

Doing business in Saudi Arabia

The 2026 tax guide



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Welcome to Saudi Arabia

Saudi Arabia continues to advance as one of the world's most dynamic business destinations. Through Vision 2030, the Kingdom is driving deep reforms that enhance competitiveness, strengthen transparency, and open new pathways for investment and innovation.

This year's updates reflect that momentum. From significant tax and regulatory changes, to the introduction of a new Investment Law, to ongoing digital transformation and artificial intelligence (AI) initiatives shaping the future economy. These developments, alongside the expansion of foreigners' rights, reflect the Kingdom's continued progress toward a more diversified and investor-friendly environment.

This guide provides an overview of Saudi Arabia's tax landscape and regulatory framework to help businesses navigate opportunities with confidence and clarity.

I hope you find this insightful for your organization, and our tax professionals are happy to respond to any of your inquiries.



Dr. Abdullah Al Fozan
CEO
KPMG Middle East

Recent highlights



Regulatory updates to tax regime

Saudi Arabia continues to introduce regulatory updates to its tax regime, in an effort to modernize the regime, as well as align with Vision 2030 goals and global standards.

Recent developments include amendments to the new zakat regulations, refining the framework that took effect in January 2024, which includes clarifying the zakat treatment of off-plan real estate projects.

The Real Estate Transaction Tax (RETT) system was overhauled, with a new law and updated implementing regulations coming into effect in April 2025, introducing revised definitions, expanded scope, and updated exemption criteria. Also in April 2025, ZATCA approved amendments to the VAT Implementing Regulations, while VAT e-invoicing Phase 2 rollout continues to be announced in waves.

In May 2025, Saudi Arabia amended its White Land Tax Law to expand its scope to vacant real estate and revise the tax rates. In August 2025, the Implementing Regulations for White Land Tax were published in the Official Gazette, detailing the tax provisions related to white lands, while the Implementing Regulations for Vacant Real Estate Tax are pending publication.

Furthermore, the Cancellation of Fines and Exemption of Financial Penalties initiative, a tax amnesty scheme that has been extended multiple times since 2022, was most recently extended for an additional six months, from 1 January 2026 to 30 June 2026, thereby continuing to offer relief to taxpayers who meet the qualifying conditions set by the tax authority.



Digital transformation and AI

Saudi Arabia has reinforced its position as a regional and global hub for artificial intelligence (AI) and digital innovation, announcing over US\$14.9 billion in new investments during the LEAP 2025 conference in Riyadh. These initiatives, which include partnerships with leading global tech companies, aim to accelerate the Kingdom's transition toward an AI-driven economy.

Following these announcements, the Communications, Space and Technology Commission (CST) issued a draft Global AI Hub Law for public consultation, proposing the establishment of three types of AI hubs, or "data centers," in Saudi Arabia. Under this law, foreign entities would be able to host data, applications, infrastructure, and services under the laws of the relevant foreign country. If implemented, the law could transform cross-border tech operations.

These initiatives align with the Kingdom's National Strategy for Data & AI, through which Saudi Arabia is fostering an ecosystem that drives innovation, attracts investment, cultivates talent, and enhances digital infrastructure, positioning it as the largest digital economy in the MENA region.¹



Special Economic Zone regulations

In January 2026, regulations governing Saudi Arabia's four special economic zones (SEZs) of Jazan, Cloud Computing, King Abdullah Economic City, and Ras Al-Khair were published, set to take effect in April 2026.² Supporting Saudi Arabia's vision to position itself as a premier investment destination, these regulations reinforce a highly business-friendly environment through a range of strategic incentives, including tax and customs incentives, that companies looking to operate in these zones can leverage.³



New Investment Law

The Ministry of Investment announced new business regulations aimed at boosting transparency and easing the process of investing in the Kingdom as it looks to attract more foreign capital to support economic diversification. The updated investment law enhances investor rights by guaranteeing the rule of law, fair treatment, equal treatment of local and foreign investors and the freedom to transfer funds without delay, among other reforms. Foreign investor licenses have also been scrapped and replaced with a simplified registration process, while dedicated service centers are being established to help expedite the process of investing in Saudi Arabia. The reform came into effect in early 2025, followed by the publication of the law's implementing regulations.⁴



New foreign ownership law

Saudi Arabia's Law of Real Estate Ownership by Non-Saudis, published in July 2025 and effective January 2026, allows individuals, companies, and certain entities that are foreign to own real estate in the Kingdom under specific conditions and within designated geographic zones. Replacing the 2000 law, it introduces a more open and investment-friendly framework. To acquire real estate ownership or other real estate rights, foreign companies and entities must first register with the relevant authority. Non-Saudis will be subject to a fee of up to 5 percent upon disposing of their real estate rights, in addition to any other applicable taxes and statutory fees. The law aligns with existing frameworks like the Saudi Premium Residency Permit Law and GCC ownership statutes, and, overall, is expected to boost real estate growth and attract global investment in line with Vision 2030.⁵



Regional Headquarters program

Saudi Arabia's Regional Headquarters (RHQ) program has surpassed its target, with over 600 multinational companies now licensed to operate RHQs in the Kingdom. In September 2025, the Ministry of Investment issued for public consultation rules outlining licensing requirements, compliance obligations, and supervisory mechanisms, while also clarifying the scope of RHQ activities and available incentives. These developments reinforce Riyadh's position as regional hub for multinational companies.⁶

Saudi Arabia at a glance

Country overview

The Kingdom of Saudi Arabia is the largest country in the Arabian Peninsula, in population size and by land mass. The capital city of Saudi Arabia is Riyadh, which is also the country's political and financial center. Other major cities such as Jeddah and Dammam also contribute to the country's thriving business landscape, while Mecca and Madina hold immense religious significance as the locations of the two holy mosques that are central to the Islamic faith and attract millions of pilgrims each year.

The Kingdom has many rich resources, and its geographical, cultural, social, demographic, and economic strengths have propelled it to a prominent global position. In order to create a progressive path forward, Saudi Arabia has established Vision 2030 centered around three pillars that emphasized its distinctive competitive advantages: a vibrant society, a flourishing economy, and an ambitious nation.⁷

Population, language, and culture

Saudi Arabia's population reached 35.3 million, with Saudis forming 55.6 percent (around 19.6 million) and non-Saudis 44.4 percent (about 15.7 million). The average age of Saudis is around 30 years, and most of the population is within the working-age group.⁸

While Arabic is the official language of Saudi Arabia, English is widely spoken and integrated into everyday transactions and activities.⁹

The Kingdom's cultural identity is shaped by the diversity of its people, reflecting a rich tapestry of traditions, dialects, and culinary practices across its thirteen regions. Each region has its unique heritage and customs, with significant differences in landscape and climate as well.

Saudi Arabia celebrates four official annual occasions: the Islamic festivals of Eid Al Fitr and Eid Al Adha, as well as Saudi National Day taking place on 23 September, Founding Day on 22 February, and the latest addition since 2022, Flag Day, celebrated on 11 March.

