International Tax

Saudi Arabia Highlights 2024

Updated January 2024

Recent developments

For the latest tax developments relating to Saudi Arabia, see Deloitte tax@hand.

Investment basics

Currency: Saudi Riyal (SAR)

Foreign exchange control: There are no foreign exchange controls.

Accounting principles/financial statements: IFRS applies.

Principal business entities: These are the limited liability company, joint stock company, and branch of a foreign entity.

Corporate taxation

Rates	
Corporate income tax rate	20% (standard rate)
Branch tax rate	20%, plus 5% branch remittance tax
Capital gains tax rate	20%

Residence: A company is resident in Saudi Arabia if it is incorporated in Saudi Arabia or its central management is located in Saudi Arabia.

Basis: Resident companies listed on the Saudi stock exchange and not engaged in the production of oil and hydrocarbons are subject to corporate income tax on income arising from their operations and branches inside and outside of Saudi Arabia, but only to the extent their shares are owned by non-Saudi/non-Gulf Cooperation Council (GCC) shareholders for purposes other than speculation through trading in the Saudi stock market or by non-Saudi/non-GCC founding shareholders.

Resident companies not listed on the Saudi stock exchange are subject to corporate income tax on income arising from their operations and branches inside and outside of Saudi Arabia, but only to the extent their shares are owned directly or indirectly by non-Saudi/non-GCC shareholders or by persons engaged in oil and hydrocarbon production (unless the company is a subsidiary of a resident company listed on the Saudi stock exchange).

Persons engaged in the production of oil and hydrocarbons or in natural gas investment in Saudi Arabia are subject to corporate income tax.

Non-Saudi/non-GCC nonresidents that conduct business in Saudi Arabia through a permanent establishment (PE) are subject to corporate income tax on income arising from or related to the PE and on income attributed to the PE under the force of attraction rule, unless such rule is nullified by an applicable tax treaty. ZATCA no longer applies the “virtual PE” approach under the PE service provision contained in most of Saudi Arabia’s bilateral tax treaties.

Non-Saudi/non-GCC individuals that are Saudi residents and that conduct business in Saudi Arabia are subject to corporate income tax on income attributable to the business.

Taxable income: The tax base excludes exempt income and is reduced by allowable expenses. The tax base of a company is determined independently from its shareholders, partners, or subsidiaries, irrespective of whether the company is consolidated for accounting purposes. The tax base of persons engaged in the production of oil and hydrocarbon materials or engaged in natural gas investment is calculated separately from the tax bases for other activities.

Rate

General

The standard corporate income tax rate is 20%.

The corporate income tax rate for persons engaged in the production of oil and hydrocarbons is determined on the following basis: 85% for capital investment of USD 60 billion or less; 75% for capital investment between USD 60 billion and USD 80 billion; 65% for capital investment between USD 80 billion and USD 100 billion; and 50% for capital investment exceeding USD 100 billion. A tax rate of 20% applies for five years on the tax base from oil and hydrocarbon downstream activities; however, the person must separate its downstream activities during the five-year period ending 31 December 2024 or they will be subject to tax based on capital investment amounts as outlined above. Capital investment is defined as the total cumulative value of fixed assets, whether tangible (e.g., equipment, machinery, etc.) or intangible, including exploration, drilling, and development expenses.

The corporate income tax rate for persons engaged in natural gas investment is 20%.

Surtax

There is no surtax.

Alternative minimum tax

There is no alternative minimum tax.

Global minimum tax (Pillar Two)

Saudi Arabia has not yet announced whether it intends to implement rules that are generally in line with the global anti-base erosion (GloBE) or “Pillar Two” model rules published by the OECD/G20 Inclusive Framework on BEPS that are designed to ensure a global minimum level of taxation of 15% for multinational enterprise groups with annual consolidated revenue of at least EUR 750 million.

Taxation of dividends: Dividends received are included in taxable income if they do not meet certain exemption criteria. Dividends received by a Saudi resident company from resident and nonresident companies are exempt where the recipient company has owned at least 10% of the payer company for at least one year.

