. and the accountant.

On 31 March 2020, the Authority raises an Assessment for SAR 100,000 and also imposes a penalty for the same amount of VAT due of SAR 100,000. The Green House Ltd. makes a payment of SAR 80,000 on 15 April 2020 and does not have the financial position to pay any other amount.

On 31 May 2020, The Authority raises an Assessment on the external accountant for joint liability incumbent on it of the remaining amount of SAR 120,000. This is an obligation which is enforceable on the Accountant, but The Green House Ltd. remains liable to pay its outstanding amount.

On 6 June 2020, and before the external accountant makes the payment, The Green House Ltd. obtains further funds and makes payment of the SAR 120,000 to the Authority. The payment of the remaining amount by The Green House Ltd. cancels the joint liability of the accountant for this amount. The Authority issues a notification cancelling the joint liability Assessment.

Note that despite the joint liability being extinguished, the Authority remains able to impose individual penalties on the Accountant in its own name for its intentional conduct.

5. Taxpayer Correction of Returns

5.1. Overstatement of Net Tax Due

In cases where a Taxable Person becomes aware of an error or an incorrect amount in a filed Tax Return and this has resulted in discovering an overstated amount in the original VAT Return that was submitted to the Authority (whether the Taxable Person has incorrectly declared an overstatement of an Output Tax or an understatement of a deductible Input Tax), the Taxable Person may correct that error in a subsequent Tax Return within the prescribed period for the adjustment⁽²⁷⁾.

The correction of overstated Net Tax in a subsequent Tax Return only adjusts the Net Tax in the Tax Period in which the correction is made in order to reflect the net amounts due to / in favor of the Taxable Person after an adjustment being made to the amounts due to it. The original tax Assessment for the period in which the tax was overstated is not changed.

5.1.1. How to correct the Tax overstatement

The Taxable Person can make the correction at any later time by including the correction in a subsequent Tax Return. Overstatements of Net Tax due less than SAR 5,000 may be recorded in field 14 of the subsequent Tax Return.

If the overstated Net Tax due exceeds SAR 5,000, the Taxable Person may make appropriate correction(s) in the subsequent Tax Return through adjustment of Tax amounts in the fields corresponding to the field(s) that was (were) erroneously completed in the original VAT Return, in the Adjustment column, for the purpose of reaching the following:

- the amount of Tax due in the current Tax Period is reduced and/or
- the amount of Input Tax is increased by the amount reported by means of error in a previous VAT return.

It is to be noted that there is no formal requirement to notify GAZT of an overstatement of Net Tax.

The Taxable Person does not have the right to make corrections related to a Tax Period after a period of five years has passed from the end of the calendar year to which the Tax Period belongs where Net Tax due was overstated⁽²⁸⁾.

Example (5): Ali Hussain is a European law expert who now resides in the KSA. He provides consultancy services to both KSA and European businesses from his office in Jeddah which is registered in VAT. Ali submits quarterly VAT Returns. In March 2019, Ali provides services to European Trading Company (ETC Ltd) established in London (United Kingdom) and raises an invoice of SAR 10,000 with 0% VAT, and has submitted the VAT Return in April 2019.

Due to an error in recording the VAT code in his electronic system, he reports 5% VAT instead of 0% VAT – SAR 500 – as Output Tax on this supply in the VAT return for the services provided to ETC Ltd. In July 2019 Ali Hussain finds out his mistake. Ali Hussain corrects the omission by reducing the amount of (Net) Tax due by SAR 500 in field 14 of the Tax Return for the third quarter of 2019. Ali Hussain keeps track of this error and correction in his records.

(27) Article 63(2), Correction of returns, Implementing Regulations

(28) Article 63(5), Correction of returns, Implementing Regulations

Example (6): Assuming the same fact pattern as example 5, but the relevant invoice was issued by Ali Hussain for an amount of SAR 120,000 (and this had been included as a standard rated supply with VAT = SAR 6,000, instead of a zero-rated supply). The correct method to correct this error in the third quarter return would be to make a negative adjustment of SAR 120,000 to "Box 1: Standard rated domestic sales"; and to make a positive adjustment of SAR 120,000 to "Box 4: Exports". These adjustment will result in the correct reduction to Net Tax of SAR 6,000 in the third quarter return.

5.1.2. Required information and records to substantiate the validity of the adjustment

Taxable Persons are required to retain all relevant documents and records to evidence the adjustment made, and provide these to the Authority in the event of an examination or based on a request from an officer of the Authority.

5.2. Understatement of Net Tax Due

In cases where a Taxable Person becomes aware of an error or an incorrect amount in a Tax Return filed to the Authority, a Taxable Person must make a correction of a previous Assessment if an error has been discovered in the original VAT Return which has resulted in an understatement of Net Tax Due (i.e. Declaration of understated Output VAT or overstated Input VAT)⁽²⁹⁾.

5.2.1. How to notify the Authority and correct the understatement

The Taxable Person must notify the Authority within twenty (20) days of becoming aware of the error or incorrect amount in his original Assessment (Tax Return) which was submitted to the Authority. This notification can be done by submitting an electronic correction of the previous Tax Return for the period(s) to which the Assessments being corrected relate.

