



الأمانة العامة للجان الزكوية والضريبية والجمركية
General Secretariat of Zakat, Tax and Customs Committees

**Compendium of Decisions Issued by the
Zakat and Tax Committees
for the Year 2025
(Zakat)**





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General Secretariat of Zakat, Tax and Customs Committees

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1447 AH - 2026 AD**



بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ



Table of Contents

<u>Subject</u>	<u>Page number</u>
Table of Contents	5
Introduction	14
Speech of His Excellency the Secretary General of the Zakat, Tax and Customs Committees	15
Methodology	17
Procedural Zakat Decisions Issued by the Zakat and Tax Committees	18
Zakat – Zakat Assessment – Procedural – Recording the Settlement of the Dispute – Acceptance of the Abandonment of Litigation.	19
Zakat – Zakat Assessment – Procedural – Lack of Jurisdictional Competence – Request for Interpretation of the Operative Part of the Decision – Non-Acceptance of the Appeal Procedurally.	22
Zakat – Zakat Assessment – Procedural – Abandonment of the Petition for Reconsideration – Acceptance of the Abandonment of the Petition for Reconsideration.	25
Zakat – Zakat Assessment – Procedural – Striking off the Lawsuit – Acceptance of the Abandonment of Litigation.	28
Zakat – Zakat Assessment – Procedural – Considering the case non-existent – Non-Acceptance of the Appeal Procedurally.	33
Zakat – Presumptive Assessment – Procedural – Decision Acquiring Final Status – Forfeiture of the Appellant's Right to Appeal.	36
Zakat – Zakat assessment – Procedural – Claim amount is less than 50 thousand – Non-Acceptance of the appeal procedurally.....	41
Zakat – Zakat Assessment – Procedural – Failure to satisfy the statutory requirements – Non-Acceptance of the appeal procedurally.....	43
Zakat – Zakat Assessment – Procedural – Abandonment of litigation – Acceptance of the abandonment of litigation.	46
Zakat – Zakat Assessment – Procedural – Breach of valid representation conditions – Attorney's letterhead lacking their information – Non-Acceptance of the appeal procedurally.....	49



Zakat – Zakat Assessment – Procedural – Filing the lawsuit by a person without standing – Expiration of the power of attorney – Non-Acceptance of the appeal procedurally.....	52
Zakat – Zakat Assessment – Procedural – Breach of valid representation conditions – Lack of quorum in the company's articles of association – Non-Acceptance of the appeal procedurally.....	54
Zakat – Zakat Assessment – Procedural – Expiration of the statutory period – Non-Acceptance of the appeal procedurally.....	57
Zakat – Zakat Assessment – Zakat Base – Petition for Reconsideration – Non-Acceptance of the Petition for Reconsideration.....	59
Substantive Zakat Decisions Issued by the Zakat and Tax Committees.....	63
Additions to the Zakat Base	63
Zakat – Additions to the Zakat Base – Advance Payments from Customers item – Offsetting of balances – Rejection of the Authority's appeal – Acceptance of the Taxpayer's appeal.....	64
Zakat – Additions to the Zakat Base – Loans – Rejection of the Taxpayer's appeal – Partial acceptance of the Authority's appeal.....	70
Zakat – Additions to the Zakat Base – Profits – Unrealized profits – Partial acceptance of the Authority's appeal – Rejection of the Taxpayer's appeal.....	77
Zakat – Additions to the Zakat Base – Taxpayers – Due from related parties – Acceptance of the Taxpayer's appeal.....	102
Zakat – Additions to the Zakat Base – Profits – Exclusion of paid dividends – Rejection of the Taxpayer's appeal – Acceptance of the Authority's appeal.....	112
Zakat – Additions to the Zakat Base – Expenses – Foreign purchases differences – Rejection of the Taxpayer's appeal.....	119
Zakat – Additions to the Zakat Base – Losses – Currency translation losses – Partial acceptance of the Taxpayer's appeal.....	135
Zakat – Items Added Back to the Zakat Base – Debts – Bad Debts – Acceptance of the Taxpayer's Appeal ...	144
Zakat – Items Added Back to the Zakat Base – Debts – Overdue Government Debts – Acceptance of the Authority's Appeal	159
Zakat – Items Added Back to the Zakat Base – Assets – Fixed Assets – Acceptance of the Taxpayer's Appeal	168



Zakat – Items Added Back to the Zakat Base – Investments – Partner's Current Account – Acceptance of the Taxpayer's Appeal.....	173
Zakat – Items Added Back to the Zakat Base – Debts – Accounts Payable – Acceptance of the Taxpayer's Appeal	179
Zakat – Items Added Back to the Zakat Base – Investments – Additional Financing in Investee Companies – Acceptance of the Authority's Appeal.....	185
Zakat – Items Added Back to the Zakat Base – Investments – Investment in Local Companies – Acceptance of the Authority's Appeal	189
Zakat – Items Added Back to the Zakat Base – The Zakat Base – Advance Payments – Acceptance of the Authority's Appeal	194
Zakat – Items Added Back to the Zakat Base – Assessment – Assessment Issuance Procedures – Zakat Adjustment – Acceptance of the Authority's Appeal.....	200
Zakat – Items Added Back to the Zakat Base – Disallowance of Deducting the Investments Item – Fixed Assets – Acceptance of the Taxpayer's Appeal	204
Zakat – Items Added Back to the Zakat Base – Zakat Base – Balance Difference Due to Related Parties – Taxpayer's Disclosure of a Balance – Acceptance of the Authority's Appeal	210
Zakat – Items Added Back to the Zakat Base – Assessment – Res Judicata – Res Judicata effect – Acceptance of the Authority's Appeal	214
Zakat – Items Added Back to the Zakat Base – Debts – Overdue Government Debts – Acceptance of the Taxpayer's Petition for Reconsideration	217
Zakat – Items Added Back to the Zakat Base – Zakat Assessment – Unlawfulness of Reopening the Assessment and Amending the Zakat Declaration – Acceptance of the Authority's Appeal	221
Zakat – Items Added Back to the Zakat Base – Salaries – Undocumented Salary Expenses – Acceptance of the Authority's Appeal	225
Zakat – Items Added Back to the Zakat Base – Amended Assessment – Withdrawal of the Administrative Decision and its Impact on the Admissibility of the Lawsuit – Acceptance of the Taxpayer's Appeal	230
Zakat – Items Added Back to the Zakat Base – Assets – Fixed Assets – Acceptance of the Taxpayer's Appeal.....	233
Deductions from the Zakat Base.....	238



Zakat – Items Added Back to the Zakat Base – Investments – Investments in Subsidiaries – Acceptance of the Authority's Appeal	239
Zakat – Items Added Back to the Zakat Base – Debts – Deduction of Long-Term Government Accounts Receivable – Acceptance of the Taxpayer's Petition for Reconsideration.....	245
Zakat – Deductions from the Zakat Base – Investments – Long-Term Real Estate Investments – Acceptance of the Authority's Appeal	249
Zakat – Deductions from the Zakat Base – Assessment – Procedures for Issuing the Assessment – Cessation of the Company's Activity and Affirming its Liability to Zakat – Acceptance of the Authority's Appeal	257
Zakat – Deductions from the Zakat Base – Assessment – Illegality of Reopening the Assessment and Modifying the Zakat Declaration – Acceptance of the Authority's Appeal	264
Zakat – Deductions from the Zakat Base – Debts – Partial Acceptance of the Taxpayer's Appeal	267
Zakat – Deductions from the Zakat Base – Assessment – Quashing the decision for failing to address all the Taxpayer's claims – Acceptance of the Taxpayer's Appeal	272
Zakat – Deductions from the Zakat Base – Net Fixed Assets – Deduction of Fixed Assets Held for Use – Acceptance of the Taxpayer's Appeal	275
Zakat – Deductions from the Zakat Base – Assessment – Assessment Issuance Procedures – Exercising the Activity – Acceptance of the Authority's Appeal.....	279
Zakat – Deductions from the Zakat Base – Debts – Accounts Payable – Donations – Acceptance of the Authority's Appeal	282
Zakat – Deductions from the Zakat Base – Investments – Investments in Funds – Acceptance of the Authority's Appeal.....	292
Zakat – Deductions from the Zakat Base – Investments – Ministry of Finance Sukuk – Acceptance of the Authority's appeal.....	297
Zakat - Deductions from the Zakat Base - Profits - Retained Earnings Differences - Prior Year Errors - Acceptance of the Authority's Appeal	305
Zakat – Deductions from the Zakat Base – Loans – Short-term Loans – Acceptance of Taxpayer's Appeal....	318
Zakat – Deductions from the Zakat Base – Investments – Real Estate Investments Under Development – Acceptance of the Taxpayer's Appeal	322