Capital gains: A 20% capital gains tax is imposed on gains derived from the disposal of shares in a resident company by a nonresident shareholder unless the gain is exempt or disregarded. Capital gains arising on the sale of shares acquired after 30 June 2004 and quoted on a stock exchange are exempt from tax if the shares are disposed of through a Saudi stock exchange, a foreign stock exchange, or off market sales conducted in compliance with the Saudi Capital Market Law.

No gain or loss arises on the transfer of non-depreciating assets between group companies if the companies are wholly owned, directly or indirectly, within the group and the assets are not disposed of outside the group for at least two years from the date of transfer. However, the Zakat, Tax and Customs Authority (ZATCA) considers this relief only available for the transfer of non-depreciating assets between Saudi resident group companies.

Losses: Tax losses may be carried forward indefinitely, subject to a maximum offset each year of 25% of the annual taxable profits. A company may carry forward losses if there has been a continuity of at least 50% in ownership or control from the year in which the loss was made, or where there has been a change of 50% or more of the non-Saudi share of underlying ownership or control, provided the company continues to perform the same activity. Transfers of shares between group companies are not considered a change in the ownership or control of the company. Losses may not be carried back.

Foreign tax relief: There is no foreign tax relief under domestic law, but relief may be available under an applicable tax treaty.

Participation exemption: There is no participation exemption.

Holding company regime: See "Taxation of dividends," above.

Incentives: The government grants 10-year tax incentives on investments in the following less developed provinces: Abha, Al-jouf, Hail, Jizan, Najran, and Northern Border. Investors are granted a tax credit against the annual tax payable in respect of the costs of training and salaries of Saudi employees.

There are five special economic zones with various direct and indirect tax incentives that apply to specified industries.

Other

In certain cases, zakat may apply at rate of 2.5% (2.5778% for those following a Gregorian year). See "Zakat" under "Other" under "Other taxes on corporations and individuals," below.

Compliance for corporations

Tax year: The default tax year is the period from 1 January to 31 December. A taxpayer's first tax year starts from the date it obtains a commercial registration or license unless other documents support a different date.

A taxpayer may use a different tax year where: (i) the different year was approved by the tax authorities before the effective date of the income tax regulations; (ii) the taxpayer uses a Gregorian financial year; or (iii) the taxpayer is a member of a group of companies or a branch of a foreign company that uses a different financial year.

Consolidated returns: Consolidated returns are not permitted for corporate income tax purposes.

Filing and payment: Tax returns must be filed online with the tax authorities within 120 days from a company's fiscal year end, together with the tax payment due as per the return. A taxpayer with taxable income that exceeds SAR 1 million before the deduction of expenses must have the accuracy of the declaration certified by a licensed certified accountant. Additionally, audited financial statements must be filed with the Ministry of Commerce within 120 days of the year end.

All persons, including government organizations, are required to submit a contract information form (CIF) to the ZATCA for all contracts with the private sector with a value of SAR 100,000 or more. The CIF must be filed within three months of signing or revising the contract. The ZATCA also must be notified within 30 days of terminating a contract.

Penalties: The penalties for failure to file a tax return are the higher of 1% of revenue (up to a maximum of SAR 20,000) or between 5% and 25% of the unpaid tax, depending on the length of the delay. In addition, there is a fine of 1% of the unpaid tax for every 30 days' delay in settlement.

Rulings: Taxpayers may request rulings; however, the rulings are non-binding on the tax authorities.

Individual taxation

Individuals are not subject to income tax on employment income. However, individuals may be subject to corporate income tax, withholding tax, or zakat on business income depending on their nationality and residence. See "Corporate taxation," above, and "Withholding tax" and "Other taxes on corporations and individuals," below.

Withholding tax

Rates

Type of payment	Residents		Nonresidents	
	Company	Individual	Company	Individual
Dividends	0%	0%	5%	5%
Interest	0%	0%	5%	5%
Royalties	0%	0%	15%	15%

Dividends: No withholding tax is imposed on dividends paid to a resident. A 5% withholding tax applies on dividends paid to a nonresident, unless the rate is reduced under an applicable tax treaty.