The electronic correction is performed through the taxpayer's portal.

The correction of the understated Net Tax that was declared is made through adjustment of the original Tax Return of the Tax Period in which the incorrect Assessment of the Net Tax due has taken place, and therefore changes the original tax Assessment (Tax Return) for which the tax was understated.

Example (7): Abdullah works as an independent landscaping architect and is engaged by the city of Khobar to design a city park. Abdullah is registered for VAT and submits VAT returns on a quarterly basis. For the period covering the three months to June 2018, Abdullah issued an invoice to the responsible party in Khobar Municipality for the amount of SAR 1,050,000 (including VAT).

In the corresponding Tax Return for the second quarter of 2018, Abdullah should have reported an amount of Output Tax of SAR 50,000. However, due to a data entry error, the amount of Output Tax that was mistakenly reported was SAR 5,000. Abdullah becomes aware of the error on 1 September 2018 when verifying its VAT balances for the previous months. Abdullah immediately notifies the Authority (on 1 September 2018) by submitting an electronic correction to the Tax Return of the previous Tax Period via the portal of the Authority.

(29) Article 63(1), Correction of returns, Implementing Regulations

5.2.2. Required information and records to substantiate the validity of the adjustment

The Taxable Person is required to specify the following information when a correction is being made, and to keep the supporting documents related to the correct Net Tax due⁽³⁰⁾:

- The Tax Period or Tax Periods to which the Assessment being corrected relates;
- The amount of Output Tax and Input Tax being corrected in respect of each Tax Period;
- The reason for the error or incorrect information in the previous Assessment.

5.2.3. Issuance of a new Assessment to replace the original Assessment

Following the electronic correction made by the Taxable Person of the original Tax Return due to the discovered errors, the Authority will issue a new Assessment, based on the corrected amount. The Authority will notify the Taxable Person that a new Assessment is issued. There will also be a new payment due date for the difference owed to the Authority on the basis of the new Assessment.

The Authority will also calculate or update any penalties or fines due based on the new Assessment amount⁽³¹⁾,

In case the Taxable Person has discovered unintentional errors which lead to Net Tax due to the Authority being incorrectly calculated resulting in Tax differences in favor of the Authority, and those errors are discovered after five years from the end of the calendar year, the Authority is not able to issue a new assessment in that case. However, the Taxable Person is allowed to declare these Tax differences in any subsequent VAT Return with no penalty being imposed. In all cases, the Taxable Person must inform the Authority of the discovered error by any means specified by the Authority.

5.3. Low Value Understatements of Net Tax

An error resulting in a Net Tax understatement of less than SAR 5,000 may be corrected in the next Tax Return.⁽³²⁾ The error is corrected by manually entering the understatement of Net Tax due in field 14 of the next Tax Return.

A "zero" adjustment, resulting in no overstatement or understatement of Net Tax due, does not require any entry to the subsequent Tax Return, however it is preferred to do that for the purpose of validating the correctness of the overall data of the Taxable Person.

Example (8): A Taxable Person overstates the value of zero-rated purchases in Box 10 of the Tax Return filed with the Authority. This error does not result in any overstatement or understatement of Net Tax due. The Taxable Person is not obligated to adjust the Tax Return following the Tax Return which was mistakenly filled out, but it could still make an adjustment to the subsequent Tax Return in order to ensure the correctness of the overall data provided to the Authority.

(30) Article 63(5), Correction of returns, Implementing Regulations

(31) Article 64, Examination and assessment procedures, Implementing Regulations

(32) Article 63(3), Correction of returns, Implementing Regulations

5.3.1. Correction of multiple errors related to the Net Tax Due of previously submitted Tax Returns

The possibility to correct errors via the above mentioned mechanisms applies to the following circumstances:

- individual errors which result in an understatement of Net Tax due to the Authority of less than SAR 5,000; or
- multiple errors that result in an understatement of the overall Net Tax Due to the Authority which is less than SAR 5,000.

An understatement of the Net Tax due to the Authority exceeding SAR 5,000 can therefore not be "offset" with any Tax payable to the Taxable Person due to a separate error resulting in an overstatement of Net Tax Due for the same Tax Period.

Example (9): In a review of its regular VAT returns already submitted to the Authority during the previous period, a KSA Taxable Person (Al Hayat Ltd.) discovers that it has submitted incorrect information in relation to the January 2018 Return, where it has mistakenly omitted to report an amount of Output VAT of SAR 6,000.

The review also shows that there is a separate error in the previously reported Input VAT, where Al Hayat Ltd. forgot to claim an amount of Input VAT of SAR 2,000 (KSA VAT charged for goods purchased in January 2018 from a KSA supplier). Al Hayat Ltd. cannot offset the two errors by reporting a net understatement of SAR 4,000 (SAR 6,000 understated Net Tax less SAR 2,000 under-claimed Net Tax) in the subsequent VAT Return. It must instead:

- notify the Authority of the understatement of SAR 6,000 Output VAT through a correction of the previous VAT Return (as outlined in 5.2 above); and
- deduct the non-deducted Input VAT of SAR 2,000 by making a correction to the subsequent VAT Return (as outlined in 5.1 above).

