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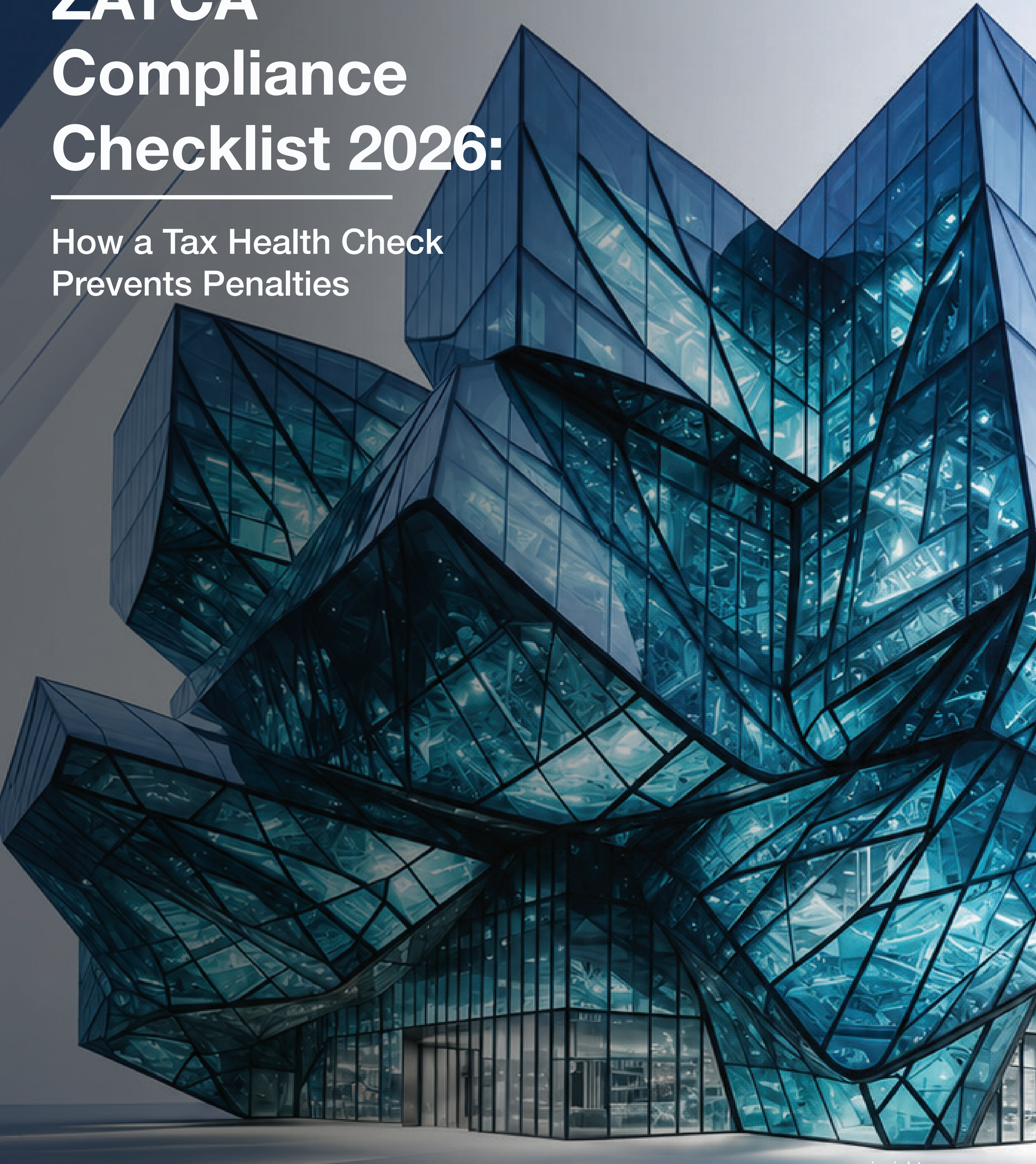
ZATCA Compliance Checklist 2026:

How a Tax Health Check Prevents Penalties



ZATCA Compliance Checklist 2026: How a Tax Health Check Prevents Penalties

Saudi Arabia's tax environment is moving fast. Between shrinking e-invoicing thresholds, a closing penalty-waiver window, and tighter ZATCA enforcement, 2026 is the year businesses can no longer treat compliance as a once-a-year task. This guide gives you a practical ZATCA compliance checklist, backed by verified 2026 and upcoming 2027 figures, and shows exactly how a tax health check keeps your business off ZATCA's penalty list.

What Is a Tax Health Check in Saudi Arabia?

