

Extension of the Tax amnesty deadline in the Kingdom of Saudi Arabia (KSA)

Health checks to ensure compliance and minimize risk

The Zakat, Tax and Customs Authority (ZATCA) has announced the extension of the initiative to waive penalties on certain taxes, including Corporate Income Tax (CIT), Withholding Tax (WHT), Value Added Tax (VAT), Real Estate Transaction Tax (RETT), Excise Tax (ET) and any errors relating to e-invoicing. This extension will include periods before and after 1 June 2022, up to November 30, 2022. The date by which submissions under the amnesty can be made will now end on 31 May 2023.

What does this mean for your business?

The penalty amnesty provides an excellent opportunity for businesses to review their past returns on VAT and other taxes, as well as take corrective action where needed. To ensure compliance and minimize the risk of penalties being imposed by the ZATCA, we recommend that businesses start reviewing their VAT returns and other taxes as soon as possible.

Deloitte can help

We have designed an approach and methodology to support businesses in identifying and correcting errors and issues in their past VAT returns and other taxes. If you have not yet considered a review of these taxes, our advice is to carry out this exercise at the earliest opportunity.

The reviews can be carried out individually or as part of a coordinated program across all taxes. Some of the key focus areas can include:

VAT and RETT Health Check



- VAT return review, including the impact of the VAT rate increase, transitional provisions, application of zero-rate of VAT, revenue reconciliation and VAT applicability on the accrued revenue, among others.
- IT system review, including transaction mapping and VAT logic.
- Maximize your input VAT credit recovery and managing cash flow.
- Assess the applicability of RETT on the transaction(s) after 4 October 2020, and the possibility to apply for the exemption from RETT.
- Explore an opportunity to apply for a licensed Real Estate Developer refund.
- Review the ongoing cases pending with ZATCA, Internal Settlement Committee (ISC), and/or Saudi General Secretariat of Zakat, Tax, and Customs Committees (GSZTCC).
- Share recommendations on the identified issues, opportunities and to save on penalties.

ET Health Check



- Review the past bi-monthly ET returns, transitional returns and import customs bayans and reconcile them with the relevant supporting documents and accounting records.
- Review the product registration file(s) along with their classification to identify products that are subject to ET and those that could be exempted from ET.
- Review the calculation of the tax base for the excisable products and identify potential underpayments or overpayments of tax.
- Check whether the tax due date and reporting rules have been accurately implemented.
- Check whether that tax stamps are activated, validated and affixed properly on designated excise products.
- Review of previous ET assessments raised by ZATCA along with the subsequent objections and appeals where applicable.
- Highlight efficiencies in relation to tax exemption, suspension through tax warehouse licensing, recoverability, refund and deferral.
- Highlight the main ET exposures and recommend corrective and preventative measures to mitigate those risks.

Corporate Tax and Zakat Health Check



- Review the submitted Tax/Zakat return along with the financial statements to check if the returns have been filed accurately.
- Review the current Tax/Zakat calculation methodology
- Identify the expenses and items in Tax and Zakat calculation which may likely result in additional Tax and Zakat for the company.
- Identify the areas which could result in potential Tax and Zakat savings for the company.
- Review the final assessments issued by ZATCA for prior years.
- Review of the objection appeal memos and appellate decisions relating to the assessed years
- Prepare a high-level analysis and findings report to advise the exposure of additional taxes and Zakat.
- Provide recommendations on the identified issues and opportunities with the aim to explore the opportunity to apply for the amnesty and save delay fines and penalties.

WHT Health Check



- Review the annual withholding return, compare the annual WHT returns with the monthly WHT returns.
- Compare the information disclosed in the Tax and Zakat declaration (movement schedules) with the annual WHT form.
- Compare the amounts reported in the annual WHT return with that in VAT returns (for applying reverse charge VAT).
- On a sample basis, review the treaty benefits claimed by the company when filing the monthly WHT returns to determine the strength of the company's claim.
- Review material contracts to ensure the appropriateness of the WHT rate applied.
- Advise the potential WHT exposure and provide quantification of the applicable delay fines and penalties which may be payable by the company.

E-Invoicing Health Check



- Review phase one of the e-invoicing process and highlight the missing data points and system requirements among others.
- Validate the readiness of phase two of e-invoicing and identify the gaps.
- Share recommendations on the issues identified for phase one and the gaps to cover for the phase two implementation.

This is an excellent opportunity to be able to deal with any past errors or difficulties in a practical and effective manner.

Contacts

We have a large team of dedicated tax experts based in KSA who can answer your questions and support you throughout the implementation of the review as listed below.



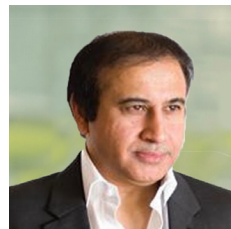
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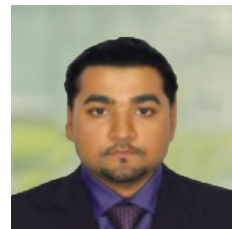
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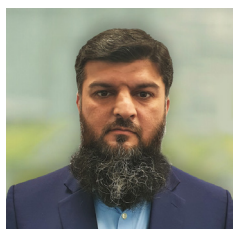
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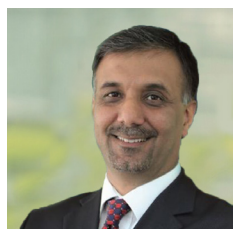
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