The values cherished by the people of Saudi Arabia, influenced by their Islamic beliefs, play a significant role in preserving the Kingdom's customs and traditions. Generosity, courage, hospitality, and strong family bonds are among the important social values embraced by the Saudi society.¹⁰



Legal system

Due to its status as an Islamic state, Saudi Arabia follows a judicial system based on Islamic law, known as Shari'ah, for both criminal and civil cases. The Saudi court system comprises three main components. The largest part is the Shari'ah Courts, which handles the majority of cases within the Saudi legal framework.

In addition to the Shari'ah Courts, there is the Board of Grievances, which specifically deals with cases involving the government. The third element of the Saudi court system consists of various committees situated within government ministries, which address specific disputes such as labor-related issues.

In 2007, a new system was implemented including a Supreme Court and specialized courts for commercial, labor, and administrative cases.¹¹

Foreign relations policies

The foreign policy of Saudi Arabia is guided by several principles. These include promoting good relations with neighboring countries, strengthening ties with Gulf States, its neighboring countries in the Arabian Peninsula, and other Islamic nations around the world, pursuing a non-alignment policy, and playing an active role in international and regional organizations.

Saudi Arabia holds the distinction of being a founding member of various influential organizations. As a founding member of Organization of the Petroleum Exporting Countries (OPEC), Saudi Arabia has aimed to

stabilize the global oil market and mitigate extreme price fluctuations. The Kingdom is also a member of international institutions such as the International Monetary Fund (IMF), the World Bank, and joined the World Trade Organization (WTO) in 2005. Additionally, Saudi Arabia played a key role in establishing the Arab League, the Persian Gulf Cooperation Council, the Muslim World League, and the Organization of Islamic Cooperation (OIC).

Currency

The official currency of Saudi Arabia is the Saudi Riyal (SAR), which is divided into 100 halala. Historically, the riyal was widely used and traded currency in the Middle East even before the establishment of the Kingdom. During the unification of the country, various foreign gold, silver, and bronze currencies were used alongside one another. To

establish a distinct national identity, King Abdulaziz took initiatives to introduce and maintain Saudi Arabia's own currency, as stated by the Saudi Arabian Monetary Authority (SAMA). This resulted in the creation of the Saudi Riyal, available in both coin and paper banknote forms.¹²

Tax overview

Saudi Arabia's income tax rules are governed by the Income Tax Law, which came into force in 2004. The law is supplemented by implementing regulations (bylaws). Zakat is governed by the Implementing Regulations for Zakat Collection (Zakat Regulations). The Ministry of Finance (MoF) issues ministerial resolutions concerning aspects of tax and zakat, and the Zakat, Tax and Customs Authority (ZATCA) regularly issues circulars and corporate income tax and zakat regulations. ZATCA generally takes a substance-over-form approach in dealing with tax matters. It often scrutinizes transactions and challenges taxpayers if they view transactions being motivated by noncommercial tax reasons.

Taxation system

Saudi Arabia's direct taxation system includes income tax, withholding tax, and zakat. Whether Saudi resident companies are subject to income tax or zakat – or both – generally depends on the nationality of their owners:

- Resident companies that are wholly owned, either directly or indirectly, by Saudi/GCC nationals (residents from Bahrain, Kuwait, Oman, Qatar and the UAE) – with no non-GCC entity in the ownership structure – are subject only to zakat.
- Resident companies that are wholly owned, either directly or indirectly, by non-Saudi or non-GCC nationals are subject to income tax.
- Resident companies that are of mixed ownership (companies owned by Saudi/GCC and foreign nationals) are subject to zakat in proportion to the Saudi/GCC ownership and to income tax in proportion to the foreign ownership.

However, there are certain exceptions to the above rules. All nonresident entities and companies, regardless of their ownership structure, which conduct business in Saudi Arabia through a PE or branch, which derive income from sources within the country, are subject to income tax. Nonresidents that provide services in Saudi Arabia without having a PE or branch are subject to withholding tax.

Tax residency criteria

A natural person is considered a tax resident in Saudi Arabia if one of the following conditions is met:

- The person has a permanent place of residence in Saudi Arabia and resides in the country for at least 30 days in a tax year, or
- The person resides in Saudi Arabia for at least 183 days in a tax year without having a permanent place of residence.

A company is considered resident in Saudi Arabia if one of the following conditions is met:

- It is formed in accordance with the Saudi Arabian Companies Law, or
- Its central management is in Saudi Arabia.

Permanent establishments

A permanent establishment (PE) is defined as a permanent place of the nonresident's activity through which it carries out business, in full or in part, including business carried out through an agent. An agent is considered as a dependent agent of a nonresident in Saudi Arabia if it has any of the following authorities:

- Negotiate contracts on behalf of the non-resident.
- Conclude contracts on behalf of the non-resident.
- Maintains stock of goods, owned by the non-resident, in Saudi Arabia to supply to the customers on behalf of the non-resident.

The Income Tax Law in Saudi Arabia also provides an inclusive definition of PE, which includes:

- Construction sites, assembly facilities, and the exercise of supervisory activities connected therewith.
- Installations, sites used for surveying natural resources, drilling equipment, ships used for surveying for natural resources as well as the exercise of supervisory activities connected therewith.
- A fixed base where a non-resident natural person carries out business.
- A branch of a non-resident company licensed to carry out business in Saudi Arabia.
- A place from which a non-resident carries out insurance and/or reinsurance activity in Saudi Arabia through an agent, even though the agent is not authorized to negotiate and conclude contracts on behalf of the non-resident.

There is no minimum number of days test provided in the Income Tax Law, which refers to the number of days spent by employees in Saudi Arabia to be used in assessing whether a nonresident has a PE in Saudi Arabia. ZATCA mentions in the FAQ section of its website that no PE is triggered for a contract entered by the nonresident that is less than three months in duration, provided that there is no fixed place of business, and the nonresident does not have a dependent agent in Saudi Arabia.

A place used for storing, displaying, or delivering goods belonging to the nonresident, keeping stock of goods belonging to the nonresident for the purpose of processing by another person, carrying out other activities of preparatory or auxiliary nature for the nonresident, etc. is not considered as a PE.

Personal taxes

Saudi Arabia does not impose personal income taxes on wages and salaries. It should be noted that salaries, wages, or any benefits paid to a shareholder, or any of their relatives or a partner, are not deductible expenses for income tax purposes (with the exception of stockholders in stock companies).

Zakat

Zakat is an obligatory payment required from Muslims according to Shari'ah Law and forms one of the five pillars of Islam. In most Muslim countries, the payment of zakat has been left to the individuals. However, in Saudi Arabia, the collection of zakat is governed by zakat regulations.

In Saudi Arabia, zakat is assessed on Saudi and GCC nationals and on companies that are wholly owned by those individuals or their equity interest in companies. Resident companies are not subject to zakat to the extent they are owned by resident and nonresident individuals engaged in the production of oil and hydrocarbons.