5.4. Correction of single error repeated in multiple Tax Periods

In case a Taxable Person discovers a Tax error which is repeated in multiple Tax Periods, and the wrongfully reported Net Tax exceeds SAR 5,000 for each Tax Period, the correction of such error must be carried out as a correction to each affected Tax Period separately from the other Tax Periods.

A formal notification must be submitted in respect of any Tax Periods with understatements of Net Tax of SAR 5,000 or more, within twenty (20) days of the Taxable Person becoming aware of the error.

A Taxable Person may submit separate notifications for each Tax Period, or a single notification which covers multiple Tax Periods. However, the notification to the Authority must clearly disclose which Tax Periods are affected by the error and the corresponding amount of Net Tax for each individual Tax Period⁽³³⁾.

Example (10): Al-Awa'el Co, a VAT registered Company in the KSA, provides financial services in the Kingdom. The services provided by the Company include both VAT exempt and VAT taxable services. It has configured an electronic bookkeeping system to match with the VAT implementation by assigning a specific tax code for each taxable or exempted activity, and implemented this since 1 January 2018. Al-Awa'el Co files quarterly KSA VAT Returns.

(33) Article 63(5), Correction of returns, Implementing Regulations

On 15 August 2018, Al-Awa'el Co becomes aware of an error in the electronic bookkeeping system, whereby it has not applied VAT on administration fees which were charged to KSA established customers. The administration fees are explicit and standard rated fee-based services.

In the months from January to March 2018, the total value of the fees was SAR 70,000 per month. In the period from April to June 2018 the total value was SAR 45,000 per month. After discovering the error, Al-Awa'el Co charges additional amounts to its customers for the Tax that was not calculated, but it must also notify the Authority that its Assessments for the first and second quarters of 2018 were not correct and must self-correct the repeated error in the previous Tax Periods.

Al-Awa'el Co must correct each of the quarterly returns separately by correcting the discovered errors (i.e. reporting 5% VAT on the fees not booked correctly in the electronic bookkeeping system) within 20 days of discovering the error (i.e. on or before 4 September 2018).

Month	Fees (excluding VAT)	Understatement of Output VAT
January	SAR 70,000	SAR 3,500
February	SAR 70,000	SAR 3,500
March	SAR 70,000	SAR 3,500
Total Tax differences, quarter ended 31 March		SAR 10,500
April	SAR 45,000	SAR 2,250
May	SAR 45,000	SAR 2,250
June	SAR 45,000	SAR 2,250
Total Tax differences, quarter ended 30 June		SAR 6,750

6. Examinations by the Authority

An examination is a formal audit of the compliance of a Taxable Person with its VAT obligations, which can be carried out by the Authority at the Taxable Person's premises or the Authority's premises or any other location specified by the Authority.⁽³⁴⁾

The Authority may also make requests for information or documents from a Taxable Person outside of the formal examination procedures of the VAT Returns which need to be submitted to the Authority. In such cases, the Taxable Person must also provide the Authority with any information requested by the Authority for the purposes of establishing whether that Person is complying fully with its Tax obligations.⁽³⁵⁾

6.1 Notifying the Taxable Person of an examination

The Authority will carry out examinations via a combination of on-site and off-site audits. Taxable Persons are required by law to cooperate with an examination carried out by the Authority.⁽³⁶⁾

In most cases, the Authority will provide prior notice to the Taxable Person (of at least 20 days) before an examination takes place. In certain cases, where the Authority has reasonable reasons to suspect violation of any provision of the VAT Law or Regulations, or refusal or probable refusal of the Taxable Person to cooperate with the Authority for the purpose of finalizing the examination procedures, the Authority may carry out an examination without prior notice.⁽³⁷⁾

6.2 What to expect during a standard Audit

The Authority will issue an advance notice, which will advise that an on-site examination is intended, detail of information and documents requested and where applicable, advise on the particular tax periods that are going to be reviewed.

6.2.1. Examination on the premises of the Taxable Person

In case of an examination taking place at the premises of the Taxable Person, the examination will be carried out during working hours of the Taxable Person subject to the examination. All invoices, books, records and accounting or Tax-related documents which the Taxable Person is obliged to keep, should be made available to be examined by the Authority upon request both on the premises of the Taxable Person and off the premises of the Taxable Person.⁽³⁸⁾

Please refer to the Invoicing and Records Guideline for more detail on the required documents forming part of the records for VAT.