A tax health check is a proactive review of your business's tax position before ZATCA reviews it. It is not a formal audit; a qualified tax advisor assesses VAT returns, e-invoicing, Zakat or corporate tax, withholding tax, and supporting records to identify gaps before they lead to penalties.

Think of it as a pre-flight check: find the loose bolt before takeoff, not mid-air. This is why finance teams in Riyadh, Jeddah, and Dammam are increasingly including tax health checks in their annual compliance calendars.

Why a ZATCA Compliance Checklist Matters More in 2026

Three changes reshaped 2026 compliance: lower e-invoicing thresholds expanded Phase 2, the penalty-exemption initiative runs until 31 December 2026, and proposed VAT amendments could change late-filing and payment penalties. Together, these make a documented ZATCA compliance checklist essential.

Here is where Saudi Arabia's core tax rates and thresholds stand as of 2026:

Tax / Levy	Rate or Threshold (2026)	Administering Law / Authority
VAT (Value Added Tax)	15% standard rate	VAT Law, ZATCA
VAT mandatory registration	Taxable turnover above SAR 375,000/year	VAT Implementing Regulations
Zakat	2.5% of the zakat base	Zakat Law, ZATCA
Corporate Income Tax (CIT)	20% on the foreign-owned share	Income Tax Law
Real Estate Transaction Tax (RETT)	5% of transaction value	RETT Regulations, ZATCA
E-invoicing (FATOORA) Phase 2	Mandatory by wave, thresholds falling to SAR 187,500	ZATCA Governor Decisions

The Complete ZATCA Compliance Checklist 2026

Use this ZATCA compliance checklist as a working document. Each point below is an area our health check reviews first, because these are the areas ZATCA reviews first too.

01 VAT registration

Confirm registration above SAR 375,000 taxable turnover and keep ZATCA details updated.

01 VAT return accuracy

Reconcile output/input VAT and zero-rated or exempt supplies with accounting records.

01 E-invoicing (FATOORA)

Verify UBL 2.1 XML, cryptographic stamping, and Phase 2 ZATCA integration

01 Zakat/CIT filings

Ensure Saudi/GCC ownership is assessed for Zakat and foreign ownership for 20% CIT.

01 Withholding Tax (WHT)

Confirm correct rates and timely remittance on cross-border payments.

01 RETT

Verify the 5% rate or eligibility for an exemption.

01 Record retention

Maintain invoices, contracts, and accounting records for the required period.

01 Penalty-waiver eligibility

Check outstanding errors for relief before the waiver initiative ends

E-Invoicing Waves: What's Already Live and What's Coming in 2027

ZATCA rolls out Phase 2 e-invoicing compliance in waves, based on a business's VAT-taxable revenue in 2022, 2023, or 2024. Each wave lowers the revenue bar, pulling in progressively smaller businesses. Below is the verified 2026-2027 timeline.

Wave	Businesses Covered (VAT-Taxable Revenue)	Integration Deadline	Status
Wave 23	Above SAR 750,000 (2022, 2023 or 2024)	31 March 2026	In force
Wave 24	Above SAR 375,000 (2022, 2023 or 2024)	30 June 2026	In force
Wave 25	Above SAR 187,500 (lowest threshold yet)	1 February 2027	Upcoming

Source: ZATCA official announcement zatca.gov.sa

Wave 25 is significant: at a SAR 187,500 threshold, it is the lowest revenue bar ZATCA has ever used, and its 1 February 2027 deadline confirms that e-invoicing compliance is heading toward near-universal coverage of VAT-registered businesses. If your revenue sits anywhere close to this line, a tax health check now is far cheaper than a rushed integration next year.

ZATCA Penalties: What Non-Compliance Actually Costs You

Saudi VAT penalties can escalate quickly. Late filing may incur **5%–25% of tax due**, while late payment adds **5% per month**. Other penalties include **SAR 10,000** for late VAT registration, up to **SAR 100,000** for issuing invoices while unregistered, and up to **SAR 50,000** for record-keeping failures.

E-invoicing violations typically start with a warning, followed by fines of **SAR 10,000–50,000** for serious or repeated breaches. QR-code violations can also escalate to **SAR 40,000.**

How a Tax Health Check Prevents These Penalties

A tax health check works because it puts a second set of trained eyes on your numbers before ZATCA does. In practice, the process runs through four stages.

01 Document review
Check VAT returns, e-invoices, and Zakat/CIT filings against financial statements from the past 12–36 months.

02 System testing
Test invoices for valid XML, QR codes, and cryptographic stamps.

03 Gap identification
Flag mismatches, missing records, incorrect rates, and potential exposure.

04 Corrective action
Test invoices for valid XML, QR codes, and cryptographic stamps.

Businesses that treat a tax health check as routine, rather than reactive, consistently walk into a ZATCA audit with fewer open issues, because most of the issues were already found and fixed internally.