Zakat base and rate

On 21 March 2024, the MoF approved new zakat regulations to replace the regulations from 2019. The new regulations are effective for fiscal years beginning on or after 1 January 2024, with the possibility of submitting a request to ZATCA to apply the new regulations on previous years, provided that certain conditions are met. Some key regulatory provisions include the following:

- Zakat is levied at a rate of 2.5 percent on the zakat base for a Hijri year (2.578 percent for zakat payers following a Gregorian fiscal year).
- The zakat base is equal to the sum of equity and noncurrent liabilities (current liabilities in certain cases) reduced by allowable deductions, which include fixed assets and certain investments. The difference between the adjusted zakat profit/loss and the accounting profit/loss (after zakat and tax) is added to the zakat base.
- Zakat base calculation will rely on the company's yearend closing balances as indicated in its financial statement to determine zakat additions and deductible items.
- Deductible items may include fixed assets, intangible assets, advances made for fixed assets, capital work in progress (CWIP), government debt, investment in funds, raw material, and real estate projects provided that certain conditions are met.

- The minimum and maximum limits for the zakat base are introduced as an alternative to calculating the zakat base based on additions and deductions.
- Alternative methods for zakat calculation on foreign investments are available.
- Appeal procedures require a zakat payer to pay the zakat liability on the undisputed amounts. In addition, for an appeal to be accepted, a zakat payer is required to pay a minimum of 10 percent to a maximum of 25 percent of the assessed zakat liability or provide a bank guarantee for that same amount.
- An adjustment to the value of transaction between related parties would be made if the transaction is not at arm's length.

companies resident and listed on Tadawul and the shares owned directly and indirectly by these companies in capital companies.

- A resident non-Saudi natural person who conducts business in the Kingdom.
- A non-resident who conducts business in the Kingdom through a permanent establishment.
- A non-resident having taxable income from sources in the Kingdom without having a permanent establishment therein.
- A person engaged in the field of natural gas investment.
- A person engaged in the field of oil and hydrocarbons production.

Income tax rates

The general income tax rate is 20 percent. However, income from oil and hydrocarbons production is subject to tax at rates ranging from 50 percent to 85 percent depending on the amount of investment, while income from investment in natural gas is taxed at 20 percent.

Nonresidents that provide services in Saudi Arabia without having a PE or branch are subject to withholding tax ranging from 5 percent to 20 percent depending on the nature of services.

Income tax

Persons subject to income tax

- A resident capital company for shares owned directly or indirectly by non-Saudi person as well as for the shares owned directly or indirectly by persons engaged in oil and hydrocarbons production, with the exception of shares directly or indirectly owned by persons engaged in the production of oil and hydrocarbons in capital

Income subject to tax

Income subject to tax is gross income and includes income, profits, gains of any type and any form of payment arising from the carrying on of an activity. Gross income includes capital gains and incidental income but excludes certain exempt income.

Exempt income

Tax exempt income includes capital gains realized from the disposal of securities listed on Tadawul, the Saudi Arabian stock exchange, regardless of whether the disposal was executed through a stock market inside or outside of Saudi Arabia, or through any other means; subject to the conditions set out below:

- Disposal is performed in accordance with the Capital Market Law in Saudi Arabia.
- If the securities disposed of did not exist before 30 July 2004.

Dividends, in cash or in-kind, whether from a resident company or nonresident company, are exempt from income tax provided that the ownership in the investee company is at least 10 percent or more for the years covered by the distribution, and the ownership of 10 percent or more continues for a year or more during the distribution period.

Group relief for asset transfers

No gain or loss is calculated on the transfer of assets between wholly owned group companies – directly or indirectly by the same parent company – provided the asset remains within the group for at least two years after the transfer.

Capital gains tax

A nonresident person with no PE in Saudi Arabia is subject to capital gains tax (CGT) on capital gains derived from the disposal of fixed and traded assets, or from the disposal of shares in a resident company (unless the sale relates to listed securities that qualify for exemption).

Interest expense limitation

The tax law does not stipulate any minimum debt-equity ratio, and an entity can be formed with the minimum required capital and funded by debt. However, deductions for interest expense incurred during a tax year are determined to be the lower of:

- Loan charges incurred during the year, or
- The amount resulting from the following formula:

Interest income earned by a taxpayer during a fiscal year, plus 50 percent of A – B.

Where A represents income subject to tax other than income from loan charges and B represents expenses allowed under the Income Tax Law and its bylaws other than loan charges

Moreover, as per the recent changes made in Article 9 of the bylaws, interest on loans used to finance capital assets, which was incurred on the assets during the asset establishment period, is excluded from the interest limitation threshold.

The interest expense limitation is not applicable to banks. However, interest paid by a branch to its head office is not considered a deductible expense, except in the case of a branch of a bank.

Tax losses

Tax losses can be carried forward indefinitely by a capital company, subject to satisfaction of the loss carryforward requirements. The amount of carried forward tax losses that can be deducted in a year is limited to 25 percent of the taxable income for that year.

The deductibility of tax losses includes the below restrictions:

- Losses from natural gas investment cannot be deducted from the oil and hydrocarbons tax base.
- Losses from oil and hydrocarbons activities cannot be deducted from the tax base of entities engaged collectively in the production of oil and hydrocarbons, and natural gas investment.

The bylaws have prescribed certain conditions under which the losses will not be entitled to be carried forward. These are as follows:

- Losses sustained during a tax holiday.
- Losses incurred from an exempt activity in case a taxpayer has both taxable and exempt

Advance tax

Taxpayers are required to make an advance payment of corporate income tax for the year in three instalments, which are due by the end of the sixth, ninth and twelfth month. Each instalment of advance payment of tax is equal to 25 percent of tax liability of the prior period reduced by any withholding tax deducted at source during the prior period. However, the taxpayer is not required to pay advance tax if the instalment calculated is less than SAR500,000.

Withholding tax

Nonresidents without a PE in Saudi Arabia are subject to withholding tax on the payments from Saudi Arabian residents and nonresidents with a PE in Saudi Arabia that are sourced from the Kingdom.

Saudi Arabian residents and PEs of nonresidents in Saudi Arabia are required to deduct the required amount of withholding tax from payments and remit it to ZATCA. Such payers are required to file:

- Monthly withholding tax returns within ten days of the end of the month in which the payments are made to the nonresident. Failure to settle the withholding tax results in a delay fine equal to 1 percent of the outstanding withholding tax per every 30-day delay.
- An annual withholding tax return within 120 days of the end of the fiscal year. For proprietorships, the annual withholding tax return should be filed within 60 days of the end of the fiscal year.

For transactions with related parties, the date the transaction is recorded as the date of payment if transactions are settled through intercompany accounts rather than making payments.

ZATCA has published targeted guidance to further clarify WHT treatments. In January 2024, it released a guideline addressing the tax treatment of software payments made by residents or non-residents with a PE to non-residents, helping determine whether such payments are subject to WHT or corporate income tax

based on their categorization (e.g., royalties, business profits, technical services). In January 2025, ZATCA published a tax bulletin on the application of WHT under double tax avoidance agreements (DTAAs), outlining two methods for claiming treaty benefits—at source or via refund—each requiring specific documentation and embassy or Apostille attestation. Taxpayers have up to five years to submit applications through ZATCA's portal to claim DTAA benefits at source.