Zakat – Deductions from the Zakat Base – Investments – Foreign investments – Partial acceptance of the Taxpayer's appeal.....	334
Zakat – Deductions from the Zakat Base – Investments – Real estate investments – Acceptance of the Authority's appeal.....	339
Zakat – Deductions from the Zakat Base – Investments – Investments in Available-for-Sale Securities – Acceptance of the Taxpayer's Appeal.....	344
Zakat – Deductions from the Zakat Base – Loans – Long-Term Loans – Acceptance of the Taxpayer's Appeal.....	353
Zakat – Deductions from the Zakat Base – Taxpayers – Related Parties – Acceptance of Taxpayer's Appeal.....	358
Zakat – Deductions from the Zakat Base – Losses – Unrealized Losses – Acceptance of the Taxpayer's Appeal.....	364
Zakat – Deductible Elements from the Zakat Base – Debts – Doubtful Debts – Acceptance of the Taxpayer's Appeal.....	372
Zakat – Deductions from the Zakat Base – Assessment – Deduction of the Non-Current Portion – Acceptance of the Taxpayer's Appeal.....	377
Zakat – Deductions from the Zakat Base – Loans – Depreciation variances – Settlement.....	383
Amendments to Net Profit.....	391
Zakat – Amendments to Net Profit – Provisions – Murabaha Financing Payable (Long-Term and Short-Term) – Acceptance of the Taxpayer's Appeal.....	392
Zakat – Amendments to Net Profit – Salaries and Wages – Related Parties – Settlement.....	397
Zakat – Amendments to Net Profit – Zakat Base – Adding Debts to the Zakat Base – Acceptance of the Taxpayer's Appeal.....	401
Zakat – Amendments to Net Profit – Expenses – Accrued Expenses – Settlement.....	408
Zakat – Amendments to Net Profit – Imports – Imports Variance – Settlement.....	414
Zakat – Amendments to Net Profit – Assessment – Annulment of a previous decision prior to the entry into force of the Operating Rules of the Committees – Acceptance of the Taxpayer's appeal.....	421
Zakat – Amendments to Net Profit – Assessment – Acceptance of the Taxpayer's Petition for Reconsideration.....	424



Zakat – Amendments to Net Profit – Investments – Exclusion of the Deduction of 2013 Investments – Settlement.....	427
Zakat – Amendments to Net Profit – Assessment – Objection to a Presumptive Assessment – Acceptance of the Taxpayer’s Appeal.....	431
Zakat – Amendments to Net Profit – Assessment – Legality of Reopening an Assessment and Amending a Zakat Declaration – Acceptance of the Taxpayer’s Appeal	434
Zakat – Net Profit Amendments – Calculation – Paid Zakat – Acceptance of Taxpayer’s Appeal.....	438
Zakat – Amendments to Net Profit – Losses – Carried-Forward Losses – Acceptance of the Taxpayer's Appeal.	442
Zakat – Amendments to net profit – Presumptive assessment – Annulment of a prior decision due to the issuance of the rules of operation of the committees – Acceptance of the Taxpayer's appeal.	446
Zakat – Amendments to Net Profit – Assets – Exclusion of Non-Current Assets – Settlement.....	450
Zakat – Amendments to Net Profit – Assessment – Annulment of Decision for Retroactive Application of a Statutory Provision – Acceptance of the Taxpayer’s Appeal	453
Zakat – Adjustments to Net Profit – Presumptive Assessment – Annulment of a Prior Decision Due to the Issuance of the Rules of Operation of the Committees – Acceptance of the Taxpayer’s Appeal	456
Zakat – Adjustments to Net Profit – Assets – Exclusion of Non-Current Assets – Settlement.....	460
Zakat – Adjustments to Net Profit – Assessment – Annulment of Decision for Retroactive Application of a Statutory Provision – Acceptance of the Taxpayer's Appeal	463
Zakat – Adjustments to Net Profit – Assessment – Presumptive Assessment – Acceptance of the Taxpayer's Appeal.....	466
Zakat – Adjustments to Net Profit – Assessment – Presumptive Assessment – Acceptance of the Authority's Appeal.....	470
Presumptive Zakat Assessment	473
Zakat – Presumptive Assessment – Calculated Zakat Rate for Assessment – Zakat Refund and Carried-Forward Losses – Acceptance of the Authority's Appeal.....	474
Zakat – Presumptive Assessment – Application of the Regulations for Zakat Collection – Exemption by the Authority – Acceptance of the Authority's Appeal	479



Zakat – Presumptive Assessment – Non-acceptance of the Plaintiff's Case Due to Res Judicata (Prior Adjudication) – Acceptance of the Authority's Appeal	484
Zakat – Presumptive Assessment – Zakat Rate Calculated for the Assessment – Exemption by the Authority – Acceptance of the Authority's Appeal	487
Zakat – Presumptive Assessment – Profits – Reserves and Retained Earnings – Settlement	494
Zakat – Presumptive Assessment – Loans – Long-Term Loans – Acceptance of the Taxpayer's Appeal	499
Zakat – Presumptive Assessment – Calculated Zakat Percentage for Assessment – Zakat Refund and Carried-Forward Losses – Non-acceptance of the Taxpayer's Petition for Reconsideration	503
Zakat – Presumptive Assessment – Annulment of the Decision and Ruling the Non-acceptance of the Case on Procedural Grounds – Acceptance of the Authority's Appeal	506
Zakat – Presumptive Assessment – Tax Base – Advance Payments – Rejection of Both Parties' Appeals	509
Zakat – Presumptive Assessment – Annulment of the Decision for Lack of Jurisdictional Competence – Acceptance of the Taxpayer's Appeal	513
Zakat – Presumptive Assessment – Profits – Profits of Investee Companies – Acceptance of the Authority's Appeal	516
Zakat – Presumptive Assessment – Settlement – Acceptance of the Authority's Appeal – Acceptance of the Abandonment of Litigation	522
Zakat – Presumptive Assessment – Profits – Distributed Dividends – Settlement – Termination of Dispute – Acceptance of the Taxpayer's Appeal	526
Zakat – Presumptive Assessment – Provisions – Donations – Traffic Violations – Rejection of the Taxpayer's Appeal	529
Zakat – Presumptive Assessment – Profits – Profits of Investee Companies – Acceptance of the Authority's Appeal	533
Zakat – Presumptive Assessment – Penalties – Procedural Defect in the Amendment Letter – Acceptance of the Authority's Appeal	537
Application of the Implementing Regulations for Zakat Collection	543
Zakat – Application of the Implementing Regulations for Zakat Collection – Bad Debts – Due to Related Parties – Settlement of Dispute – Rejection of the Taxpayer's Appeal	544



Zakat – Application of the Implementing Regulations for Zakat Collection – Assessment – Acceptance of the Taxpayer's Appeal and Remanding the Case to the Resolution Circuit for Consideration on the Merits.....	547
Zakat – Application of the Implementing Regulations for Zakat Collection – Investments – Owner's Current Account – Deductions Item – Acceptance of the Taxpayer's Appeal.....	550
Zakat – Application of the Implementing Regulations for Zakat Collection – Profits – Distributed Dividends – Settlement.....	555
Zakat – Application of the Implementing Regulations for Zakat Collection – Base – Addition of Debts to the Zakat Base – Partial Acceptance of the Taxpayer's Appeal.....	558
Zakat – Application of the Implementing Regulations for Zakat Collection – Taxpayers – Taxpayer's Share of Net Profit or Loss – Settlement of Dispute – Rejection of the Taxpayer's Appeal.....	563
Zakat – Application of the Implementing Regulations for Zakat Collection – Assessment – Presumptive Assessment – Acceptance of the Authority's Appeal.....	567
Zakat – Application of the Implementing Regulations for Zakat Collection – Assessment – Presumptive Assessment – Acceptance of the Authority's Appeal.....	571
Zakat – Application of the Implementing Regulations for Zakat Collection – Losses – Carried-Forward Losses – Endowments and Added Debts – Acceptance of the Authority's Appeal.....	576
Zakat – Application of the Implementing Regulations for Zakat Collection – Assessment – Presumptive Assessment – Established Failure to Notify the Appellant of the Hearings – Acceptance of the Taxpayer's Appeal	583
Zakat – Application of the Implementing Regulations for Zakat Collection – Investments – Investments in Available-for-Sale Securities – Acceptance of the Taxpayer's Appeal.....	586
Zakat – Application of the Implementing Regulations for Zakat Collection – Assessment – Statutory Procedures for Issuing the Assessment – Acceptance of the Authority's Appeal	595
Zakat – Application of the Implementing Regulations for Zakat Collection – Debts – Government Accounts Payable – Acceptance of the Authority's Appeal	601
Zakat – Application of the Implementing Regulations for Zakat Collection – Assessment – Presumptive Assessment – Rejection of the Authority's Appeal.....	606



Zakat – Application of the Implementing Regulations for Zakat Collection – Base – Method of Deducting Fixed Assets from the Zakat Base – Acceptance of the Authority’s Appeal.....	609
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Introduction

Praise be to Allah, the Lord of the Worlds, and prayers and peace be upon the most honorable messengers and the Last Prophet, our Prophet Muhammad, and upon his family, companions and followers, and therefore:

In recent time the efforts made by the courts and judicial committees, and the decisions issued by them, constitute in their entirety a priceless jurisprudential and judicial wealth, and a result that should be given attention and care. In light of the commercial and industrial revolution that the Kingdom of Saudi Arabia is experiencing under Saudi Vision 2030, many people are facing numerous challenges in Zakat, tax, and customs cases. From the perspective of social responsibility adopted by the General Secretariat of Zakat, Tax and Customs Committees, it has sought to establish a solid foundation and reference for committee members, Taxpayers, and interested parties through publishing the final Zakat decisions issued by the Zakat and Tax Committees for the year 2025, which effectively contributes to serving Zakat disputes. This limits the prolongation of the consideration of cases; as these compilations contribute to clarifying the decisions settled by the committees, which will be reflected in shortening the duration of litigation for concerned parties, easing the burden on the judge, and achieving the principle of transparency pursued by the General Secretariat, in addition to providing practical aspects for the relevant authorities in Sharia and statutory research, especially academic and training institutions, among others.

