



Taxation of international executives: Saudi Arabia



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01

Income Tax

1 Income Tax

1.1 Tax returns and compliance

When are tax returns due? That is, what is the tax return due date?

Only individuals earning business income from self-employment are required to register with the Tax authorities and file income tax returns. There is no income tax on employment income in Saudi Arabia and hence individuals earning employment income only are not required to file any tax returns.

Business tax returns are due within 120 days from the end of financial year. For a December year-end taxpayer, the due date is 30 April.

What is the tax year-end?

Most taxpayers adopt December year-end.

What are the compliance requirements for corporate/business tax returns in Saudi Arabia?

- Taxpayers are required to register with the Tax Authorities and open tax file
- Taxpayers are required to file annual income tax returns within 120 days from the end of financial year
- Taxpayers may be required (upon request by the Tax Authorities) to submit financial statements audited by a Certified Public Accountant licensed in Saudi Arabia of their activities in Saudi Arabia
- Taxpayers are required to maintain their accounting records in Arabic language
- As an alternative for filing tax returns based on regular accounts, taxpayers may request approval to file tax returns on deemed profit basis. The rates of deemed profit range from 10% to 85% depending on the nature of the activities.

Residents

Individuals are considered residents in Saudi Arabia if they meet one of the following tests:

- 1 He is present in Saudi for 183 days or more during any taxable year, or
- 2 He is present in Saudi for a total of 30 days or more and has a place of abode in Saudi Arabia.

Nonresidents

< See definition of resident >

1.2 Tax rates

Corporate income tax of 20%.

Nonresidents receiving income from Saudi source may be subject to withholding tax at rates ranging from 5% to 20% depending on the nature of the service:

Management fees	20%
Royalties, consultancy and technical services and international telecommunication services paid to head office or an affiliated company	15%
Payments against services to the head office or to a related party	15%

Consultancy and technical services and telecommunication services (other than payments to head office or an affiliate), rent, air tickets or airfreight or sea freight, dividends, interest on loans, insurance or re-insurance premiums 5%

Any other payments 15%

What are the current income tax rates for residents and Nonresidents in Saudi Arabia?

Residents

Federal tax

The tax rate is 20% except the taxpayers engaged in oil and hydrocarbons production.

Nonresidents

See WHT table

1.3 Residence rules

For the purposes of taxation, how is an individual defined as a resident of Saudi Arabia? Individuals are considered residents in Saudi Arabia if they meet one of the following tests:

- 1 He is present in Saudi for 183 days or more during any taxable year, or
- 2 He is present in Saudi for a total of 30 days or more and has a place of abode in Saudi Arabia.

Is there a de minimus number of days rule when it comes to residency start and end date? For example, a taxpayer can't come back to the host country for more than 10 days after their assignment is over and they repatriate.

No.

What if the assignee enters the country before their assignment begins?

Days of presence before start of assignment will count towards residency days.

1.4 Termination of residence

Are there any tax compliance requirements when entering or leaving the country?

Nonresidents who are shareholders in Saudi resident companies (other than companies listed on the Saudi stock exchange) and who sell their shares may be subject to capital gain tax on the disposition of these shares.

Communication between immigration and taxation authorities

Do the immigration authorities in Saudi Arabia provide information to the local taxation authorities regarding when a person enters or leaves Saudi Arabia?

Tax Authorities in Saudi may communicate with immigration to obtain information about the entry and exit dates of individuals to determine PE exposure and residency.

Filing requirements

Will an assignee have a filing requirement in the host country after they leave the country and repatriate?

No.

1.5 Economic employer approach

Do the taxation authorities in Saudi Arabia adopt the economic employer approach² to interpreting Article 15 of the OECD treaty? If no, are the taxation authorities in Saudi Arabia considering the adoption of this interpretation of economic employer in the future?

N/A

De minimus number of days

Are there a de minimus number of days³ before the local taxation authorities will apply the economic employer approach? If yes, what is the de minimus number of days?

N/A

1.6 Types of taxable compensation

What categories are subject to income tax in general situations?

Business income from self-employment.

Intra-group statutory directors

Will a Nonresident of Saudi Arabia who, as part of their employment within a group company, is also appointed as a statutory director (i.e. member of the Board of Directors in a group company situated in Saudi Arabia trigger a personal tax liability in Saudi Arabia, even though no separate director's fee/remuneration is paid for their duties as a board member?

N/A

1 Will the taxation be triggered irrespective of whether or not the board member is physically present at the board meetings in Saudi Arabia?

N/A

2 Will the answer be different if the cost directly or indirectly is charged to/allocated to the company situated in Saudi Arabia (i.e. as a general management fee where the duties rendered as a board member is included)?

Does not trigger personal income tax as it is not applicable for employment income

3 In the case that a tax liability is triggered, how will the taxable income be determined?

N/A

1.7 Tax-exempt income

Individuals are generally not subject to tax on any income earned from Saudi Arabia in their capacity as employees.