Tax compliance

Return filing

Zakat payers and taxpayers are required to file an annual zakat/tax return in Arabic within 120 days of the end of the fiscal year of the company. In the case of a foreign shareholding, a tax return is also required to be certified by a Saudi certified public accountant. Under the current tax law, extensions are not granted. The zakat return can be amended after obtaining approval from ZATCA, where the amended return is to be submitted within 30 days of receiving the approval.

Furthermore, on 20 March 2023, ZATCA approved proposed amendments to the Transfer Pricing Bylaws to bring in the following effect:

- Extend the applicability of transfer pricing (TP) provisions to zakat payers.
- Introduce Advanced Pricing Agreements (APA) provisions for tax and zakat payers.

Previously, TP provisions were applicable to entities subject to corporate tax. However, for fiscal years beginning on or after 1 January 2024, the provisions will extend to zakat payer entities as well. For compliance purposes, zakat payers will be required to submit the DFCT and TP affidavit along with their zakat return.

ZATCA has announced that for the purpose of TP documentation, i.e., Local File and Master File, zakat payers will fall under the ambit of provisions as follows:

- During Phase 1 (2024 to 2026), zakat payers with aggregated related party transaction more than SAR100 million will be required to maintain TP documentation. However, for transactions between SAR 48 million and SAR100 million, zakat payers have the option to maintain the TP documentation during Phase 2.
- In Phase 2 (FY 2027 and forward), zakat payers with aggregated related party transactions more than SAR48 million will be required to maintain the TP documentation.
- Investment funds are exempt during Phase 1.

Return forms

Recently, ZATCA updated the zakat/tax form to reduce the disclosure requirements applicable to the taxpayers. Additionally, taxpayers are required to submit a Disclosure Form for Controlled Transaction (DFCT) along with the annual tax return.

Delay fines and penalties

ZATCA imposes delay fines if there is a delay in submitting the tax declaration and late settlement of income tax beyond the prescribed deadline, as well as penalties where there is a tax evasion.

Failure to file a tax return on time will result in a penalty being imposed. Between (a) and (b), the penalty resulting in the higher fine will apply:

- One percent of the gross revenue to a maximum penalty of SAR20,000.
- According to the following rates:
 - 5 percent of the unpaid tax if the delay is for up to 30 days after the due date.
 - 10 percent of the unpaid tax if the delay is more than 30 days and no more than 90 days after the due date.
 - 20 percent of the unpaid tax if the delay is more than 90 days and no more than 365 days.
 - 25 percent of the unpaid tax if the delay is more than 365 days after the due date.

The withholding tax rates are as follows:

Particulars	Rate
Management fees	20 percent
Dividend	5 percent
Royalty	15 percent
Technical and consulting services and international telecommunication services (related and unrelated parties)	5 percent
Air tickets, air freight and maritime freight for international travel departing from Saudi Arabia.	5 percent
Rent	5 percent
Interest on loan, insurance and reinsurance premium	5 percent
Any other payments	15 percent



In addition to the penalties mentioned above, 1 percent of unpaid tax for each 30 days of the delay is added in the following cases:

- Delay in payment of tax payable per the return, or
- Delay in payment of tax payable as per ZATCA's assessment, or
- Delay in payments of advance tax, or
- Delay in payment of withholding tax.

A penalty for tax evasion is imposed at a flat rate of 25 percent on the additional tax assessed if a taxpayer intentionally conceals facts or information from ZATCA that would have resulted in an increase in the tax liability.

Assessment and statute of limitation

A final assessment is raised by ZATCA after a full and thorough review of the declaration submitted to ZATCA. This review may result in further details being requested by ZATCA before raising an assessment.

The tax law, however, provides that a declaration will be considered as finalized/accepted as filed by the taxpayer if five years have elapsed from the date of filing the declaration, without ZATCA requesting any additional information or raising an assessment.

The tax law empowers ZATCA to:

- Raise an additional tax assessment within five years of the statutory filing deadline to rectify errors in the application of regulations.

- Raise an additional tax assessment within ten years of the statutory filing deadline correcting if the declaration has not been filed or it is found that the declaration is incomplete or incorrect with the intention of tax evasion.

Appeal procedures

The decisions issued by ZATCA can be contested before the appellate fora which includes Tax Disputes and Violation Resolution Committee (TDVRC) and Tax Disputes and Violation Appeal Committee (TDVAC). Additionally, taxpayers have an option to settle the dispute by filing an appeal with ZATCA's internal settlement committee. However, the application for settlement must be filed before contesting the decisions with TDVRC and TDVAC.

FOA and tax treaties

Force of attraction

The force of attraction (FOA) rule in the Income Tax Law provides that a nonresident that has a PE in Saudi Arabia will be subject to Saudi Arabian income tax not only on income directly attributable to the PE, but also on income from sales in Saudi Arabia of goods of the same or similar kind as those sold through the PE, and income from rendering services or carrying out another activity in Saudi Arabia of the same or similar nature as an activity performed through the PE.

In April 2021, ZATCA released a circular which provides guidance on how the FOA rule applies in relation to a PE of a nonresident for income tax purposes in Saudi Arabia. The circular provides guidance under certain scenarios that are set out below.

Tax treaties

Saudi Arabia has 59 tax treaties in force with Albania, Algeria, Austria, Azerbaijan, Bangladesh, Belarus, Bulgaria, China, Cyprus, Czech Republic, Egypt, Ethiopia, France, Gabon, Georgia, Greece, Hong Kong, Hungary, India, Ireland, Italy, Japan, Jordan, Kazakhstan, Kosovo, Kuwait, Kyrgyzstan, Latvia, Luxembourg, Macedonia, Malaysia, Malta, Mexico, Morocco, Netherlands, Pakistan, Poland, Portugal, Romania, Russia, Singapore, Slovakia, South Africa, South Korea, Spain, Sweden, Switzerland, Syria, Taiwan, Tajikistan, Tunisia, Turkey, Turkmenistan, Ukraine, United Arab Emirates, United Kingdom, Uzbekistan, Venezuela, and Vietnam. Further tax treaties with Croatia, Iraq, Mauritania, Oman, and Qatar have been signed, but are not yet in force.

Multilateral instrument

The Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (MLI) is one of the outcomes of the OECD/G20 project tackling Base Erosion and Profit Shifting (BEPS). The MLI provides signatory jurisdictions an efficient and swift means to implement tax treaty related measures developed by the OECD/G20 BEPS Project, without the need to renegotiate each tax treaty.

On 1 May 2020, the MLI entered into force for Saudi Arabia. For a tax treaty to be amended by the MLI, both counterparties to the tax treaty must be signatories of the MLI and include the relevant tax treaty as a Covered Tax Agreement (CTA). If this is the case, the MLI provisions, limited by the jurisdictions' reservations and choices of optional provisions, will be applied alongside the provisions of the existing bilateral treaty once the MLI is ratified by both jurisdictions.