We ask Allah, the Almighty, to make our work purely for Him, and to support our efforts and endeavors for what is good, as He is indeed a gracious benefactor.



Speech of His Excellency the Secretary General of the Zakat, Tax and Customs Committees

Praise be to Allah alone. Therefore:

Based on the vision and values of the General Secretariat of Zakat, Tax and Customs Committees (GSTC), which has taken upon itself to excel in the capacity to resolve Zakat, tax, and customs disputes; adopt innovative and effective methods; enhance transparency and impartiality; foster cooperation among the parties of the Zakat, tax, and customs ecosystem; and play an active role in raising the efficiency of legal review; with the objective of contributing to the achievement of the targets of Saudi Vision 2030 through facilitating prompt adjudication, and adopting the values of transparency and innovation, by supporting the Zakat, Tax and Customs Committees in the prompt adjudication of disputes pending before them, providing support and assistance to the committees at all stages by conducting studies and research, and serving Taxpayers by clarifying laws, decisions, and judicial precedents, and updating them on a periodic basis.

The General Secretariat has accorded special importance to the final decisions issued by the committees, as they represent the essence of settled judicial jurisprudence, which is distinguished by its adaptability to continuous development and change in accordance with the latest factual developments; because their articulation aims to adjudicate disputes presented before the judicial committees.

Furthermore, knowledge of these decisions limits the emergence of disagreements and disputes, which serves as a means of prevention, protection, and assistance to them in their standing before the committees. This includes the project of classifying and categorizing the Zakat decisions issued by the Zakat, Tax and Customs Committees.

This prestigious status of the decisions necessitated working on extracting and publishing them to the public; in realization of the principle of transparency, to highlight the ongoing efforts, and to enrich the academic arena, so that it may serve as a fertile ground for scholars, specialists, and research centers.

What the Secretariat undertakes—in accordance with its role through the publication of these final decisions—is but an affirmation of its relentless pursuit to achieve everything that would elevate the level of justice to its befitting standard. This is thanks to the support and directives of the blessed



leadership, which spares no effort in its generous support of the legislative and regulatory environment.

In conclusion, I would like to extend my sincere thanks to my master, the Custodian of the Two Holy Mosques King Salman bin Abdulaziz, and His Royal Highness the Crown Prince Mohammed bin Salman bin Abdulaziz, Prime Minister—may Allah protect them—for their unlimited care and support for judicial activities in various fields. I would also like to extend my abundant thanks to the staff of the General Secretariat for their outstanding efforts in issuing this publication, which I hope will achieve its objectives and be a qualitative addition in the legal field.

Secretary-General

Abdullah bin Abdulrahman Al-Suhaibani



Methodology

The General Secretariat has been careful to select judgments with a comprehensive nature regarding their subjects in order to achieve the desired benefit. In view of the importance of the characterization of the case pending before the Zakat, Tax and Customs Committees and its impact on the reasoning and basis for establishing the decision, being the result sought by the parties to the case, and because Zakat cases have different facts and circumstances; it was necessary to categorize the final Zakat decisions issued by the Zakat, Tax and Customs Committees for the year 2025 to enable the researcher to review the opinion of the committees on those defenses.

Based on the role of the General Secretariat of Zakat, Tax and Customs Committees in adopting and applying the principles of continuous improvement and development in the management of Zakat, tax, and customs disputes, with the aim of enabling the prompt adjudication in these disputes, it has accorded care and attention to the categorization and publication of the final Zakat decisions issued by the Zakat, Tax and Customs Committees. Accordingly, the work required establishing a solid plan to produce it in an easy and accessible manner, and the work was divided into several stages as follows:

- The Zakat decisions issued by the Zakat and Tax Committees were thoroughly inventoried during 2025 AD.
- Keywords have been set to make it easier to search through them.
- Listing the name of the circuit issuing the decision, the decision number, and the date of its issuance.
- Developing a summary of the cases wherein the most important elements of the case are abbreviated.
- Ensuring the deletion of all data indicating the parties to the lawsuit, or other parties, without affecting the decision.
- Verifying the integrity of the decision from a linguistic and spelling perspective.
- Categorizing the decisions thematically and placing them under the most relevant category.
- The Secretariat relied in its thematic categorization and indexing of the decisions on the subjects of the Law and its implementing regulations, such that the decisions are listed upon their distribution according to their occurrence in the Law and its implementing regulations.
- The Secretariat adopted a methodology of excluding similar decisions, where its criterion for similarity is the agreement of the decision's items, the claims of the lawsuit, and the ruling therein, even if the parties differ.
- Adherence to the text of the decision, which includes its facts, grounds, and operative part, without any addition or amendment except for spelling and grammatical errors.



Procedural Zakat Decisions Issued by the Zakat and Tax Committees



Appeal Committee for Tax Violations and Disputes
First Appeal Circuit for Income Tax Violations and Disputes
in Riyadh City

Decision No IR-2025-243638

Case No. Z-2024-243638

Keywords:

Zakat – Zakat Assessment – Procedural – Recording the Settlement of the Dispute – Acceptance of the Abandonment of Litigation.

Summary:

The Taxpayer's appeal against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Riyadh City No. (IFR-2024-237983) relating to the Zakat assessment for the year 2019 AD, which ruled to reject the Taxpayer's objection to the decision of the Zakat, Tax and Customs Authority. Whereas it has been proven to the Appeal Circuit the Taxpayer's request to abandon the appeal due to the Authority's acceptance of the Taxpayer's request to apply Ministerial Resolution No. 1007 regarding the dispute year 2019 AD, whereupon the Circuit concludes by accepting the abandonment of the lawsuit, based on Article (70) of the Law of Sharia Procedures and Paragraph 1 of Article 70 of its Implementing Regulations. The effect of this is; acceptance of the abandonment of litigation in the appeal.

Document

- Article 70 of the Law of Sharia Procedures, issued by Royal Decree No. (M/1), dated 22/01/1435 AH.
- Paragraph (1) of Article (70) of the Implementing Regulations of the Law of Sharia Procedures, issued by the Minister of Justice Decision No. (39933), dated 19/05/1435 AH.

Facts:

The appeal submitted on 10/10/2024 AD by / [.....], National ID No. ([.....]), in his capacity as an attorney-in-fact for the appellant company, pursuant to power of attorney No. ([.....]), dated 02/01/1443 AH, and law practice license No. ([.....]), was considered against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Riyadh City No. (IFR-2024-237983) issued in Case No. (Z-237983-



2024) relating to the Zakat assessment for the year 2019 AD, in the lawsuit filed by the Taxpayer against the Zakat, Tax and Customs Authority, wherein the decision of the Resolution Circuit ruled as follows:

Rejection of the objection of the plaintiff / [.....] Company (TIN [.....]) against the decision of the defendant / the Zakat, Tax and Customs Authority, relating to the assessment subject of the lawsuit.

Whereas this decision did not meet with the Taxpayer's acceptance, it submitted an appeal statement which the Circuit reviewed, and its essence included that the Taxpayer requests the acceptance of its appeal and the annulment of the Resolution Circuit's decision.

On Thursday, 06/03/2025 AD, the First Appeal Circuit for Income Tax Violations and Disputes held its hearing at exactly 12:40 PM, in the presence of its members whose names are recorded in the minutes, via video conferencing in accordance with the remote litigation procedures; pursuant to the provisions of Paragraph (1) of Article (Fifteen) of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711), dated 08/04/1445 AH; and after reviewing the Taxpayer's submitted request to abandon the lawsuit in application of Ministerial Resolution No. (1007), and the proof of the Authority's approval thereof submitted by it, and after deliberation, and whereas the case is ripe for judgment in its current state, the Circuit decides to close the pleadings and reserve the case for adjudication.