6.2.2. Transfer of documents

When the Authority's officers need to examine documents off the premises of the Taxable Person and transfer documents for this purpose, the Taxable Person will be provided with a receipt for the transferred documents.⁽³⁹⁾

(34) Article 64, Examination and assessment procedures, Implementing Regulations

(35) Article 56 (1), Right of the Authority to obtain information, Implementing Regulations

(36) Article 64(6), Examination and assessment procedures, Implementing Regulations

(37) Article 64(6)(b), Examination and assessment procedures, Implementing Regulations

(38) Article 64(6)(c), Examination and assessment procedures, Implementing Regulations

(39) Article 64(6)(d), Examination and assessment procedures, Implementing Regulations

6.2.3. Failure to provide requested information

When a Taxable Person fails to provide the requested information, the Authority may take additional measures to obtain relevant documents and may temporarily seize such documents if there is reason to believe that the documents may otherwise be hidden, damaged or tampered with by the Taxable Person. The Authority has also the right to impose fines in cases where the Taxable Person prevents or obstructs the employees of the Authority from performing their duties, or refrains from submitting the documents and information requested by the Authority, and in cases where a violation is suspected, the Authority may carry out a search of the premises of the Taxable Person and collect evidence in respect of that violation or tax evasion.⁽⁴⁰⁾

6.2.4. Procedures during examination

During an examination, the Taxable Person itself (if a natural person) or its key employees, and any persons with responsibility for VAT reporting should be available for discussions with officers of the Authority involved in the examination.

Officers of the Authority may visit any premises of the Taxable Person to verify the activities carried out and entries in a computerized accounting system by the Taxable Person.⁽⁴¹⁾ The officer of the Authority can request the Taxable Person to provide him with a physical or electronic copy of any document relevant for VAT compliance of the Taxable Person under examination which are stored on a computer system or electronically.⁽⁴²⁾

6.2.5. Additional records

The Authority shall at all times reserve the right to require additional records to be provided by a Taxable Person for the purposes of an examination in cases where the Authority considers it necessary and has a justifiable reason for requiring such additional records.

Where applicable, the Authority will notify the Taxable Person that it requires such additional records or information, and shall allow the Taxable Person to submit the additional records or information within twenty (20) days – or another reasonable period if needed.⁽⁴³⁾

6.3. Completion of the Examination

On completion of the examination, the Authority may take one or more actions.

6.3.1. Assessment in respect of any Tax Period

The Authority may make an Assessment of the VAT obligations of a Person in respect of one or more Tax Periods.⁽⁴⁴⁾ An Assessment issued by the Authority shall at a minimum show the Net Tax payable after the assessment, the due date for payment, and the basis for calculation of the Assessment.⁽⁴⁵⁾ For further details with respect to the issuance of an Assessment by the Authority, please refer to section 4.4 of this Guideline.

6.3.2. Penalty in respect of an incorrect VAT return or other violation

Upon completion of the examination, the Authority may issue a penalty to the Taxable Person on the basis of the conclusion that an incorrect VAT return was filed or any other violations by the Taxable Person were discovered. For further details with respect to penalties, please refer to section 10 of this Guideline.

(40) Article 64(9), Examination and assessment procedures, Implementing Regulations
 (41) Article 64(7), Examination and assessment procedures, Implementing Regulations
 (42) Article 64(8), Examination and assessment procedures, Implementing Regulations
 (43) Article 66(6), Records, Implementing Regulations
 (44) Article 64(1), Examination and assessment procedures, Implementing Regulations
 (45) Article 64(2), Examination and assessment procedures, Implementing Regulations

6.3.3. Direction to apply correct VAT treatment in future practice

Based on the findings of the examination, the Authority may issue a direction to the Taxable Person in respect of future practice for applying VAT correctly to its activities (e.g. correction of the proportional deduction method for attributing input VAT to taxable or exempt activities).

6.3.4. Request the registration or cancellation of registration of a Taxable Person

If the Authority concludes upon completion of the examination that a person not registered for VAT should be registered for VAT purposes in the KSA, the Authority may either register such Person without submitting any application or could request the person to apply for a registration. Alternatively, the Authority may cancel the registration of a Person who does not fulfil the registration requirements anymore.

For further detail with respect to Registration, please refer to section 3 of this Guideline.

6.3.5. Notification of completion and conclusions of the examination without further formal action

If the Authority is of the opinion that no further action is required upon completion of the examination, the Authority may send the Taxable Person a notification that the examination has been completed and no VAT differences exist or no further formal action is pursued.

6.4. Examination of Electronic Records

A Taxable Person may choose to keep its records either physically or electronically (or a combination of both). In cases where the Taxable Person opts to store the books and records electronically, the computer system or server must be physically located in the KSA.

A Taxable Person who has a fixed establishment in the KSA may have its central computer or server outside the KSA. However, for examination purposes it is in that case required that the Taxable Person has a terminal at its establishment in the KSA through which all data and entries regarding the VAT accounting of the fixed establishment can be accessed.

As stated above, the Taxable Person must provide employees of the Authority with hard copies or electronic files if requested during an examination.

Please refer to the separate Invoicing and Records Guideline for more details on the requirements for (access to) Electronic Records.