No.	Scenario	Guidance in the Circular
1	The country of the non-resident which has a PE in Saudi Arabia does not have a tax treaty with Saudi Arabia.	The income of a non-resident would include: <ul style="list-style-type: none"> • profits directly attributable to the PE; • income from sales in Saudi Arabia of goods of the same or similar kind as those sold through the PE; and • income from rendering services or carrying out another activity in Saudi Arabia of the same or similar nature as an activity performed through the PE
2	The country of the non-resident which has a PE in Saudi Arabia has a tax treaty with Saudi Arabia (with the FOA rule).	
3	The country of the non-resident which has a PE in Saudi Arabia has a tax treaty with Saudi Arabia (without the FOA rule).	The income of a non-resident would include the profits directly attributable to the PE.

Transfer Pricing

Introduction of transfer pricing in Saudi Arabia

ZATCA issued the Transfer Pricing (TP) Bylaws in January 2019 which are applicable to all taxable individuals for fiscal years commencing on or after 1 January 2018.

Subsequently, in March 2023, ZATCA approved the amendments to the TP Bylaws. The amendment seeks to bring zakat payers within the ambit of TP Bylaws which was earlier applicable only to taxpayers and mixed companies (companies that are subject to both zakat and tax due to combined ownership by GCC and non-GCC shareholders). Additionally, the amendments introduced Advanced Pricing Agreements (APA) to help taxpayers and zakat payers achieve upfront certainty on their TP arrangements.

Advance pricing agreement

On 20 March 2023, ZATCA's Board of Directors approved amendments to the Transfer Pricing Bylaws, which included the introduction of the advance pricing agreement (APA) program under Article 23 and stated that tax and zakat payers would be eligible to obtain an APA for transactions that are either complex intercompany transactions or any intercompany transactions exceeding SAR100 million annually. ZATCA began accepting APA applications in 2024 and although

the APA framework remains in its early stages, it reflects the country's commitment to offering a more transparent and investor-friendly tax regime. For companies involved in high-risk or significant cross-border transactions, engaging in the APA process can bring greater clarity and reduce exposure to future disputes in an increasingly complex regulatory environment.

APAs are expected to be valid for three to five years, with the possibility of including a roll-back option for covering prior years. APAs can be unilateral, i.e., between the taxpayer and the local tax authority; bilateral, including the tax authority of a related-party jurisdiction; or multilateral, involving multiple jurisdictions.

While unilateral APAs provide local certainty, bilateral and multilateral APAs are generally preferred for cross-border transactions as they offer end-to-end pricing certainty for the MNE Group. Currently, only unilateral APA applications are being accepted. The APA process typically begins with a preliminary meeting to assess feasibility, followed by a formal submission on ZATCA's ERAD portal, including business details, functional and economic analysis, and transfer pricing methodology. Tax authorities then conduct a thorough review, which may include site visits, before entering negotiations. The final

agreement, once signed, is binding and requires annual compliance reporting to confirm adherence to agreed assumptions. The Saudi Arabia TP Bylaws also refer to an annual clarification to demonstrate compliance. Further, renewal requests for APAs should be submitted no later than 12 months before the start of the first fiscal year covered by the new agreement. ZATCA will assess the renewal package and may choose to renew the APA under similar terms.

Effective date

The TP Bylaws became applicable to taxpayers and mixed entities in Saudi Arabia for fiscal years commencing on 1 January 2018 and all subsequent reporting years.

ZATCA clarifies that it also retains a right to seek documentation in respect of transactions undertaken during the years prior to 2018.

However, in all cases, the taxpayers would be allowed at least 30 days for submitting the requisite information and documentation.

Based on the recent amendments, the TP Bylaws will be applicable on entities that are subject to zakat (i.e., 100 percent zakat paying taxpayers), as of fiscal years beginning on or after 1 January 2024.

Persons subject to TP regulations

TP regulations in Saudi Arabia typically apply to all taxable persons (which includes both resident and nonresident entities that are subject to tax, zakat, or both) that engage in Controlled Transactions with related parties. It is pertinent to note that the TP Bylaws apply to juridical individuals only and all natural individuals are exempt from the TP regulations. However, any juridical person having Controlled Transactions with a natural person who is a related person will have to disclose such transactions to ZATCA in the Disclosure Form for Controlled Transactions (DFCT) when filing the annual tax/zakat return.

Transactions subject to TP regulations

As per TP regulations in Saudi Arabia, any transaction involving related persons is considered a controlled transaction. This covers a wide range of transactions, including the transfer of tangible assets, provision of services, licensing of intellectual property, and financial transactions (among others).

Documentation requirements

ZATCA has adopted the Organization for Economic Cooperation and Development (OECD) three-tier approach for preparing TP documentation.

Persons that are subject to the TP Bylaws are required to maintain contemporaneous documentation that demonstrates the application of the arm's length principle (Local File and Master File) and file a Country-by-Country Report (CbCR) and/or a Country-by-Country Notification (CbCN) in the Kingdom. Entities subject to Transfer Pricing regulations in Saudi Arabia are also required to file a DFCT (along with an affidavit from a licensed auditor), except as otherwise provided in Exceptions of the Bylaws, every taxpayer who is a party to a Controlled Transaction shall keep the documentation required to confirm that the conditions of such transactions are at arm's length.

ZATCA may request any information related to Controlled Transactions that it deems necessary to carry out its regulatory functions and other duties. Taxpayers must have readily accessible and available, for review by ZATCA upon its request, sufficient documentation containing information and economic analyses evidencing that the conditions of its Controlled Transactions are at arm's length.

The documentation relating to Controlled Transactions shall be provided to ZATCA upon its request within the duration specified by ZATCA in the request, provided that such duration shall be no less than 30 days after the date of such request. A detailed overview of the various compliance obligations is provided below.

Disclosure Form for Controlled Transactions (DFCT)

A DFCT is required to be filed with the annual tax/zakat return, irrespective of the value of Controlled Transactions. ZATCA retains the right to seek additional information in support of a tax/ zakat return.

The DFCT includes detailed information about the parties to a Controlled Transaction, any business restructuring for the group during the year, the legal and beneficial owners, their country of residence and their percentage of ownership. The DFCT also requires total revenue, total expenses amount along with a description of the transaction including aggregate amounts, nature of receipt or income or nature of payment or expenditure.

The details requested include the transfer pricing method applied in determining the arm's length nature of the price of the transaction and a declaration of whether or not the taxpayer has entered into any transaction without consideration. The DFCT also reports a declaration on whether Transfer Pricing documentation as per (Chapter Eight of the Bylaws, including the Master File and Local File) has been maintained by the taxpayer.

Taxpayers are required to submit the DFCT to ZATCA within 120 days after the last day of the fiscal year. Together with the DFCT the taxpayer must submit an affidavit from a licensed auditor through which the auditor certifies that the Transfer Pricing policy is consistently applied by and in relation to the taxpayer.