Grounds

Whereas Article (70) of the Law of Sharia Procedures, issued by Royal Decree No. (M/1), dated 22/01/1435 AH, stipulates that: "Litigants may ask the court, at any stage of the lawsuit, to record what they have agreed upon, whether an acknowledgment, settlement, or otherwise, in the hearing minutes, and the court shall Issue an instrument to that effect," and Paragraph (1) of Article (70) of the Implementing Regulations of the Law of Sharia Procedures, issued by the Minister of Justice Decision No. (39933), dated 19/05/1435 AH, stipulates that: "If the agreement is reached before the case is recorded, the content of the lawsuit and the answer must be documented before recording the agreement, taking into consideration that the origin of the lawsuit is within the jurisdiction of the circuit, even if the content of the agreement falls within the jurisdiction of another court or circuit, provided that the subject matter of the lawsuit or part of it is among what is agreed upon." Based on the foregoing, and whereas it has been proven to this Circuit the Taxpayer's request to abandon the appeal, which includes "in reference to the acceptance by the Zakat, Tax and Customs Authority of the Taxpayer's request to apply Ministerial Resolution 1007 regarding the dispute year 2019 AD, we hope that you accept our request to abandon the lawsuit", whereupon it is incumbent upon the Circuit to accept the abandonment of the litigation.



Based on the foregoing, and adopting the aforementioned grounds, the Circuit unanimously rendered the following decision:

Decision

Acceptance of the abandonment of litigation in the appeal submitted by / [.....] Company, Commercial Registration No. ([.....]), TIN ([.....]), against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Riyadh City No. (IFR-2024-237983), issued in Case No. (Z-237983-2024) relating to the Zakat assessment for the year 2019 AD.



Appeal Committee for Tax Violations and Disputes
First Appeal Circuit for Income Tax Violations and Disputes
in Riyadh City

Decision No IR-2024-234523

Case No. Z-2024-234523

Keywords:

Zakat – Zakat Assessment – Procedural – Lack of Jurisdictional Competence – Request for Interpretation of the Operative Part of the Decision – Non-Acceptance of the Appeal Procedurally.

Summary:

The Authority's objection against the decision of the Third Circuit for the Resolution of Income Tax Violations and Disputes in Riyadh City No. (ITR-2024-56298) relating to the Zakat assessments for the years from 2013 to 2018 AD, which ruled to accept the Taxpayer's objection and amend the Defendant's decision regarding the item of presumptive Zakat assessment for the years 2013 and 2014 AD in the amount of SAR 41,078.35, and reject all other claims. Whereas it has been established to the Appellate Circuit that the Authority's request for interpreting the operative part of the decision falls within the jurisdiction of the circuit that issued the decision subject to interpretation, in accordance with the relevant laws, which renders considering it outside its Jurisdictional Competence. Consequently, the appeal is not accepted procedurally.

Document

- Article (30) of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH.
- Article (173) of the Law of Sharia Procedures, issued by Royal Decree No. (M/1) dated 22/01/1435 AH.

Facts:

The appeal submitted on 03/04/2024 AD by the Zakat, Tax and Customs Authority was considered; against the decision of the Third Circuit for the Resolution of Income Tax Violations and Disputes in Riyadh City No. (ITR-2024-56298), issued in Case No. (Z-56298-2021) relating to the Zakat assessments for the years from 2013 to 2018 AD, in the lawsuit submitted by the Taxpayer against the Zakat, Tax and Customs Authority, wherein the decision of the Resolution Circuit ruled as follows:

First: Acceptance of the objection procedurally submitted by the Plaintiff / ... Company, Commercial Registration No. (...), against the decision of the Defendant / Zakat, Tax and Customs Authority.



Second: On the Merits:

- (A) To amend the Defendant's decision regarding the item of presumptive Zakat assessment for the years 2013 and 2014 AD in the amount of SAR 41,078.35.
- (B) To reject the Plaintiff's objection regarding the item of presumptive Zakat assessment for the years from 2015 to 2018 AD in the amount of SAR 95,074.64.

Whereas this decision did not meet the acceptance by the Appellant, it submitted an appeal brief which was reviewed by the Circuit, the substance of which is that the Authority requests the acceptance of its appeal and the annulment of the decision of the Resolution Circuit.

On Sunday, 01/12/2024 AD, the First Appeal Circuit for Income Tax Violations and Disputes convened via video conferencing in accordance with the remote litigation procedures; pursuant to the provisions of Paragraph (1) of Article (Fifteen) of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH; and upon reviewing the appeal, and examining the contents of the case file, and after deliberation; and whereas the Circuit found nothing requiring the attendance of the parties to the appeal, the Circuit decided to close the pleadings and reserve the case for adjudication.

Grounds

Upon reviewing the Authority's appeal and examining the case file and its contents, it became evident that the Authority requests the interpretation of the operative part of the decision. Since the request is limited to interpreting the ambiguity of the decision subject to appeal, and whereas considering this request is not within the jurisdiction of the Appellate Circuit, but rather is to be considered by the circuit that issued the decision, pursuant to Article (30) of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH, which stipulates: "If an ambiguity occurs in the operative part of the decision, any of the parties to the lawsuit may request the circuit to interpret it, and an independent decision of interpretation shall be issued, signed by the members of the circuit that issued it. The interpretation decision shall be deemed an integral part of the original decision, and whatever applies to the original decision regarding methods of objection shall apply to it." Furthermore, Article (173) of the Law of Sharia Procedures, Royal Decree No. (M/1) dated 22/01/1435 AH, stipulates: "If an ambiguity or confusion occurs in the operative part of the judgment, the litigants may request the court that issued it to interpret it, and this shall be done through a memorandum in accordance with the usual procedures for filing a lawsuit," which leads the Circuit to conclude to non-acceptance of the appeal procedurally.

Based on the foregoing, and adopting the aforementioned grounds, the Circuit unanimously rendered the following decision:



Decision

Non-Acceptance of the appeal procedurally, submitted by the Zakat, Tax and Customs Authority, against the decision of the Third Circuit for the Resolution of Income Tax Violations and Disputes in Riyadh City No. (ITR-2024-56298), issued in Case No. (Z-56298-2021) relating to the Zakat assessments for the years from 2013 to 2018 AD.



Appeal Committee for Tax Violations and Disputes
First Appeal Circuit for Income Tax Violations and Disputes
in Riyadh City

Decision No IR-2025-238333

Case No Z-2024-238333

Keywords:

Zakat – Zakat Assessment – Procedural – Abandonment of the Petition for Reconsideration – Acceptance of the Abandonment of the Petition for Reconsideration.

Summary:

The Taxpayer's objection to the decision of the First Appeal Circuit for Income Tax Violations and Disputes No. (IR-2024-136298) relating to the Zakat assessment for the year 2015 AD. Whereas it has been established to the Appellate Committee the Taxpayer's request to abandon the petition for reconsideration in order to save time and effort, and its intention to pay the Zakat amount to the Authority in installments. The effect of this is; acceptance of the abandonment of the petition for reconsideration

Document

- Article (70) of the Law of Sharia Procedures, issued by Royal Decree No. (M/1) dated 22/01/1435 AH.
- Paragraph (1) of Article (70) of the Implementing Regulations of the Law of Sharia Procedures, issued by the Minister of Justice Resolution No. (39933) dated 19/05/1435 AH.

Facts:

The petition submitted on 06/06/2024 AD by / (.....), Resident ID No. (.....), in his capacity as the General Manager of the petitioning company pursuant to a resolution of the Board of Directors, was considered against the decision of the First Appeal Circuit for Income Tax Violations and Disputes No. (IR-2024-136298), issued in Case No. (Z-2022-136298) relating to the Zakat assessment for the year 2015 AD, in the lawsuit filed by the Taxpayer against the Zakat, Tax and Customs Authority, wherein the decision of the Appellate Circuit ruled as follows:

First: Procedurally:

First: Acceptance of the appeal procedurally submitted by the Taxpayer / (.....) Company, Commercial Registration (.....), Taxpayer Identification Number (.....), and the Zakat, Tax and Customs Authority, against the decision of the Third Circuit for the Resolution of Income Tax Violations and Disputes in Riyadh City



No. (IFR-2022-5096), issued in Case No. (Z-2021-75637) relating to the Zakat assessment for the year 2015 AD.

Second: On the Merits:

- 1- Acceptance of the abandonment of litigation regarding the Authority's appeal on the item of (Foreign Investments for the year 2015 AD).
- 2- Rejection of the appeal of both parties and affirming the decision of the Resolution Circuit regarding the item of (Due from related parties for the year 2015 AD).
- 3- Rejection of the Taxpayer's appeal and affirming the decision of the Resolution Circuit regarding the item of (Advance Payments from the Partner for the year 2015 AD).
- 4- Rejection of the Taxpayer's appeal and affirming the decision of the Resolution Circuit regarding the item of (Additional Contribution from a Partner for the year 2015 AD).
- 5- Acceptance of the Authority's appeal and annulment of the decision of the Resolution Circuit regarding the item of (Additional Contribution from a Partner for the year 2015 AD).
- 6- Rejection of the Taxpayer's appeal and affirming the decision of the Resolution Circuit regarding the item of (Accumulated Losses for the year 2015 AD).

