

**i**nsights



# Proposed Amendments in Income Tax System

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ZATCA Proposed following amendments in the Income Tax law & called upon the taxpayers to give recommendations & suggestion.

Related Article	Current	Proposed
5 (a) (10)	<p>Currently, the income of a non-resident Permanent Establishment is the income from;</p> <ul style="list-style-type: none"> <li>• Sales of goods; or</li> <li>• Rendering of services through a permanent establishment.</li> </ul>	<p>The income of a non-resident Permanent Establishment for the purpose of 5(a)(10) shall be the income from;</p> <ul style="list-style-type: none"> <li>• Sales of goods;</li> <li>• Rendering of services through a permanent establishment; or</li> <li>• An activity he was unable to prove the existence of a sufficient economic or commercial justification for not practicing these activities through his permanent establishment, then this income belongs to the permanent establishment of a non-resident in the Kingdom.</li> </ul>
Addition of sub-article (n) under Article 9	<p>Currently, sub-article (n) is not included in the Law for calculating Gains or Losses Resulting from Disposal of Assets.</p>	<p>A new Sub-article (N) is proposed to be included which states that;</p> <p>(N) When transferring an asset, if they are in one group, when:</p> <ul style="list-style-type: none"> <li>• There is no change in the final owners of the legal person that has been disposed of its origins;</li> <li>• The asset shall not be disposed of for the benefit of a person outside the group for a period specified by the regulations;</li> <li>• The assets shall not be disposed of for termination or liquidation; and</li> <li>• Disposal value shall be the accounting book value.</li> </ul>
Addition of (c) to (g) to Article 56	<p>Currently, there are sub-articles (a) and (b) for the purpose of Tax Administration which state that;</p> <p>(a) The Department is the body responsible for the administration, examination, assessment, collection of income tax and levying penalties.</p> <p>(b) The penalty shall be imposed by the decision of the Governor.</p>	<p>Through the amendment, sub-articles (c) to (g) are introduced which state that;</p> <p>(c) The authority works to raise awareness among taxpayers</p> <p>(d) The authority may issue decision to clarify tax treatment and this shall be issued for public.</p> <p>(e) Guides, tax bulletins and explanatory decisions are mandatory on the Authority.</p> <p>(f) The provisions of (e) shall not be applied to:</p> <ul style="list-style-type: none"> <li>• Violation of interpretations of Law or regulations</li> <li>• Difference in Actual and published</li> <li>• Misinterpretation of material facts</li> <li>• Transactions not covered under Law or regulation</li> </ul> <p>(g) Document clarifies the law or regulation applicable</p>
60 (b)	<p>Currently, Annual Income Tax Return is required to be submitted within 120 days following the end of the taxable year.</p>	<p>It is proposed that the Annual Income Tax Return is proposed to be submitted within 180 days following the end of the taxable year.</p>

Related Article	Current	Proposed
64	<p>Currently, Related Persons and Persons under Common Control include;</p> <p><b>(a)</b> A natural person if the latter is a spouse or an in-law, or a relative up to the fourth degree.</p> <p><b>(b)</b> A natural person if;</p> <ul style="list-style-type: none"> <li>• He is a partner in a partnership and controls 50% or more of the rights to its income or capital or</li> <li>• He is a partner in a capital company and he, controls 50% or more of the voting rights or its value.</li> <li>• He benefits or can benefit from agencies administering properties endowed for specific purposes.</li> </ul> <p><b>(c)</b> Companies and agencies are deemed under common control if the same person or related persons control 50% or more as follows:</p> <ul style="list-style-type: none"> <li>• With respect to partnerships, ownership of rights to its income or capital.</li> <li>• With respect to capital companies, ownership of the voting rights therein or its value.</li> <li>• The possession of a beneficial interest in their income or assets with respect to agencies that administrate properties endowed for specific purposes.</li> </ul>	<p>The amendment proposes Transactions pricing instructions to specify cases when persons are associates</p>
65 (a)	<p>Currently, the Authority has the right to give a reasoned notice to make or amend the tax assessment within 5 years from the end of the period specified for submitting the tax return for the tax year.</p>	<p>Through amendment it is proposed that the Authority shall have the right to give a reasoned notice to make or amend the tax assessment within 3 years from the end of the period specified for submitting the tax return for the tax year or from the end of the period specified for submitting the monthly deduction statement, as the case may be.</p>
69	<p>For the purpose of Withholding Tax, tax Payment and withholding tax declarations must be made within 120 days from the end of its taxable year.</p>	<p>Vide amendment, time limit increased to 180 days from the end of its taxable year.</p>

ZATCA is aiming to develop the Income Tax system through the cited amendments.

**For more**

***Amendment of the Income Tax System (ncc.gov.sa)***

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