Master File

Each taxpayer is required to maintain and make available upon request, a Master File containing information on the global business operations of the group, such as:

- Organizational structure, including legal and beneficial ownership structure.
- Geographical location of operating entities.
- Description of the group's business, including related party agreements, financing arrangements and transfer pricing policies.
- List of the group's intangibles and their ownership.
- List of any existing unilateral and bilateral/multilateral Advance Pricing Agreements and other tax rulings that the group has availed, pertaining to the pricing of its related party transactions.

The Master File shall be made available to ZATCA upon request.

Local File

The Local File provides a comprehensive analysis of the Controlled Transactions, including the economic analysis demonstrating compliance with the arm's length principle. It includes a description of the Controlled Transactions along with the amount of intragroup payments and receipts, related parties involved and the underlying intercompany agreements.

The Local File includes a detailed comparability and functional analysis with respect to each documented category of Controlled Transactions as well as an analysis of the reasons for selecting a particular method as the most appropriate transfer pricing method with regard to the category of Transaction and the reasons for selecting that method; ZATCA allows various TP methods for determining arm's length prices. These approved TP methods include:

- Comparable uncontrolled price method (CUP).
- Cost plus method (CPM).
- Resale price method (RPM).
- Transactional net margin method (TNMM).
- Profit split method (PSM).

Further, as per Article 9 of the TP Bylaws, entities may apply a TP method other than the approved TP methods provided that the entity is able to demonstrate that under the facts and circumstances, none of those approved TP methods provides a reliable measure of an arm's length result and that the suggested method satisfies the provisions under Article 6 of the TP Bylaws. The selection of a method should be based on the specific circumstances of the Controlled Transaction to ensure accuracy and fairness.

In summary, a Local File presents a description of the reasons for concluding that the relevant transactions were priced at arm's length based on the application of the selected transfer pricing method. It must be readily available for review by ZATCA and should be updated annually to reflect the latest financial data and changes in the Controlled Transactions.

Country-by-Country Report (CbCR)

Members of a multinational group whose consolidated group revenue exceeds SAR3.2 billion as per the group's consolidated financial statements are required to submit the CbCR and CbCN. The CbCR and CbCN must be submitted through ZATCA's Automatic Exchange of Information (AEOI) portal.

Deadlines

- **DFCT and CbCN** – The DFCT and CbCN is required to be filed together with the annual tax/zakat declaration no later than 120 days after the end of the fiscal year. The CbCN is also required to be filed on ZATCA's AEOI portal.
- **Local File and Master File** – ZATCA may seek a taxpayer to provide a copy of their Master File or Local File or any part thereof at any time by issuing a notice of no less than 30 days.
- **CbCR** – The CbCR is required to be filed within twelve months the fiscal year end of the reporting entity.

Conclusion

Saudi Arabia's Transfer Pricing Bylaws are an integral part of the country's tax regulations, aimed at maintaining tax fairness and preventing base erosion and profit shifting. Understanding and adhering to these regulations is essential for businesses and individuals engaged in Controlled Transactions with related parties. It's vital to stay up to date with the latest alerts and guidance from ZATCA to ensure compliance with TP requirements.

Foreign Account Tax Compliance Act

In line with efforts to improve international tax compliance and transparency, the Kingdom has signed several exchange of tax information agreements. The Foreign Account Tax Compliance Act Intergovernmental Agreement Model 1 (IGA) with the US to exchange information on US accounts and the OECD's Multilateral Convention on Mutual Administrative Assistance in Tax Matters (Multilateral Convention) covers various means of exchanges including the Common Reporting Standard Multilateral Competent Authority Agreement (CRS MCAA).

Under the Model 1 IGA, Saudi Arabia would annually exchange information on financial accounts held by US-specified individuals and maintained by Saudi financial institutions. This agreement is nonreciprocal, i.e., the US will not exchange similar information with the Kingdom.

Contrary to the signed IGA, under the CRS MCAA, Saudi Arabia has concluded a wide range of reciprocal exchange agreements. The main objective of CRS is to enable governments to exchange information provided by local financial institutions with an aim to combat tax evasion.

Under CRS, the financial institutions perform client due diligence procedures in order to identify and report their tax residency and certain financial account information to their local jurisdiction which will be exchanged with other foreign authorities on a yearly basis.

On 15 April 2021, ZATCA issued CRS Guidance Notes which clarify the obligations of Saudi Arabian entities under CRS and also assist Reporting Saudi Arabia Financial Institutions in the implementation of the Standard for the Automatic Exchange of Financial Account Information in Tax Matters to ensure compliance and avoid penalties that may arise due to noncompliance with CRS requirements.

Information to be reported

For individual Saudi tax residents, the Kingdom will receive the name, address, tax identification numbers (TIN), date and place of birth, account number and name of the financial institutions where the account is held and the balance or value of the accounts.

For entity Saudi tax residents, the Kingdom will receive the name, address, TIN, account number, name of the financial institutions where the account is held and the balance or value of the accounts. If this entity is a passive entity and controlled by a reportable person, the Kingdom will receive in addition to the above-mentioned entity details, the name, TIN, and date and place of birth for each controlling person. A controlling person is determined as per the local anti-money laundering rules. In all the above cases, income such as gross interest, gross dividends or other income, gross proceeds and full or partial surrenders paid to the corresponding accounts will be exchanged.

Indirect and other taxes

Value-added tax

In January 2018, value-added tax (VAT) was introduced at a single rate of 5 percent and was increased to 15 percent on 1 July 2020. ZATCA continues to develop its capacity to administer taxes, which is crucial to ensure the key principles of taxation are adhered to and in supporting the Vision 2030 goal of economic diversification.

The VAT system in the Kingdom is based on the GCC Agreement, the Saudi VAT Law, and the Saudi VAT Implementing Regulations. These documents outline the legal basis for determining, inter alia, the nature, location, timing, and value of supplies.

Certain supplies of goods and services are zero-rated or exempted from VAT to provide some relief to consumers. Examples include the leasing of residential real estate, supply of qualifying medicines and medical goods, export of goods or some services, supply of qualifying financial services, and provision of educational and healthcare services to Saudi nationals, etc.

Mostly, the compliance requirements for VAT taxpayers have been kept relatively straightforward, with the obligation to file monthly returns, or quarterly if the turnover is below SAR40 million, by the end of the following month of the tax period. The VAT return contains summary-level numbers of turnover and VAT on output and input transactions.

That said, taxpayers who operate in complex industries – for example, retail and corporate banking, asset management, insurance, and telecommunications – can find the reporting requirements extremely challenging.

To address this concern, ZATCA has published several dozens of guides covering topics, such as financial services, real estate investment and financing, professional services, healthcare, and others. Private rulings are also being actively issued to the taxpayers and other individuals who have applied for clarifications.