The Authority can also request to review electronically the systems and programs applied by the Taxable Person to prepare its computerized accounts.⁽⁴⁶⁾

(46) Article 66(3), Records, Implementing Regulations

7. Obtaining information

7.1. Requesting information

All Persons must provide the Authority with any information requested by the Authority for the purposes of establishing whether that Person is complying fully with its Tax obligations, whether these requests occur during a formal examination or at any other time.⁽⁴⁷⁾

7.1.1 Access to information held by third parties

The Authority may access relevant information held by third parties directly from those parties including requiring direct access to records generally on an ongoing basis.⁽⁴⁸⁾ The third parties to which this applies are limited to government entities, banks and other financial institutions regulated in the Kingdom by the Saudi Arabian Monetary Authority or the Capital Market Authority.⁽⁴⁹⁾

7.1.2. Time-limit to provide requested information

Generally, the Authority will undertake to allow twenty (20) days to provide any requested information. In exceptional circumstances (e.g. in case of suspected fraudulent activity, or risk to documents being lost or destroyed), the Authority may require information within a shorter time period.

7.2. Confidentiality of information

The Authority undertakes to keep information provided about Taxable Persons and other Persons confidential. The Authority may only disclose tax information received in an official capacity in the following situations⁽⁵⁰⁾:

- Disclosure is required by any court order, Law or Implementing Regulations or other governing rules applicable in the KSA;
- Disclosure is necessary for the exercise of the duties and powers vested in the Authority under the following conditions:

- a) "the disclosure is made to another employee of the Authority acting in their official capacity, or to the Customs Department, the General Audit Bureau, a tribunal or court, or a tax authority of a foreign country in accordance with any treaty or agreement to which KSA is a party.
- b) the employee of the Authority is carrying out those powers on the instructions of the Authority and is authorized to do so.
- c) the disclosure of Tax information is not excessive compared to the purpose of the disclosure, having regard to the personal or commercial impact of the disclosure,
- d) the Tax information is not retained for longer than necessary for the purpose of the disclosure.
- e) the confidential information that is disclosed is stored in an adequate and protected matter, and takes all measures prescribed by the Authority against unlawful or unauthorized distribution, loss, destruction or damage of the confidential information.
- f) before the disclosure, the person to whom the disclosure is made, is made aware of the confidentiality of the Tax Information and of the confidentiality requirements stated in the Law."

- The Authority may disclose Tax information of a Taxable Person to another Person upon the written consent of that Taxable Person.

(47) Article 56(1), Right of the Authority to obtain information, Implementing Regulations

(48) Article 56(2), Right of the Authority to obtain information, Implementing Regulations

(49) Article 56(3), Right of the Authority to obtain information, Implementing Regulations

(50) Article 55(1), Confidentiality of information, Implementing Regulations

8. Objecting to an Assessment issued by the Authority

If a Taxable Person disagrees with a decision issued by the Authority, the Taxable Person has the right to formally object on the Authority's decisions (within the statutory deadlines noted in this section). There are three avenues established for Taxable Persons to request a review (object), challenge and resolve a dispute relating to an assessment or other decisions of the Authority in relation to a VAT matter:

- Internal review by the Objections Department of the Authority.
- An Internal Dispute Settlement Committee.
- Appeals filed to external committees: the VAT First Instance Committee (also known as the Separation of Violations and Tax Disputes Committee) and the VAT Appeals Committee (also known as the Appeals Committee for Violations and Disputes)⁽⁵¹⁾.

8.1 Objecting to an Assessment

In case of an Assessment of the Taxable Person's obligations made by the Authority, the Taxable Person will be notified of its right to object to the Authority's decision by submitting an Objection to the competent department, also known as a VAT Review Request. The Objection must be filed through the ERAD portal of the Authority.

An Objection must be made within thirty (30) days of the date on which the Assessment notification is issued, as shown on the notification. A VAT Review Request must include at least the points under dispute and the reasons for objecting on the Authority's decision, in addition to the relevant supporting documents. The Assessment will be final if no Objection is made within this time period⁽⁵²⁾.

8.1.1. Security

The Authority may require a cash security or bank guarantee from the Taxable Person up to a maximum value of the unpaid amount of Tax and associated penalties arising in connection with the decision. The Taxable Person will receive a notification that a cash security or a bank guarantee is required⁽⁵³⁾.

8.1.2. Internal review

After receiving the Objection, an internal review process will start within the Authority. The Review and Objections Department undertakes to carry out the internal review procedure and to reply to the Objection submitted by the Taxable Person within 90 days. The review process will either result in:

- Accepting the Objection in full: a re-Assessment will be issued by the Authority
- Objection is partly accepted: a re-Assessment will be issued by the Authority to the extent applicable
- Objection is rejected in full: a notification of rejection will be sent to the Taxable person with regards to its objection on the Authority's prior decision.

(51) Royal Decree No. M/113.

(52) Article 68, Appeals, Implementing Regulations and Article 66, Objection and Appeal, Income Tax Law (as amended by Royal Decree M/113)

(53) Article 65(2), Security, Implementing Regulations

In the case of a rejection or partial acceptance, the Authority or the Taxable Person may propose to involve the Internal Dispute Settlement Committee to resolve the dispute (see section 8.2).