Who Should Run a Tax Health Check Before the Next Wave?

- SMEs whose VAT-taxable revenue is approaching the SAR 187,500 Wave 25 threshold ahead of the 1 February 2027 deadline.
- Foreign-owned or partly foreign-owned companies filing both Zakat and Corporate Income Tax components.
- Real estate developers and brokers regularly triggering RETT on property transactions.
- Any business that used the penalty-waiver initiative in the past and has not confirmed its filings are now fully clean ahead of the 31 December 2026 closing date.

If your business falls into any of these groups, a tax health check is the single most cost-effective step you can take this quarter.

- Identify compliance gaps before ZATCA does.
- Improve VAT filing accuracy and tax reporting.
- Ensure e-invoicing (FATOORA) readiness.
- Detect potential penalty exposures early.
- Prioritize corrective actions based on risk.
- Strengthen audit preparedness with organized records.
- Support timely voluntary disclosures.
- Stay ahead of regulatory and e-invoicing changes.
- Enhance tax governance and decision-making.
- Reduce compliance costs through proactive planning.

2026

Contact Us

Please contact us for a tailored consultation and let us partner with you to enhance your financial reporting and compliance.

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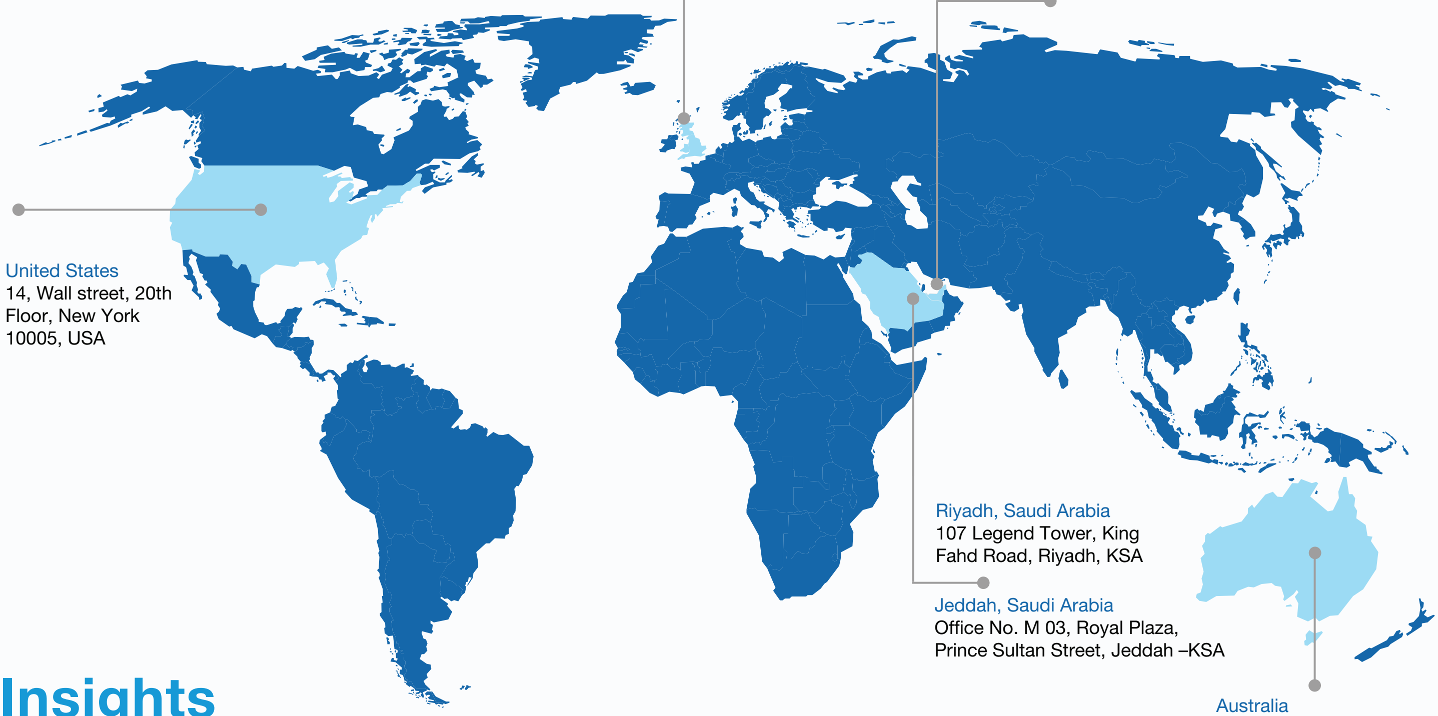

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