On Sunday, 05/01/2025 AD, the First Appeal Circuit for Income Tax Violations and Disputes convened its hearing in the presence of its members whose names are recorded in the minutes, via video conferencing in accordance with the remote litigation procedures; pursuant to the provisions of Paragraph (1) of Article (Fifteen) of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH; and upon reviewing the petition request, the submitted memoranda, and the papers and documents contained in the case file, and after deliberation, and whereas the case is ripe for judgment in its current state, the Circuit decided to close the pleadings and reserve the case for adjudication.

Grounds:

Whereas Article (70) of the Law of Sharia Procedures, issued by Royal Decree No. (M/1) dated 22/01/1435 AH, stipulates: "Litigants may request the court, at any stage of the case, to record what they have agreed upon, whether an acknowledgment, settlement, or otherwise, in the case minutes, and the court shall Issue an instrument to that effect," and Paragraph (1) of Article (70) of the Implementing Regulations of the Law of Sharia Procedures, issued by the Minister of Justice Resolution No. (39933) dated 19/05/1435 AH, stipulates: "If the agreement is reached before the case is recorded, the substance of the lawsuit and the response must be recorded before documenting the agreement, taking into account that the original lawsuit falls within the jurisdiction of the circuit, even if the substance of the agreement falls within the jurisdiction of another court or circuit, provided that the subject matter of the lawsuit, or part thereof, is among what has been agreed upon."



Based on the foregoing, and whereas it has been established to this Circuit the Taxpayer's request to abandon the petition in accordance with what was stated in the supplementary letter issued by it, which includes: "The company has received from the Zakat, Tax and Customs Authority a notice of execution of the decision of the competent tax committee for the year 2015 AD, and to affirm the company's commitment before the Zakat Authority, the company intends to submit a request for the installment of the due Zakat. To save time and effort, the company requests your excellency to kindly approve the Abandonment of litigation of the petition."; this renders it incumbent upon the Circuit to accept the abandonment of the petition.

Based on the foregoing, and adopting the aforementioned grounds, the Circuit unanimously rendered the following decision:

Decision

Acceptance of the abandonment of the petition for reconsideration submitted by the Taxpayer / (.....) Company, Commercial Registration No. (.....), Taxpayer Identification Number (.....) against the decision of the First Appeal Circuit for Income Tax Violations and Disputes No. (IR-2024-136298), issued in Case No. (Z-2022-136298) relating to the Zakat assessment for the year 2015 AD.



Appeal Committee for Tax Violations and Disputes First Appeal Circuit for Income Tax Violations and Disputes in Riyadh City

Decision No IR-2025-127680

Case number Z-2022-127680

Keywords:

Zakat – Zakat Assessment – Procedural – Striking off the Lawsuit – Acceptance of the Abandonment of Litigation.

Summary:

The Taxpayer and the Authority appealed against the decision of the Resolution Circuit relating to the Zakat assessment for the years from 2014 to 2017 AD. Both parties requested the suspension of the proceedings in the lawsuit to resort to settlement, and indeed the Circuit decided to temporarily suspend it. It was later established that the Internal Settlement Committee's decision No. (53655) for the year 2014 AD was issued, while the Taxpayer expressed its desire to abandon the litigation for the years from 2015 to 2017 AD to agree with the Authority on the application of Ministerial Resolution No. (1007). The Circuit relied on Paragraph (2) of Article (8) of the Rules of Operation for Zakat, Tax, and Customs Committees and Article (70) of the Law of Sharia Procedures, which render the settlement decision as terminating the lawsuit. The operative part of the decision concluded to strike off the lawsuit for the year 2014 AD based on the settlement decision, and to accept the abandonment of litigation for the years from 2015 to 2017 AD .

Document

- Paragraph 2 of Article 8 of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH.
- Paragraph (1) of Article (70) of the Implementing Regulations of the Law of Sharia Procedures issued by the Minister of Justice Resolution No. (39933) dated 19/05/1435 AH.

Facts:

This is to consider the appeal submitted on 28/04/2022 AD by / (.....), National ID No. (.....) in his capacity as an attorney for the Appellant Company pursuant to Power of Attorney No. (.....) dated 18/11/1442 AH, and the appeal submitted by the Zakat, Tax and Customs Authority on 30/04/2022 AD, against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Dammam City No. (IZD-2022-592) issued in Case No. (Z-56173-2021) relating to the Zakat assessment for the years from 2014 to 2017 AD,



in the lawsuit filed by the Taxpayer against the Zakat, Tax and Customs Authority, wherein the decision of the Resolution Circuit ruled as follows:

- 1- Regarding the item of calculating the overpaid amounts:
 - a) Amending the Defendant's decision regarding the year 2014 AD in the amount of SAR 2,508,041.
 - b) Rejecting the Plaintiff's objection regarding the year 2016 AD.
- 2- Annulment of the Defendant's decision regarding the item of the expiration of the Authority's right to Zakat assessment for the year 2014 AD.
- 3- Annulment of the Defendant's decision regarding the item of loans for the years 2014 to 2017 AD.
- 4- Regarding the item of due to related parties:
 - a) Annulment of the Defendant's decision for the year 2014 AD.
 - b) Rejecting the Plaintiff's objection for the year 2015 AD.
- 5- Regarding the item of advance payments from customers:
 - a) Annulment of the Defendant's decision for the year 2014 AD.
 - b) Rejecting the Plaintiff's objection for the years from 2015 to 2017 AD.
- 6- Annulment of the Defendant's decision regarding the item of depreciation variances and net assets deducted from the Zakat base for the years from 2014 to 2017 AD.
- 7- Regarding the item of investments:
 - a) Annulment of the Defendant's decision for the years 2014 and 2015 AD.
 - b) Rejecting the Plaintiff's objection for the years 2016 and 2017 AD.
- 8- Regarding the item of provision for decommissioning and site restoration:
 - a) Annulment of the Defendant's decision for the year 2014 AD.
 - b) Rejecting the Plaintiff's objection for the years from 2015 to 2017 AD.
- 9- Annulment of the Defendant's decision regarding the item of foreign currency translation reserve for the years 2016 and 2017 AD.
- 10- Regarding the item of accounts receivable for the years 2016 and 2017 AD:
 - a) Annulment of the Defendant's decision regarding the amount of SAR 88,689,916.
 - b) Rejecting the Plaintiff's objection regarding the amount of SAR 9,618,275 and the amount of SAR 15,373,918.
- 11- Regarding the item of trade payables:
 - a) Annulment of the Defendant's decision for the year 2014 AD.
 - b) Rejecting the Plaintiff's objection for the years from 2015 to 2017 AD.
- 12- Regarding the item of Zakat provision:
 - a) Annulment of the Defendant's decision for the year 2014 AD.
 - b) Rejecting the Plaintiff's objection for the years from 2015 to 2017 AD.



- 13- Rejecting the Plaintiff's objection regarding the item of lease payments for the years 2016 and 2017 AD.
- 14- Annulment of the Defendant's decision regarding the item of commercial loan for the year 2014 AD.
- 15- Rejecting the Plaintiff's objection regarding the item of income taxes for the year 2016 AD.
- 16- Rejecting the Plaintiff's objection regarding the item of retained earnings for the year 2017 AD.
- 17- Rejecting the Plaintiff's objection regarding the item of consideration payable of a subsidiary for the year 2017 AD.

Whereas the appealed decision did not meet the acceptance of the Taxpayer, it submitted an appeal brief which was reviewed by the Circuit, the substance of which is that the Taxpayer requests the acceptance of its appeal and the annulment of the appealed decision of the Resolution Circuit. Furthermore, this decision did not meet the acceptance of the Authority, so it submitted an appeal brief which was reviewed by the Circuit, the substance of which is that the Authority requests the acceptance of its appeal and the annulment of the decision of the Resolution Circuit.

On Tuesday, 15/10/2024 AD, the First Appeal Circuit for Income Tax Violations and Disputes held its hearing in the presence of its members whose names are recorded in the minutes, via video conferencing in accordance with the remote litigation procedures; pursuant to the provisions of Paragraph (1) of Article (Fifteen) of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. Upon calling upon the litigants, (.....), National ID No. (.....) attended in his capacity as an attorney for the Taxpayer pursuant to Power of Attorney No. (.....), and (.....), National ID No. (.....) attended in her capacity as the Authority's representative, pursuant to an authorization issued by the Deputy Governor of the Zakat, Tax and Customs Authority for Legal Affairs under No. (.....) dated 19/03/1445 AH. In this hearing, the Taxpayer's attorney stated that he had sent an email on 01/10/2024 AD to the General Secretariat of Zakat, Tax and Customs Committees requesting the suspension of the proceedings in the lawsuit to resort to settlement. Upon presenting this to the Authority's representative, she responded with approval of this request. Accordingly, the Circuit decided to suspend the proceedings in the lawsuit pursuant to Article (43) of the Rules of Operation for Zakat, Tax, and Customs Committees, which stipulates: "The lawsuit may be suspended based on the agreement of its parties not to proceed with it, for a period not exceeding one hundred and eighty (180) days from the date the Circuit approves their agreement. If the parties to the lawsuit do not resume the proceedings within the ten days following the end of the period, the plaintiff shall be deemed to have abandoned its lawsuit."

