

BEPS Actions implementation by country

Saudi Arabia



Last reviewed by Deloitte: May 2017

On 5 October 2015, the G20/OECD published 13 final reports and an explanatory statement outlining consensus actions under the base erosion and profit shifting (BEPS) project. The output under each of the BEPS actions is intended to form a complete and cohesive approach covering domestic law recommendations and international principles under the OECD model tax treaty and transfer pricing guidelines. The G20/OECD output broadly falls into the following categories:

OECD categorisation	Definition
Minimum standard	All G20/OECD members are committed to consistent implementation
Revision of existing standard	Common approaches to facilitate convergence of national practices
Common approach	Guidance drawing on best practices
Best practice	

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It is now for governments to digest and introduce the necessary legislation. The table below sets out a summary of the expected local country implementation and timing in Saudi Arabia.

Action	OECD categorisation	Notes on local country implementation	Expected timing
VAT on business to customers digital services (Action 1)	Common approach	VAT will be introduced in Saudi Arabia on 1 January 2018. N/A	
Hybrids (Action 2)	Common approach	Not yet known.	Not yet known
CFCs (Action 3)	Best practice	Not yet known.	Not yet known
Interest deductions (Action 4)	Common approach	The existing thin capitalisation rules are considered to be more stringent than the best practice recommended in Action 4. It is not yet known whether any changes will be made to existing legislation.	Not yet known
Harmful tax practices (Action 5)	Minimum standard	Not yet known.	Not yet known
Prevent treaty abuse (Action 6)	Minimum standard	Some of the Action 6 recommendations are broadly in line with the long-standing Saudi Arabian tax authority practices against treaty shopping. It is not yet known whether any changes will be made.	Not yet known
Permanent establishment status (Action 7)	Revision of existing standard	It is not yet known whether any changes to the tax law will be made as a result of the Action 7 recommendations. However, it should be noted that the General Authority for Zakat and Tax (GAZT) issued internal guidance recommending a stronger position on service PEs. The guidance states that if a nonresident provides services in	Not yet known

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Saudi Arabia for a period exceeding the agreed services PE duration under an applicable tax treaty (i.e. 183 days in a 12-month period), the nonresident will be deemed to have a PE in Saudi Arabia, regardless of whether the services were physically rendered in Saudi Arabia. Therefore, a foreign service provider rendering services in Saudi Arabia for more than 183 days may create a PE even if it does not have any personnel or employees actually in Saudi Arabia.

Transfer pricing (Actions 8-10)	Revision of existing standard	The GAZT will be issuing specific transfer pricing guidelines in the near future. Given that Saudi Arabia is a member of the G20, the guidelines are expected to take into account the outcome of BEPS actions.	Not yet known, but likely in 2017
Disclosure of aggressive tax planning (Action 12)	Best practice	Not yet known.	Not yet known
Transfer pricing documentation (Action 13)	Common approach	There are no existing transfer pricing documentation requirements in Saudi Arabia. Once the transfer pricing guidelines have been introduced, it is expected that the documentation requirement will be in line with the Action 13 recommendations.	Not yet known, but likely in 2017
CbC reporting (Action 13)	Minimum standard	Not yet known.	Not yet known
Dispute resolution (Action 14)	Minimum standard Complemented by best practice	Not yet known.	Not yet known
Multilateral Instrument (Action 15)	Applicable across all four categories	Not yet known.	Not yet known

Unilateral BEPS Actions

No unilateral BEPS actions to note.

Other Tax Developments

No other tax developments to note.

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