Meanwhile, the Taxable Person should still submit the request for appeal at the General Secretariat of the Tax Committees ("GSTC") within 30 days from the date of issuance of the Review and Objections Department's decision in order to preserve its right to pursue a formal appeal against the GAZT decision before the VAT First Instance Committee (see section 8.3 of this guideline).

8.2. Internal Dispute Settlement Committee

The Authority has established an Internal Dispute Settlement Committee ("Settlement Committee") to facilitate the settlement of Tax disputes, including VAT⁽⁵⁴⁾.

The Settlement Committee shall be responsible for dispute resolution between the Authority and the Taxable Person. The Settlement Committee can provide dispute resolution as an alternative to formal Appeal made to the VAT First Instance Committee and the VAT Appeals Committee which are both considered as the competent judicial authorities to look into the Tax disputes. The Taxable Person may request the Settlement Committee to review the decision of the Review and Objections Department. The Authority may itself request a review from the Settlement Committee in cases where the Taxable Person has filed an appeal to the VAT First Instance Committee.

The request for resolution needs to be submitted to the Settlement Committee using the taxpayer ERAD portal and will include at least the points under dispute, reasons for disagreement with the Authority's decision and any relevant supporting documents to support the Taxable Person's standpoint.

The request for resolution by the Settlement Committee suspends the formal progress of any appeal made to the VAT First Instance Committee, until the resolution is rejected or closed.

The Settlement Committee shall inform the Taxable Person within 30 days from the date of submission if the request to resolve the matter through the Settlement Committee is accepted or rejected.

8.2.1. Settlement Committee Process

If the request for resolution is accepted, a meeting will be organized to review the case involving the Taxable Person (and his representatives, where applicable). Following the meeting, the Settlement Committee shall make a decision (in standard cases, this must be within 60 days from the date the Taxable Person originally submitted a request for resolution by the Settlement Committee).

However, if the Taxable Person agrees, the period to make a decision can be extended by an additional 60 days.

When making a decision on the request for resolution, the Committee will inform the Taxable Person of its settlement decision. The Taxable Person will be granted a five-day period from the date of notification to notify the Committee of either the acceptance or the rejection of the settlement decision.

If the settlement decision is accepted, the Taxable Person must confirm this in writing within the five-day period. After confirmation from the Taxable Person, the formal minutes with respect to the agreed settlement will be prepared to be signed by an authorized representative of the Taxable Person and the Committee. The settlement minutes will be sent to the Governor for approval.

(54) Ministerial Resolution No. 2753 dated 141439/8/H (30 April 2018)

Upon the Taxable Person's approval of the Committee's decision, the settlement is final and cannot be appealed against to any higher Tax Authority (by either the Authority or the Taxable Person). A new Assessment will be issued by the Authority showing the agreed settlement. If the Taxable Person has registered a request for appeal with the GSTC, the Authority will advise the GSTC that the matter is closed by the Committee.

8.2.2. Rejection of Settlement

The Settlement Procedure can be rejected in three ways:

- a. The Authority informs the Taxable Person that the request for Resolution is rejected.
- b. The request for Resolution is accepted, but the Taxable Person does not receive a settlement decision from the Settlement Committee within 60 days of the request being filed (unless a notification for an extension of 60 days has been sent to the Taxable Person). In these cases, the request is deemed to have been rejected.
- c. The settlement decision is rejected by the Taxable Person or the Taxable Person does not confirm its acceptance of the Committee's decision in writing within the five-day period.

If the Taxable Person has registered a request for appeal with the GSTC which has paused during the Settlement Committee process, the formal appeal to the VAT First Instance Committee will then proceed.