Interest: No withholding tax is imposed on interest paid to a resident. A 5% withholding tax applies on interest paid to a nonresident, unless the rate is reduced under an applicable tax treaty.

Royalties: No withholding tax is imposed on royalties paid to a resident. A 15% withholding tax applies on royalties paid to a nonresident, unless the rate is reduced under an applicable tax treaty.

Fees for technical services: No withholding tax is imposed on fees for technical services paid to a resident. A 5% withholding tax applies on technical service fees paid to a nonresident, unless the rate is reduced under an applicable tax treaty.

Branch remittance tax: A 5% withholding tax applies on the remittance of profits abroad.

Other: Other payments, such as rent, insurance/reinsurance premiums, airline tickets, air or sea freight charges, management fees, international telecommunication services, and other payments for services not otherwise specified that are from sources in Saudi Arabia, are subject to withholding tax at various rates.

Anti-avoidance rules

Transfer pricing: Transfer pricing regulations apply and generally are consistent with OECD guidelines. The regulations apply to all corporate income tax payers and, as from 1 January 2024, to zakat payers (see “Other taxes on corporations and individuals,” below) and cover transactions between related persons or persons under common control. The concept of “effective control” has been introduced, which broadens the definition of “related party” for transfer pricing purposes.

Interest deduction limitations: The deductibility of interest expense for corporate income tax purposes is subject to an interest limitation rule, which limits deductions to the lesser of (i) the actual interest expense or (ii) the interest income, plus 50% of taxable income (excluding interest income and interest expense).

Controlled foreign companies: There are no controlled foreign company rules.

Anti-hybrid rules: There are no anti-hybrid rules.

Economic substance requirements: There are no economic substance requirements.

Disclosure requirements: A disclosure form providing various details for transfer pricing purposes must be submitted together with the annual income tax return within 120 days of the financial year end. It must be accompanied by an affidavit from an auditor licensed to operate within Saudi Arabia certifying that the taxpayer’s transfer pricing policy is applied consistently by and in relation to the taxpayer.

Saudi Arabian entities that are members of groups with consolidated revenue exceeding SAR 3.2 billion are subject to country-by-country (CbC) reporting and notification requirements. CbC reports should be submitted 12 months after the fiscal year end. Notifications regarding ultimate parent entities not based in Saudi Arabia should be submitted 120 days after the fiscal year end (as part of the disclosure form due with the annual income tax return and on the automatic exchange of information portal).

If the aggregate arm’s length value of related party transactions exceeds SAR 6 million, the taxpayer should maintain transfer pricing documentation (master file and local file) contemporaneous to the time the income tax return is filed and must submit such documentation within 30 days of a request by the tax authorities.

Exit tax: There is no exit tax; however, amounts in excess of the share capital invested remitted to a nonresident at the time of liquidation are treated as a dividend subject to a 5% dividend withholding tax.

General anti-avoidance rule: There is a general anti-avoidance rule in the tax law.

Value added tax

Rates	
Standard rate	15%
Reduced rate	0%

Taxable transactions: VAT applies to almost all supplies of goods or services, subject to limited exceptions. Exempt supplies include margin-based financial services, life insurance, residential property rental, and real estate transfers (see “Transfer tax,” under “Other taxes on corporations and individuals,” below).

Rates: The standard rate of VAT is 15%. Certain goods and services are zero-rated in accordance with the GCC’s Framework Agreement and the Saudi VAT law and its implementing regulations, which specify some mandatory areas for zero-rating (including exports of goods and services outside the GCC; international transportation of passengers and goods from Saudi Arabia to other jurisdictions; and the supply of qualifying medicines, medical goods, and investment metals).

Registration: The standard mandatory VAT registration threshold is annual turnover of SAR 375,000. A fine of SAR 10,000 is imposed for failure to register by the required deadline. Businesses also may apply to register voluntarily if they have annual turnover of at least SAR 187,500. Nonresidents providing taxable supplies to nontaxable customers in Saudi Arabia must register within 30 days from the first such supply.