In April 2025, ZATCA approved the amendments to the VAT Implementing Regulations, which were made effective from 18 April 2025, except for changes in Article 47(3). The amendments introduce stricter conditions for forming VAT groups, clarify the scope of taxable services, expand zero-rate provisions for customs and special economic zones (SEZs), and introduce VAT obligation to online market players acting as intermediary for resident suppliers not registered for VAT purposes. Through these amendments, ZATCA aims to better align tax procedures with international best practices, increase the efficiency of tax refund procedures, raise the level of compliance to help taxpayers meet their tax obligations, and support the tourism sector in Saudi Arabia.

ZATCA has been continually active in terms of conducting audits, issuing assessments for contraventions, and questioning the approach adopted by taxpayers in terms of specific transactions. This has led to an increased number of disputes with ZATCA. As the tax courts have just developed their VAT practice, most of the VAT cases are currently resolved in favour of ZATCA, which creates a challenge for the taxpayers to arrange their voluntary compliance.

Electronic invoicing (e-invoicing)

E-invoicing in Saudi Arabia was introduced in two phases: generation and integration. The generation phase was enforced in December 2021, requiring all VAT-registered taxpayers to issue and store tax invoices using compliant systems. The integration phase, enforceable since January 2023, is being rolled out in waves based on taxable revenue thresholds. Under the first wave, taxpayers with taxable revenue exceeding SAR3 billion during the calendar year 2021 were required to integrate with ZATCA's Fatoora platform by 1 January 2024, whereas under the latest wave announcement (wave 24), taxpayers with taxable revenue exceeding SAR375,000 in 2022, 2023, or 2024 are required to complete integration with the platform by 30 June 2026.

Customs and trade

The six countries of the GCC formed the GCC Customs Union which uniformly imposes customs duties on the majority of goods entering GCC. These duties should be charged at the first point of entry into the GCC and the duty-paid goods then generally move freely between member states without payment of any further duty.

Customs duties are imposed on imports at predetermined rates according to the tariff classification at the time of importation in line with the Harmonized System (HS) of classification. In December 2024, the GCC Customs Union Authority issued the first edition of the GCC Integrated Customs Tariff to be implemented from 1 January 2025 by all GCC member states, i.e., Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the UAE.

Before the implementation of the GCC Integrated Customs Tariff, Bahrain, Kuwait, Oman, Qatar, and the UAE used an eight-digit tariff code system based on the United GCC Customs Tariff, while KSA used a twelve-digit tariff code system based on the Integrated Customs Tariff (since January 2016). However, through the GCC Integrated Customs Tariff, the tariff code system is expanded from eight digits to twelve digits, allowing products to be classified more precisely

Customs duties are imposed either on an ad valorem basis (i.e., percentage of the value of the goods) or a specific basis (i.e., an amount imposed on the number

of units to be imported). If the goods in question are subject to ad valorem duty, this is calculated on the landed cost of the imported goods. The landed cost is calculated based on the actual consideration paid or payable to the seller. Typically, the price paid or payable comprises of the price of the imported goods, packing costs, freight, and insurance costs to the port in Saudi Arabia. In case this procedure is not achievable, the imported goods will be valued based on the most proximate comparable value that could be ascertained as determined according to the rules of valuation.

Imported goods that are subject to a specific rate of customs duty are identified in the HS Code. For example, imports subject to a rate of duty based on weight are assessed on the gross weight or the net weight as shown in the tariff schedules.

The gross weight includes the weight and all internal and external packing materials. The net weight of the goods excludes all internal and external packing materials, including the items used for separating and arranging the goods.

Every importer is required to file customs declaration and other relevant customs documentation at the time of import into Saudi Arabia, as prescribed in the GCC Customs Law.

Saudi trade is growing rapidly and as such Saudi Arabia has developed an Authorized Economic Operator (AEO) program to facilitate stakeholders involved in the import and export of goods. The Saudi AEO program lists certain requirements for a business to be part of AEO such as the existence of a robust electronic record-keeping system, financial solvency, and effective policies and procedures related to the safety of goods and staff training.

A business recognized as AEO would have several advantages over non-recognized businesses, including a dedicated fast line for customs clearance, priority over non-AEO shippers in the processing of customs-related requests, a reduced ratio of the physical inspection of imported goods, the right to use an AEO logo and a dedicated Saudi Customs account manager. This list of requirements and advantages is non-exhaustive.

Further to the government's vision to transform Saudi Arabia into an international logistics center, the Saudi customs authority is implementing an audit after the clearance initiative program. This program aims to ensure that importers comply with customs regulatory requirements. The customs audit would focus on a wide range of issues, including examining the transaction value, bank statements, sales contracts, inventory papers, financial statements, non financial records, payment terms, goods classification, and customs duty payments. ZATCA continues to update its approach to the administration of customs duties.

Excise tax

Excise tax was introduced in Saudi Arabia in June 2017, based on the GCC Unified Agreement for Excise Taxes. The law states that businesses which undertake any of the following activities must register for excise tax:

- Importation of excisable goods
- Production of excisable goods
- Acquisition of excisable goods under a duty suspension arrangement

The tax is due upon the following events:

- Importation into the Kingdom
- Production in the Kingdom
- Removal from an excise warehouse
- Possession of excisable goods for which tax has not been paid
- Damage/loss in respect of excisable goods whilst in an excise warehouse – unless the damage/loss was due to circumstances beyond the taxpayer's control

In December 2025, amendments to the Excise Tax Implementing Regulations introduced different calculation methods for sweetened beverages compared to other excisable goods.

Sweetened beverages, now including soft drinks, are taxed on a tiered basis from SAR0 to SAR1.09 per liter, depending on sugar concentration.

Energy drinks, tobacco products, electronic smoking devices and the like, and liquids used in smoking devices and the like remain taxed at 100 percent of the retail sales price.

It is possible to suspend the payment of excise tax under specific circumstances and on application through excise tax warehousing arrangements.

Real estate transaction tax

In October 2020, the real estate transaction tax (RETT) was introduced at the rate of 5 percent to all real estate transactions and calculated on the value of the transaction. Consequently, all real estate transactions that have taken place since 4 October 2020 are subject to the RETT.

Initially, the RETT framework in Saudi Arabia was introduced through the RETT Implementing Regulations, without the enactment of a formal RETT Law. To address this gap, ZATCA published the RETT Law in the Official Gazette on 11 October 2024, with the law coming into effect from 09 April 2025. Following the issuance of the RETT Law, ZATCA also released updated RETT Implementing Regulations, which also took effect from 09 April 2025.

As part of the regulatory updates, a definition for real estate company has been provided in the RETT Implementing Regulations as any company, fund, or entity that owns real estate in Saudi Arabia, directly or indirectly, with the aim of generating revenue through the selling or leasing of real estate, subject to certain conditions. With its qualification as a real estate company, any transfer of shares will trigger RETT provided that certain conditions are met.

Through these amendments, ZATCA aims to support real estate sector growth through improved governance, expanding the tax exemptions and providing additional clarity.