8.3. Appealing to the VAT First Instance Committee

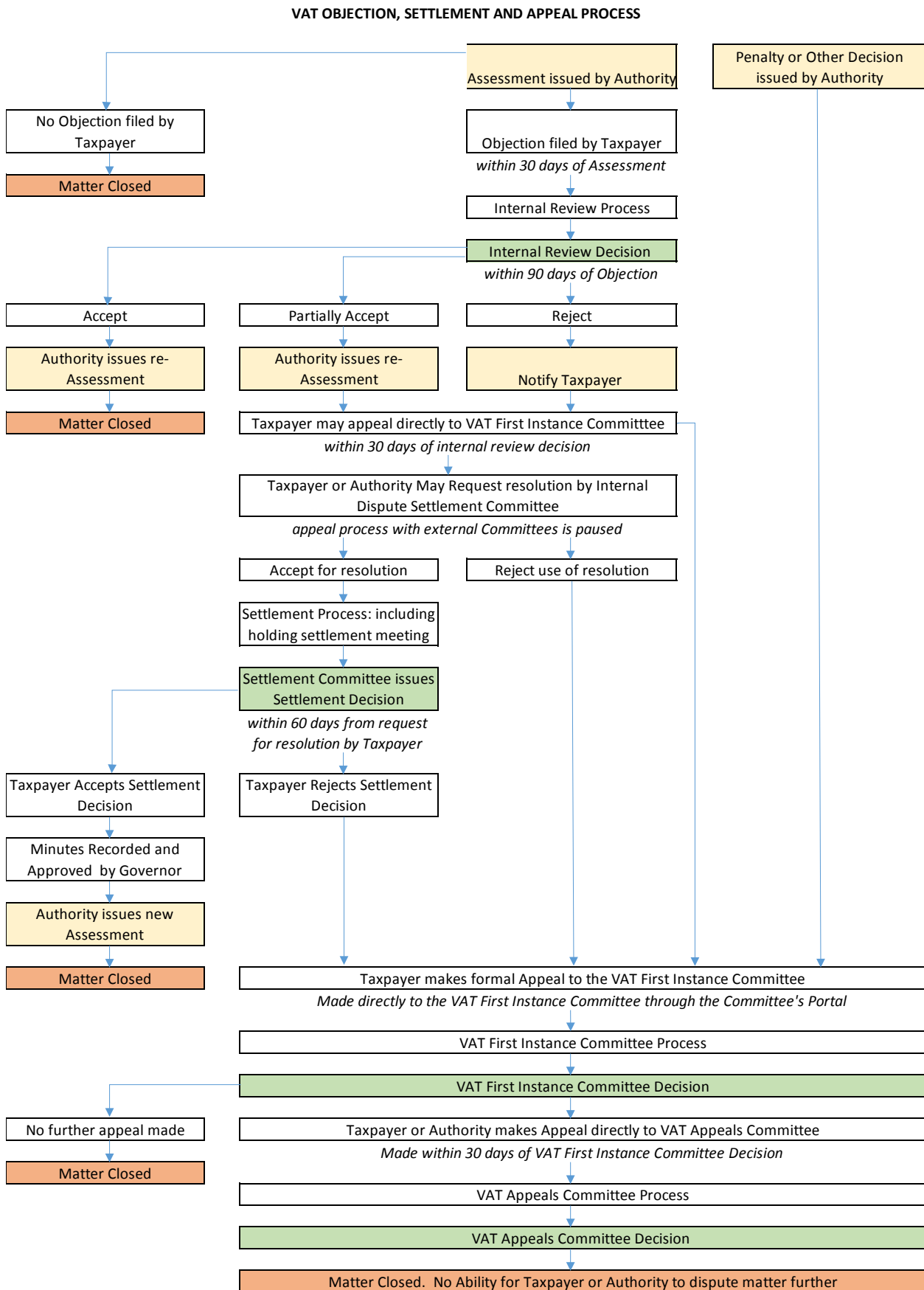
The VAT Law has determined the VAT First Instance Committee and the VAT Appeals Committee to be the competent judicial authorities to which the Taxable Person may file a grievance (appeal) against the Authority's decisions in accordance with the Royal Decree No. M/113 dated 2/11/1438H, and these Committees are review bodies separate to the Authority. They are equivalent to the Preliminary Objection Committee and Higher Appeal Committees established for reviews of Income Tax matters. A Taxable Person, who wishes to appeal against the Authority's decisions (whether against the decisions issued by the Review and Objections Department in connection with the objections on the Assessments and related penalties, or against the fines imposed by the Authority which are not presented to the Review and Objections Department), must submit the appeal directly to the VAT First Instance Committee (the Committee on the Separation of Violations and Tax Disputes) within 30 days of the date the notification of penalties due is issued in accordance with the above mentioned Royal Decree.

The Authority's decision or the imposed penalties are considered final in case no appeal is received against them within the specified period. Further, claims in tax disputes shall not be heard after five years from the date of payment of the amount claimed or from the date of knowledge of the subject in question, unless there is an excuse acceptable to the Committee.

In case the Taxable Person or the Authority objects to the decisions of the VAT First Instance Committee, the dispute shall be moved up to the VAT Appeals Committee (Appeals Committee for Violations and Disputes) which decisions shall be final and non-contestable before any other judicial body.

The VAT Appeals Committee will prepare the rules of work of the two Committees which shall be published once they are approved and issued via a separate Royal Order.

VAT objection flowchart



9. VAT obligations of the Taxable Person

A Taxable Person must evaluate its tax obligations and also comply with the conditions and obligations relating to VAT. This includes registering for VAT as necessary, and exactly calculating the net amount of VAT payable, and paying the tax at the time due, as well as keeping all necessary records and cooperating with officials of the Authority on demand.

If a Taxable Person is not sure of its obligations, the Authority must be contacted through its website at vat.gov.sa or by other means of communication, and a Taxable Person may also seek external consultation through a qualified consultant. There follows below a review of the most important tax obligations provided for in the Law and the Implementing Regulations.

9.1. Issuing Tax Invoices

A supplier must issue a Tax Invoice for each taxable supply made to any VAT-registered person or to any other legal person, or issue a simplified invoice in the event that the Value of the supply is less than SAR 1,000, or for supplies made to the end consumer, by no later than fifteen days following the end of the month in which the supply is made.