On 14/04/2025 AD, the Authority submitted a request to resume the proceedings in the lawsuit.

On Tuesday, 22/04/2025 AD, the First Appeal Circuit for Income Tax Violations and Disputes held its hearing at exactly 11:30 AM in the presence of its members whose names are recorded in the minutes, via video conferencing in accordance with the remote litigation procedures; pursuant to the provisions of Paragraph (1)



of Article (Fifteen) of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. Upon calling upon the litigants, (.....), National ID No. (.....) attended in his capacity as an attorney for the Taxpayer pursuant to Power of Attorney No. (.....) issued on 26/10/1445 AH, and Law Practice License No. (.....), and the Authority's representative (.....), National ID No. (.....) attended pursuant to an authorization issued by the Deputy Governor of the Zakat, Tax and Customs Authority for Legal Affairs under No. (.....) dated 19/03/1445 AH. Upon reviewing the Hayad System, it became clear that the lawsuit was suspended on 21/04/2025 AD due to the existence of a settlement request No. (53591); therefore, it is impossible to adjudicate the lawsuit until the settlement decision is issued.

On Tuesday, 20/05/2025 AD, the First Appeal Circuit for Income Tax Violations and Disputes held its hearing at exactly 01:03 PM in the presence of its members whose names are recorded in the minutes, via video conferencing in accordance with the remote litigation procedures; pursuant to the provisions of Paragraph (1) of Article (Fifteen) of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. Upon calling upon the litigants, the Authority's representative (.....) National ID No. (.....) attended pursuant to an authorization issued by the Deputy Governor of the Zakat, Tax and Customs Authority for Legal Affairs under No. (.....) dated 19/03/1445 AH. The Taxpayer or its representative did not attend despite the established statutory notification of the date of this hearing. Upon the Circuit's review of what the Taxpayer attached to the case file as proof of abandoning the lawsuit regarding the years: (2015-2016-2017) in application of Ministerial Resolution No. (1007) and the Authority's approval thereof provided by it, the Circuit accordingly decided to record the abandonment of litigation in application of Ministerial Resolution (1007) for the following years: (2015-2016-2017). As for the disputed year (2014 AD), it is clear that it is still under consideration by the Internal Settlement Committee at the Zakat, Tax and Customs Authority.

On Thursday, 18/09/2025 AD, the First Appeal Circuit for Income Tax Violations and Disputes held its hearing at exactly 06:56 AM in the presence of its members whose names are recorded in the minutes, via video conferencing in accordance with the remote litigation procedures; pursuant to the provisions of Paragraph (1) of Article (Fifteen) of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. After reviewing the approval of the settlement decision issued under No. (53655) attached in the case file, and based on Paragraph (2) of Article (8) of the Rules of Operation for Zakat, Tax, and Customs Committees which stipulates: "The decision of the Internal Settlement Committee shall be deemed final and terminating the lawsuit, if the Taxpayer agrees to it in writing within the period specified in the settlement rules, and the Authority must notify the General Secretariat thereof and provide it with a copy of the decision to strike off the lawsuit."

Grounds:





Regarding the Taxpayer's appeal on the Zakat assessment for the year 2014 AD, and based on Paragraph (2) of Article (Eight) of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH, which stipulates: "The decision of the Internal Settlement Committee shall be deemed final and terminating the lawsuit, if the Taxpayer agrees to it in writing within the period specified in the settlement rules, and the Authority must notify the General Secretariat thereof and provide it with a copy of the decision to strike off the lawsuit," and whereas Article (70) of the Law of Sharia Procedures issued by Royal Decree No. (M/1) dated 22/01/1435 AH stipulates: "Litigants may request the court, at any stage of the lawsuit, to record what they have agreed upon, whether an acknowledgment, settlement, or otherwise, in the hearing minutes, and the court shall Issue an instrument to that effect," and Paragraph (1) of Article (70) of the Implementing Regulations of the Law of Sharia Procedures issued by the Minister of Justice Resolution No. (39933) dated 19/05/1435 AH stipulates: "If the agreement is reached before the case is recorded, the content of the lawsuit and the answer must be documented before recording the agreement, taking into consideration that the origin of the lawsuit is within the jurisdiction of the circuit, even if the content of the agreement falls within the jurisdiction of another court or circuit, provided that the subject matter of the lawsuit or part of it is among what is agreed upon." Based on the foregoing, regarding the year 2014 AD, and after reviewing the approval of the settlement decision issued under No. (53655) for the disputed year attached to the case file, and whereas Article Eight of the Rules of Operation for Zakat, Tax, and Customs Committees referred to above states that the lawsuit under consideration shall be struck off after the Secretariat is provided with a copy of the settlement decision, this leads the Circuit to conclude to strike off the lawsuit based on the settlement decision issued under No. (53655) dated 11/05/2025 AD regarding the year 2014 AD. As for the years from 2015 to 2017 AD, and whereas the Taxpayer's request to abandon the appeal has been established to this Circuit based on a copy of the email dated 08/05/2025 AD, which includes: "(.....) Company, TIN (.....) would like to inform Your Excellency of its desire to abandon the lawsuit No. (Z-2022-127680) filed against the Zakat, Tax and Customs Authority for the years from 2015 to 2017 to agree with the Authority on the application of Ministerial Resolution No. (1007) (attached is a copy of the Authority's approval for the mentioned years, and its letter in this regard is attached for Your Excellency's review and keeping in the case file)." This renders it incumbent upon the Circuit to accept the abandonment of litigation regarding the Taxpayer's appeal for the years from 2015 to 2017 AD in application of Ministerial Resolution No. (1007).

Based on the foregoing, and adopting the aforementioned grounds, the Circuit unanimously rendered the following decision:

Decision

- 1- Striking off the lawsuit filed by the Taxpayer / (.....) Company, Commercial Registration No. (.....), TIN (.....) and the Zakat, Tax and Customs Authority, against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Dammam City No. (IZD-2022-592) issued in Case



No. (Z-56173-2021), based on the settlement decision issued under No. (53655) dated 11/05/2025 AD, for the year 2014 AD.

- 2- Acceptance of the abandonment of litigation regarding the Taxpayer's appeal for the years (2015, 2016, 2017 AD), in application of Ministerial Resolution No. (1007).

Appeal Committee for Tax Violations and Disputes First Appeal Circuit for Income Tax Violations and Disputes in Riyadh City

Decision No. IR-2025-241044

Case No. Z-2024-241044

Keywords:

Zakat – Zakat Assessment – Procedural – Considering the case non-existent – Non-Acceptance of the Appeal Procedurally.

Summary:

The Taxpayer appealed against the decision of the Resolution Circuit relating to the Zakat assessment for the year 2019 AD, which ruled to consider its lawsuit "as if it never existed." The facts date back to the issuance of the First Instance Decision to strike off the lawsuit, followed by a decision considering it as if it never existed after the expiration of the statutory period without a request to proceed with it. The Taxpayer justified its appeal by stating that the hearing link was not received, and it was unable to log into the system due to technical issues in receiving the "code." Upon the Appellate Circuit's review of the provisions of Article (19) of the Rules of Operation for Zakat, Tax, and Customs Committees, it became evident that the decision issued to consider the lawsuit as if it never existed as a result of striking it off is a final, non-appealable decision. The Circuit clarified that this type of decision does not prevent the plaintiff from filing a new lawsuit registered under a new record with the Resolution Circuit. The operative part of the decision concluded non-acceptance the appeal procedurally as it relates to a decision that has acquired final statutory status.

Document

- Article (19) of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH



Facts:

This is to consider the appeal submitted on 25/08/2024 AD by / (.....) Company, against the decision of the Second Circuit for the Resolution of Income Tax Violations and Disputes in Riyadh City No. (ISR-2024-233431) issued in Case No. (Z-2024-233431) relating to the Zakat assessment for the year 2019 AD, in the lawsuit filed by the Taxpayer against the Zakat, Tax and Customs Authority, wherein the decision of the Resolution Circuit ruled as follows:

Considering the lawsuit filed by the Plaintiff / (.....) Company, Commercial Registration No. (.....), against the Defendant / Zakat, Tax and Customs Authority, as if it never existed.

Whereas this decision did not meet the acceptance of the Taxpayer, it submitted an appeal brief which included that the link for the first hearing was not received, consideration of the lawsuit was postponed, and it was notified that the lawsuit had been struck off. Upon attempting to log into the system to restore it from being struck off, the code was not received, and a request was made to change the registered number.