In addition, it was announced that all real estate transactions would be exempt from VAT from this date except commercial leasing/rental and the provision of short stay hotel accommodation.

ZATCA is responsible for managing and collecting RETT as per the regulations and policy documents.

The following transactions are subject to RETT:

- Transfer of ownership
- Sale of commercial, residential, or agricultural real estate
- Sale of developed and undeveloped land

Transfer of ownership/sale includes gifting, inheritance, financial leasing, long-term usufruct contracts exceeding 50 years, lease to own, and Islamic Murabahah.

RETT is levied on all individuals and organizations involved in real estate disposals including natural and legal persons, corporations, companies, and government agencies. There is no registration threshold for RETT, therefore, all transactions are taxable except those specifically exempted.

There is an extensive list of exemptions from RETT. Examples of exemptions from RETT include:

- The transfer of real estate by inheritance
- Compulsory disposals of real estate (e.g., seizure of ownership for public benefit)
- The temporary transfer of property for use as a financial or credit guarantee, etc.

RETT should be declared and paid for each transaction by the seller before or during the process of conveyance authentication by the competent authorities, or before or during the processing of disposals as authenticated by the competent authorities.

The exemption of supplies of real estate has a direct impact on the deduction of related input VAT. For example, construction costs will remain subject to VAT at the rate of 15 percent. However, the related input VAT will not be recoverable unless the real estate developer is qualified by ZATCA for a refund of the respective VAT. ZATCA has issued the rules and conditions for real estate developers to be considered eligible for the refund of input tax related to exempt real estate supplies.

To support Saudi nationals, the government has committed to meet the cost of RETT due on the purchase of a first home up to a value of SAR1 million provided the citizen produces a certificate of exemption from the Ministry of Housing.

White land and vacant real estate tax

In May 2025, Royal Decree No. M/244 was published, approving amendments to the White Land Tax Law that had been in force since 2016. This reform aligns with the Kingdom's urban planning strategy with its goals of increasing housing supply, combatting land hoarding, and promoting fair competition.

Notably, the scope of the law has been expanded to include vacant real estate, while white land has been redefined to include undeveloped land that is suitable for development within urban limits. Under the revised framework, an annual tax is levied on white land at rates of up to 10 percent of its value, where previously the rate was set at 2.5 percent. Additionally, vacant property is subject to an annual tax of up to 5 percent based on its estimated rental value, which may be increased to 10 percent upon recommendation from the Ministerial Committee. In August 2025, the Implementing Regulations for White Land Tax were published. These regulations define conditions for taxing white land, outline taxpayer obligations, set tiered annual tax rates for white land based on urban development priorities, and establish conditions for tax suspension, payment, and refund, while regulations for vacant real estate tax remain pending.

Regional Headquarters program

The Regional Headquarters (RHQ) program is a joint initiative between the Ministry of Investment (MISA) and the Royal Commission for Riyadh City (RCRC) to invite global companies to set up and move their regional headquarters to the Kingdom. The objective is to position Saudi as the leading commercial, industrial and investment hub for the MENA region, by offering a range of benefits and premium support services that complement Saudi's globally competitive value proposition.

An RHQ is a business unit of a multinational company established under the laws of Saudi Arabia with its main objective to provide strategic direction, management support, administrative guidance, and

internal business support to its branches and affiliates in the MENA region (i.e., United Arab Emirates (UAE), Qatar, Kuwait, Oman, Bahrain, Yemen, Iraq, Jordan, Palestine, Lebanon, Syria, Egypt, Libya, Tunisia, Algeria, Mauritania, Morocco). ZATCA introduced "Regional Headquarters Tax Rules" on 4 February 2024. Certain key tax incentives under the rules include:

- Zero percent corporate income tax on income from eligible activities.
- Zero percent withholding tax on dividends, payments to related persons, and payments to third parties for services essential to the RHQ. Payments must relate to eligible activities to be WHT exempt.
- The duration of the tax incentives is set for a period of 30 years, subject to renewal.

Additionally, RHQs are required to comply with the economic substance requirements, transfer pricing regulations and maintain books and records in Saudi Arabia. The Ministry of Investment has now started conducting desktop audits on RHQs, including physical inspections at RHQ premises to ensure that registered RHQs are meeting the economic substance requirements.

Special Economic Zones

Special Economic Zones (SEZs) in Saudi Arabia are designated areas created to attract investment, diversify the economy, and enhance the country's global competitiveness. These zones provide a business-friendly environment through strategic incentives, including:

- Fiscal benefits, such as favorable tax treatment
- Flexible licensing and streamlined - operational procedures
- Saudization policies tailored to economic activity
- Advanced infrastructure designed for target industries

In April 2023, Saudi Arabia launched four new SEZs in strategic locations — King Abdullah Economic City, Jazan, Ras Al-Khair, and the Cloud Computing — each focusing on priority sectors such as manufacturing, logistics, mining, maritime industries, and technology.

On 16 January 2026, regulations for these four SEZs were published and are scheduled to take effect 90 days later, in April 2026. Under these regulations, companies licensed to operate within the zones enjoy significant advantages, including exemptions from the Saudi Companies Law as well as the Commercial Register and Trade Names Laws. The regulations also outline the specific application of income tax, withholding tax (WHT), value-added tax (VAT), and customs provisions for each zone, further enhancing their appeal to domestic and international investors.

Further considerations

Social insurance

Social insurance contribution is collected by the General Organization for Social Insurance (GOSI). The minimum amounts used to calculate GOSI are SAR1,500 for the Saudi employees and SAR400 for non-Saudi employees and the maximum limit is SAR45,000 for both Saudi and non-Saudi employees.

Wage Protection System

Ministry of Human Resources and Social Development (MHRSD) has implemented a Wage Protection System (WPS) in Saudi Arabia. Under the WPS, entities are required to disburse salaries to their employees using standard wages or electronic payroll file provided by the MHRSD. Each entity is required to submit a completed wages or electronic payroll file to its bank in Saudi Arabia for the disbursement of salaries to its employees. A copy of the electronic file provided to banks in Saudi Arabia is also required to be filed with the MHRSD.

Contract reporting

Under the Income Tax Law, all persons (natural or legal) and government agencies are required to provide ZATCA with information pertaining to contracts with a value exceeding SAR100,000 that they entered into with the private sector.

Financial statements

Effective since 2018, all businesses are required to prepare annual financial statements under the International Financial Reporting Standards (IFRS) as adopted by the Saudi Organization for Certified Public Accountants (SOCPA). Saudi Arabian banks and insurance companies have been already preparing their financial statements under IFRS. The statements must be submitted electronically via the Qawaem platform under the Ministry of Commerce (MoC).

Arabic books

According to the tax law and bylaws, all zakat/taxpayers are required to maintain necessary commercial books and accounting records locally inside Saudi Arabia in Arabic to support their tax declarations.

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Integrity

We do what is right.



Excellence

We never stop learning and improving.



Courage

We think and act boldly.



Together

We respect each other and draw strength in our differences.



For Better

We do what matters.

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