The Tax Invoice must clearly detail information such as the invoice date, supplier's tax identification number, taxable amount, tax rate applied, and the amount of VAT charged⁽⁵⁵⁾. If different rates have been applied to supplies, the Value of each supply at each rate must be separately specified, as well as the VAT applicable to each rate. A Tax Invoice may be issued in the form of a commercial document, provided that document contains all of the requirements for the issuing of Tax Invoices as set out in the Implementing Regulations to the Law⁽⁵⁶⁾.

Note that a Tax Invoice for a Nominal Supply (for example, resulting from the provision of goods or services for no Consideration) must be kept with the person's business records, but must not be issued to the recipient of the goods or services.

Further information on the requirements for tax invoicing can be found in the Taxpayer guideline on Invoicing and Records.

9.2. Filing VAT Returns

Each VAT Registered Person, or the person authorised to act on his behalf, must file a VAT return with the Authority for each monthly or quarterly tax period. Section 4 of this Guideline describes these obligations in more detail.

9.3. Keeping records

All Taxpayers are required by law to keep appropriate VAT records relating to their calculation of VAT for audit purposes. This includes any documents used to determine the VAT payable on a transaction and in a VAT return. This will generally include:

- tax invoices issued and received;
- books and accounting documents;
- contracts or agreements for large sales and purchases;
- bank statements and other financial records;
- import, export and shipment documents; and
- other records relating to the calculation of VAT

(55) For more details on the requirements for issuing tax invoices, refer to the published Invoicing & Records guideline and Article 53, Tax Invoices, Implementing Regulations

(56) Article 53, Tax Invoices, Implementing Regulations

Records may be kept in physical copy, or electronically provided the relevant criteria are met – but in all cases must be made available to the Authority on request.

All records must be kept for at least the standard retention period of 6 years. That minimum period for retention is extended to eleven (11) years in connection with invoices and records relating to movable capital assets, and fifteen (15) years in connection with invoices and records relating to non-movable capital assets⁽⁵⁷⁾.

9.4 Display of certificate of registration within the VAT system

A resident person who is subject to VAT and registered with the Authority in the VAT system must display a certificate to the effect that he has been registered in the VAT system in a place visible to the public at his main place of business and at all his branches.

In the event of a contravention, the person in breach will be liable to the penalties provided for in the Law.

(57) Article 66, Records, Implementing Regulations

10. Penalties

The Authority may impose penalties or fines on taxpayers for violations of VAT requirements set out by the Law or Implementing Regulations⁽⁵⁸⁾.

Description of offence	Associated fine
Submitting false documents with the intent of evading the payment of the VAT due or to reducing its value	At least the amount of the VAT due Up to three times the value of the goods or services
Moving goods in or out of the Kingdom without paying the VAT due	At least the amount of the VAT due Up to three times the value of the goods or service
Failure to register for the VAT in the allotted timeframe	SAR 10,000
Filing incorrect tax return, amend a tax return after submission or filing any VAT document with the Authority resulting in a lower amount due	Equal to 50% of the value of the difference between the calculated Tax and Tax due
Failure to file VAT return in time	5%-25% of the VAT in respect of which the return should have been filed
Failure to pay the VAT in time	5% of the VAT due for each month or part thereof
Collecting VAT without being registered	Up to SAR 100,000
Failure to maintain books and records as stipulated in the regulations	Up to SAR 50,000
Preventing GAZT employees from performing their duties	Up to SAR 50,000
Violating of any other provision of the VAT regulations or the VAT law	Up to SAR 50,000

In all cases, if a violation is repeated within three years from the date of issuing the final decision of the penalty, the Authority may double fine for the second offense.

The level of the penalty or fine imposed is set by GAZT with regard to the taxpayer's behaviour and compliance record (including taxpayers meeting their requirements to notify GAZT of any errors and provide co-operation to rectify mistakes).

(58) Chapter Sixteen: Articles (39), (40), (41), (42), (43), (44), (45), and (47), Tax Evasion and Penalties, VAT Law.

11. Applying for the issuance of rulings (interpretative decisions)

In the event that a Person is not sure about the manner of application of VAT to a particular activity or particular transaction that it is doing or intend to do, after referring to the relevant provisions and the relevant guideline, the Person may submit an application to the Authority to obtain a ruling. The application should set out the full facts relating to the particular activity or particular transaction on which the Person is asking the Authority to express its view.

A reply to a request for a ruling may be either:

- Public, in which event the Authority will publish details of the ruling, but without referring to any private particulars relating to the individual Taxpayer, or
- Private, in which case the Authority will not publish the ruling.

Neither a public nor a private ruling issued by the Authority will be treated as binding on it or upon the Taxable Person in connection with any transaction that it performs, and it shall not be possible to rely on it in any manner.

The Authority is not obliged to respond to all requests for rulings, and it may review all requests and specify priorities on the basis of certain elements, including:

- The level of information submitted by the Person in the request,
- The potential benefit to Taxable Persons as a whole on the issuing of a general ruling concerning some transaction or activity,
- Whether there is an existing law or guide dealing with this request.



VAT.GOV.SA

@SaudiVAT | ☎ 19993