On Sunday, 16/03/2025 AD, the First Appeal Circuit for Income Tax Violations and Disputes held its hearing at exactly 12:30 PM in the presence of its members whose names are recorded in the minutes, via video conferencing in accordance with the remote litigation procedures; pursuant to the provisions of Paragraph (1) of Article (Fifteen) of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. Upon reviewing the appeal request, the submitted memoranda, and the papers and documents contained in the case file, and after deliberation, and whereas the case is ripe for judgment in its current state, the Circuit decided to close the pleadings and reserve the case for adjudication.

Grounds

After reviewing the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH and relevant laws.

Upon the Circuit's deliberation on the subject of the dispute, and after reviewing the appealed decision which was issued to strike off the lawsuit and consider it as if it never existed, and whereas Article (19) of the Rules of Operation for Zakat, Tax, and Customs Committees stipulates: "1- If the plaintiff fails to attend any hearing session of which they were proven to be notified at the specified time, and does not provide an excuse acceptable to the Circuit, it must adjudicate the lawsuit if it is ready for adjudication. 2- If the lawsuit is not ready for adjudication, the Circuit shall strike it off. If thirty (30) days elapse from the date of striking it off and the plaintiff does not request to proceed with it after it has been struck off, or fails to attend any other hearing after proceedings are resumed, the Circuit shall issue a decision Considering the case non-existent, and the decision shall be deemed final and non-appealable. The plaintiff may—without prejudice to the prescribed period for



hearing the lawsuit—file a new lawsuit to be registered under a new record." And whereas Considering the case non-existent is not deemed a decision having a procedural or substantive impact on the subject of the dispute to warrant an appeal against it, considering that whoever has a decision issued against them to strike off the lawsuit and consider it as if it never existed may file a new lawsuit registered under a new record with the Resolution Circuit, which leads this Circuit to conclude to reject the appeal procedurally.

Based on the foregoing, and adopting the aforementioned grounds, the Circuit unanimously rendered the following decision:

Decision

Non-Acceptance of the appeal procedurally, submitted by the Taxpayer / (.....) Company, Commercial Registration No. (.....), Taxpayer Identification Number (.....), against the decision of the Second Circuit for the Resolution of Income Tax Violations and Disputes in Riyadh City No. (ISR-2024-233431), issued in Case No. (Z-2024-233431) relating to the Zakat assessment for the year 2019 AD



Appeal Committee for Tax Violations and Disputes
First Appeal Circuit for Income Tax Violations and Disputes
in Riyadh City

Decision No. IR-2025-237311

Case No. Z-2024-237311

Keywords:

Zakat – Presumptive Assessment – Procedural – Decision Acquiring Final Status – Forfeiture of the Appellant's Right to Appeal.

Summary:

The Taxpayer appealed against the decision of the Resolution Circuit relating to the Zakat assessment for the years from 2016 to 2018 AD. It was established to the Circuit that the Taxpayer was absent from the first hearing session despite being statutorily notified, so it was decided to temporarily suspend the proceedings in the lawsuit. Despite the Taxpayer submitting a request to resume the proceedings in the lawsuit later, it failed to attend the second hearing scheduled to consider it. The Circuit based its decision on Article (190) of the Law of Sharia Procedures and Paragraph (2) of Article (28) of the Implementing Regulations of the Procedures of Objection to Judgments, which stipulate the forfeiture of the appellant's right to appeal if they request to resume the lawsuit and fail to attend the scheduled hearing. The operative part of the decision unanimously ruled the forfeiture of the Taxpayer's right to appeal, rendering the decision of the Resolution Circuit final.

Document

- Paragraph 1 of Article No. 28 of the Implementing Regulations of the Procedures of Objection to Judgments, issued by the Minister of Justice's Resolution No. (512) dated 05/01/1445 AH.
- Article 190 of the Law of Sharia Procedures, issued by Royal Decree No. (M/1) dated 22/01/1435 AH.

Facts:

This is to consider the appeal submitted on 22/05/2024 AD by / (.....), National ID No. (.....), in his capacity as the owner of the appellant establishment pursuant to the commercial registration, against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Dammam City No. (IZD-2024-79165) issued in Case No. (Z-79165-2021) relating to the Zakat assessment for the years from 2016 to 2018 AD, in the lawsuit filed by the Taxpayer against the Zakat, Tax and Customs Authority, wherein the decision of the Resolution Circuit ruled as follows:



Rejection of the plaintiff's objection regarding the related parties item for the years 2017 and 2018 AD.

Whereas the Resolution Circuit issued its aforementioned decision and reconsidered the lawsuit de novo as a result of this Circuit's decision No. (IR-2023-166811), and on Thursday, 12/12/2024 AD, the Circuit held its hearing to consider the lawsuit. After reviewing the lawsuit, the Circuit decided on remanding the case to the Resolution Circuit to review and restate the decision to encompass all items subject to the lawsuit and return it to the Appeal Circuit encompassing all of the plaintiff's claims for adjudication, as the Circuit had not exhausted its jurisdiction in deciding all of the plaintiff's claims.

As a result of that request, the First Circuit for the Resolution of Income Tax Violations and Disputes in Dammam City issued decision No. (ID-2025-79165) in Case No. (Z-79165-2021), which ruled as follows:

- 1- Rejection of the plaintiff's objection regarding the trade creditors item for the years from 2016 to 2018 AD.
- 2- Rejection of the plaintiff's objection regarding the Unearned Revenues item.
- 3- Rejection of the plaintiff's objection regarding the Advance Payments from customers item.
- 4- Rejection of the plaintiff's objection regarding the Inter-branch receivables item.
- 5- Rejection of the plaintiff's objection regarding the accrued expenses item.
- 6- Rejection of the plaintiff's objection regarding the Employee advances and custodies item.
- 7- Rejection of the plaintiff's objection regarding the item of dividends distributed after the Completion of one Zakat year (Al-Hawl).
- 8- Rejection of the plaintiff's objection regarding the related parties item for the years 2017 and 2018 AD.

Accordingly, the Circuit decided to resume the consideration of the lawsuit. Whereas the appealed decision did not meet the acceptance of the Taxpayer, it submitted an Appeal brief which the Circuit reviewed, the substance of which is that the Taxpayer requests the acceptance of its appeal and the annulment of the appealed Resolution Circuit's decision.

On Tuesday, 22/07/2025 AD, the First Appeal Circuit for Income Tax Violations and Disputes held its hearing at exactly 12:45 PM in the presence of its members whose names are recorded in the minutes, via video conferencing in accordance with the remote litigation procedures; pursuant to the provisions of Paragraph (1) of Article (Fifteen) of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. Upon calling upon the litigants, the appellant or its legal representative did not attend despite the proven statutory notification of the date of this hearing, and the appellee's representative / (.....) National ID No. (.....) attended, pursuant to an authorization issued by the Deputy Governor of the Zakat, Tax and Customs Authority for Legal Affairs under No. (.....) dated 19/03/1445 AH. Given the lawsuit's need for further study, the Circuit accordingly decided to adjourn the lawsuit to the hearing on Tuesday, 05/08/2025 AD.



On Tuesday, 05/08/2025 AD, the First Appeal Circuit for Income Tax Violations and Disputes held its hearing at exactly 09:30 AM in the presence of its members whose names are recorded in the minutes, via video conferencing in accordance with the remote litigation procedures; pursuant to the provisions of Paragraph (1) of Article (Fifteen) of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. Upon calling upon the litigants, the appellee's representative / (.....) National ID No. (.....) attended, pursuant to an authorization issued by the Deputy Governor of the Zakat, Tax and Customs Authority for Legal and Compliance Affairs under No. (.....) dated 19/03/1445 AH. The appellant or its legal representative did not attend despite the proven statutory notification of the date of this hearing. Upon asking the appellee's representative what she wished to add, she stated that she reiterates its previous submissions in this lawsuit. After closing the pleadings and deliberation, and whereas it has been established to the Circuit the absence of the appellant or its representative, and based on the text of Paragraph (1) of Article Twenty-Eight of the Implementing Regulations of the Procedures of Objection to Judgments which stipulates: "If the appellant is absent from any hearing session and sixty (60) days elapse from the date of the hearing, and it does not request to resume the lawsuit during this period, the court shall rule the forfeiture of its right to appeal," and based on the text of that paragraph, the proceedings in the lawsuit shall be suspended and the appellant may request to proceed with it within sixty days from the date of this hearing; otherwise, its right to appeal will be forfeited. Accordingly, the Circuit unanimously rendered the following decision: Temporarily suspending the proceedings in the lawsuit.

On 10/08/2025 AD, the appellant submitted a request to resume the lawsuit.