Filing and payment: VAT tax periods may be monthly or quarterly. Taxpayers must calculate the net VAT for the period and submit the VAT return electronically by the end of the following month, together with the payment required. VAT reporting can be carried out on a "cash accounting" basis for small businesses with turnover of less than SAR 5 million. Businesses with annual turnover of less than SAR 40 million may use a quarterly filing period.

Electronic invoicing is mandatory. Taxpayers must issue invoices in a standard electronic format and are required to integrate with the tax authority's system to validate and issue tax invoices.

Other taxes on corporations and individuals

Unless otherwise stated, the taxes in this section apply both to companies and individuals and are imposed at the national level.

Social security contributions: For Saudi employees, the employer must contribute 12% of the employee's salary to the General Organization for Social Insurance, and the employee contributes 10%. The employer also pays accident insurance equal to 2% of the salaries paid for non-Saudi employees.

Payroll tax: There is no payroll tax.

Capital duty: There is no capital duty.

Real property tax: A 2.5% white land tax applies on all undeveloped land within urban boundaries.

Transfer tax: Real estate transfers are subject to real estate transaction tax (RETT) at a rate of 5%, which applies to sales, assignments, and similar transfers (unless specifically exempted) of land, property, and associated rights. Although the levy of RETT generally corresponds with an exemption from VAT, there are transactions that (intentionally) may be subject to both RETT and VAT. All RETT transactions (including those exempted) must be reported, and no threshold applies. The transferor is responsible for the collection of RETT and remittance to the ZATCA, although the transferee is jointly liable if the tax is not remitted.

Stamp duty: There is no stamp duty.

Net wealth/worth tax: There is no net wealth tax or net worth tax (but see "Zakat" under "Other," below).

Inheritance/estate tax: There is no inheritance tax or estate tax.

Other

Zakat

Zakat is assessed on the higher of a business's zakat base (balance sheet basis) and the net adjusted profit. For zakat payers following the Hijri year, the zakat rate is 2.5%. For zakat payers following the Gregorian year, the zakat rate is 2.5778% for the zakat base excluding the net adjusted profit and 2.5% for the net adjusted profit. Certain rules on losses exist for groups wholly subject to zakat. Consolidated returns may be filed for zakat in the case of wholly owned subsidiaries (whether domestic or foreign or held directly or indirectly). However, standalone zakat returns are required to be filed for information purposes.

Zakat is imposed on the following:

- Resident companies listed on the Saudi stock exchange and not engaged in the production of oil and hydrocarbons, but only to the extent their shares: (i) are not owned by non-Saudi/non-GCC shareholders for purposes other than speculation through trading in the Saudi stock market or by non-Saudi/non-GCC founding shareholders; or (ii) are not owned by Saudi government bodies or institutions;
- Resident companies not listed on the Saudi stock exchange, but only to the extent their shares: (i) are not owned directly or indirectly by non-Saudi/non-GCC shareholders or by persons engaged in oil and hydrocarbon production (unless the company is a subsidiary of a resident company listed on the Saudi stock exchange); or (ii) are not owned by Saudi government bodies or institutions;
- Saudi/GCC nonresidents that conduct business in Saudi Arabia through a PE, provided that the PE is the principal place of management, i.e., if at least two of the following conditions are met: (i) board meetings related to the PE are held in Saudi Arabia; (ii) executive decisions related to the management of the nonresident's functions are made in Saudi Arabia; and/or (iii) over 50% of the nonresident's revenue is from Saudi Arabia; and
- Saudi/GCC resident individuals that carry on a business in Saudi Arabia.

Expatriate levy

An annual dependent levy of SAR 4,800 applies per expat dependent residing in Saudi Arabia.

Tax treaties: Saudi Arabia has concluded 55 tax treaties. The Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (BEPS MLI) entered into force for Saudi Arabia on 1 May 2020.

For information on Saudi Arabia's tax treaty network, visit Deloitte International Tax Source.

Tax authorities: Zakat, Tax and Customs Authority

Contact us:

Kashif Jahangiri
Email: kjahangiri@deloitte.com

Peter Bourke
Email: pbourke@deloitte.com

Michael Camburn
Email: mcamburn@deloitte.com