1.8 Expatriate concessions

Are there any concessions made for expatriates in your country?

N/A

1.9 Salary earned from working abroad

Is salary earned from working abroad taxed in Saudi Arabia? If so, how?

N/A

1.10 Taxation of investment income and capital gains

Are investment income and capital gains taxed in your country? If so, how?

No. Unless an individual is earning this income as self-employed.

Gains from employee stock option exercises

No.

Foreign exchange gains and losses

None.

Principal residence gains and losses

None.

Capital losses

None.

Personal use items

None.

Gifts

None.

Foreign property reporting

None.

Nonresident trusts

None.

1.11 Additional capital gains tax (CGT) issues and exceptions

Are there capital gains tax exceptions in your country? If so, please discuss.

Pre-CGT assets

None.

Deemed disposal and acquisition

None.

1.12 General deductions from income

What are the general deductions from income allowed in your country?

In case of business income reported as self-employed, all regular and necessary expenses to generate the income subject to tax provided that the expenses are:

- Supported by documents.
- Connected with the income being realized.
- Related to the same tax year.

- Not capital in nature.

1.13 Tax reimbursement methods

What are the tax reimbursement methods generally used by employers in your country?

N/A

1.14 Calculation of estimates/prepayments/withholding

How are estimates/prepayments/withholding of tax handled in your country? For example, Pay-As-You-Earn (PAYE), Pay-As-You-Go (PAYG), and so on.

N/A for individuals.

Self-employed individuals may be required to pay 75% of their current year taxes in three equal instalments if their prior year tax liability exceed SAR 2m (\$533,333).

When are estimates/prepayments/withholding of tax due in your country? For example, monthly, annually, both, and so on.

June 30, September 30 and December 31 for the taxpayers have December year end.

1.15 Relief for foreign taxes

Is there any Relief for Foreign Taxes in your country? For example, a foreign tax credit (FTC) system, double taxation treaties, and so on?

No.

1.16 General tax credits

What are the general tax credits that may be claimed in your country? Please list below.

Self-employed individuals paying corporate income tax may claim any WHT deducted from their payments as credit against the corporate income tax.

02

**Special considerations
for short-term
assignments**

2 Special considerations for short-term assignments

For the purposes of this publication, a short-term assignment is defined as an assignment that lasts for less than one year.

2.1 Residency Rules

Are there special residency considerations for short-term assignments?

None.

2.2 Payroll considerations

Are there special payroll considerations for short-term assignments?

None.

2.3 Taxable income

What income will be taxed during short-term assignments?

N/A

2.4 Additional considerations

Are there any additional considerations that should be considered before initiating a short-term assignment in your country?

N/A

03

Other taxes and levies

3 Other taxes and levies

3.1 Social security tax

Are there social security/social insurance taxes in your country? If so, what are the rates for employers and employees?

Type of employee	Pension		Unemployment		Occupational Hazardous	
	Employer share	Employee share	Employer share	Employee share	Employer share	Employee share
Saudi citizen	9%	9%	1%	1%	2%	N/A
Non-Saudi Citizen	N/A	N/A	N/A	N/A	2%	N/A

3.2 Gift, wealth, estate, and/or inheritance tax

Are there any gift, wealth, estate, and/or inheritance taxes in your country?

None.

3.3 Real estate tax

Are there real estate taxes in your country?

On 1 October 2020, Royal Decree A84 was issued announcing the creation of a new Real Estate Transfer Tax (RETT) with a rate of 5 percent of the real estate supply (unless exempted).

This decision marks an effort to boost the real estate sector, which forms an integral part of the Kingdom's Vision 2030. It also aims to support the Kingdom's citizens and includes a commitment that the government will bear up to 1 million Saudi riyals (SAR) in tax for the purchase of the first home by Saudi nationals.

3.4 Sales/VAT tax

Are there sales and/or value-added taxes in your country?

VAT was implemented in Saudi Arabia from first of January 2018 at the standard rate of 5%. However, recently, the standard rate of VAT in Saudi Arabia was increased from 5 percent to 15 percent with effect from 1 July 2020. This increase was a response to the unprecedented economic fallout from the impact of the COVID-19 pandemic.

3.5 Unemployment tax

Are there unemployment taxes in your country?

See section about social security taxes.

3.6 Other taxes

Are there additional taxes in your country that may be relevant to the general assignee? For example, customs tax, excise tax, stamp tax, and so on.

Local taxes

Saudi Arabia imposes customs duty at rates ranging from 5% to 25%.

Provincial Health Premiums

None.

Employer Health Tax

None.

Foreign financial assets

Is there a requirement to declare/report offshore assets (e.g. foreign financial accounts, securities) to the country/territory's fiscal or banking authorities?

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