On Tuesday, 02/09/2025 AD, the First Appeal Circuit for Income Tax Violations and Disputes held its hearing at exactly 10:30 AM in the presence of its members whose names are recorded in the minutes, via video conferencing in accordance with the remote litigation procedures; pursuant to the provisions of Paragraph (1) of Article (Fifteen) of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. Upon calling upon the litigants, the Authority's representative / (.....) National ID No. (.....) attended, pursuant to an authorization issued by the Deputy Governor of the Zakat, Tax and Customs Authority for Legal Affairs under No. (.....) dated 19/03/1445 AH. The appellant or its representative did not attend despite the proven notification of the date of this hearing. Based on the text of Article One Hundred and Ninety of the Law of Sharia Procedures which stipulates: "The appellate court shall schedule a hearing to consider the appeal request or the review request if it deems to consider it via pleadings. If the appellant or the review requester fails to attend after being notified of the hearing date, and sixty days elapse without requesting to proceed with the lawsuit, or fails to attend after proceeding with it; the court shall, on its own motion, rule the forfeiture of its right to appeal or audit, without prejudice to the provision of Paragraph (4) of Article (One Hundred and Eighty-Five) of this Law." And based on the text of Paragraph (2) of Article Twenty-Eight of the Implementing Regulations of the Procedures of Objection to Judgments which stipulates: "If the appellant requests to proceed with the lawsuit during the period mentioned in Paragraph (1)



of this Article, the court shall schedule a date for the hearing, and the appellee shall be notified thereof. If the appellant fails to attend the scheduled hearing or any hearing thereafter, the court shall rule the forfeiture of its right to appeal." Based on the text of that paragraph, the proceedings in the lawsuit were suspended in the previous hearing. Whereas the appellant requested to proceed with it within sixty days from the date of the previous hearing and did not attend this hearing. Accordingly, and based on the previously referenced texts, the Circuit unanimously decided the forfeiture of the appellant's right to appeal. Consequently, the decision of the Resolution Circuit becomes a final decision.

Grounds:

After the Circuit's review of the submitted appeal, and based on Paragraph (1) of Article (Twenty-Eight) of the Implementing Regulations of the Procedures of Objection to Judgments which stipulates: "If the appellant is absent from any hearing session and sixty (60) days elapse from the date of the hearing, and it does not request to resume the lawsuit during this period, the court shall rule the forfeiture of its right to appeal," and based on Article (One Hundred and Ninety) of the Law of Sharia Procedures which stipulates: "The appellate court shall schedule a hearing to consider the appeal request or the review request if it deems to consider it via pleadings. If the appellant or the review requester fails to attend after being notified of the hearing date, and sixty days elapse without requesting to proceed with the lawsuit, or fails to attend after proceeding with it; the court shall, on its own motion, rule the forfeiture of its right to appeal or audit, without prejudice to the provision of Paragraph (4) of Article (One Hundred and Eighty-Five) of this Law," and based on the foregoing, and whereas the Taxpayer failed to attend the dispute consideration hearing held on Tuesday, 05/08/2025 AD, and did not submit an excuse for its failure to attend despite the validity of its notification of the date through the electronic portal of the General Secretariat of Zakat, Tax and Customs Committees, the proceedings in the lawsuit were temporarily suspended. It then submitted a request to resume the proceedings in the lawsuit on 10/08/2025 AD, and failed to attend the second hearing to consider the dispute held on Tuesday, 02/09/2025 AD. Accordingly, and whereas it has been established to the Circuit the Taxpayer's absence from the first hearing, and subsequently the Taxpayer submitted a request to resume the lawsuit within sixty days from its date, and did not attend the second hearing. Accordingly, and in accordance with the provisions of Paragraph (1) of Article (Twenty-Eight) of the Implementing Regulations of the Procedures of Objection to Judgments, and Article (One Hundred and Ninety) of the Law of Sharia Procedures referred to above, the Circuit concludes the forfeiture of the appellant's right to appeal.

Based on the foregoing, and adopting the aforementioned grounds, the Circuit unanimously rendered the following decision:



Decision

Forfeiture of the appellant's right to appeal submitted by the Taxpayer / (.....), National ID No. (.....), TIN (.....), against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Dammam City No. (IZD-2024-79165) issued in Case No. (Z-79165-2021) relating to the Zakat assessment for the years from 2016 to 2018 AD.



Appeal Committee for Tax Violations and Disputes First Appeal Circuit for Income Tax Violations and Disputes in Riyadh City

Decision No IR-2025-241015

Case No Z-2024-241015

Keywords:

Zakat – Zakat assessment – Procedural – Claim amount is less than 50 thousand – Non-Acceptance of the appeal procedurally.

Summary:

The Taxpayer appealed against the decision of the Resolution Circuit issued regarding the Zakat assessment for the year 1438 AH, which ruled to reject its lawsuit on the merits. It became evident to the Appellate Circuit upon reviewing the lawsuit documents that the total amounts subject to dispute did not exceed fifty thousand Riyals. The Circuit relied in its grounds on Article (33/1) of the Rules of Operation for Zakat, Tax, and Customs Committees, which stipulates that the decisions of the Resolution Circuits become final and binding in lawsuits where the value of the amounts due to be paid does not exceed fifty thousand Riyals. Accordingly, the Circuit concluded that the First Instance Decision is deemed final and non-appealable given the value of the claim. The operative part of the decision unanimously ruled the Non-Acceptance of the appeal procedurally.

Document

- Article 33 of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH.

Facts:

This is to consider the appeal submitted on 25/08/2024 AD by / (.....), National ID No. (.....), in his capacity as an attorney for the plaintiff pursuant to Power of Attorney No. (.....) dated 25/11/1445 AH, against the decision of the Second Circuit for the Resolution of Income Tax Violations and Disputes in Riyadh City No. (ISR-2024-225643) issued in Case No. (Z-225643-2023) relating to the Zakat assessment for the year 1438 AH, in the lawsuit filed by the appellant against the Zakat, Tax and Customs Authority, wherein the decision of the Resolution Circuit ruled as follows:

Acceptance of the lawsuit filed by the plaintiff / (.....), National ID No. (.....), owner of (.....) Factory, Commercial Registration No. (.....), against the defendant / Zakat, Tax and Customs Authority, procedurally, and its rejection on the merits.



Whereas this decision did not meet the acceptance of the Taxpayer, it submitted an appeal brief which the Circuit reviewed, and it included its claim to annul and overturn the Resolution Circuit's decision.

On Wednesday, 12/09/1446 AH, corresponding to 12/03/2025 AD, the First Appeal Circuit for Income Tax Violations and Disputes held its hearing at exactly 02:46 PM in the presence of its members whose names are recorded in the minutes, via video conferencing in accordance with the remote litigation procedures; pursuant to the provisions of Paragraph (1) of Article (Fifteen) of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. After reviewing the appeal request, the submitted memoranda, and the papers and documents contained in the case file, and after deliberation, and whereas the case is ripe for judgment in its current state, the Circuit decided to close the pleadings and reserve the case for adjudication.

Grounds

After reviewing the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH and relevant laws.

Whereas it is established from the appealed decision and the lawsuit documents that the disputed amount did not exceed (fifty thousand Riyals), and whereas Article (Thirty-Three) of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH stipulates that "The decisions of the Resolution Circuits become final and binding in the following cases: 1- Lawsuits in which the value of the amounts due to be paid does not exceed (fifty thousand) Riyals." And whereas the value of this lawsuit did not exceed fifty thousand Riyals, which entails that the decision of the Resolution Circuit acquires final status, and thus it is considered among the non-appealable decisions. This leads the Circuit to conclude the Non-Acceptance of the appeal procedurally.

Based on the foregoing, and adopting the aforementioned grounds, the Circuit unanimously rendered the following decision:

Decision

Non-Acceptance of the appeal procedurally, submitted by (.....) National ID No. (.....), TIN (.....), against the decision of the Second Circuit for the Resolution of Income Tax Violations and Disputes in Riyadh City No. (ISR-2024-225643) issued in Case No. (Z-225643-2023) relating to the Zakat assessment for the year 1438 AH.



Appeal Committee for Tax Violations and Disputes First Appeal Circuit for Income Tax Violations and Disputes in Riyadh City

Decision No IR-2025-241452

Case No Z-2024-241452

Keywords:

Zakat – Zakat Assessment – Procedural – Failure to satisfy the statutory requirements – Non-Acceptance of the appeal procedurally.

Summary:

The Taxpayer appealed against the decision of the Resolution Circuit relating to the Zakat assessment for the year 2023 AD, which ruled to not accept the lawsuit procedurally. It became evident to the Appellate Circuit that the Taxpayer submitted its appeal via the electronic portal without satisfying the required data, as the General Secretariat requested it to submit a brief detailing its requests and the reasons for its objection, but it failed to respond to the request. The Circuit based its decision on Article (34) of the Rules of Operation for Zakat, Tax, and Customs Committees and Article (10) of the Implementing Regulations of the Procedures of Objection to Judgments, which oblige the applicant to satisfy the missing data within fifteen days from being notified; otherwise, a judgment of non-acceptance shall be rendered. The operative part of the decision unanimously ruled non-acceptance of the appeal procedurally due to the failure to satisfy the necessary substantive data.

Document

- Article No. 34 of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH.
- Article No. 10 of the Implementing Regulations of the Procedures of Objection to Judgments issued by the Minister of Justice's Resolution No. (512) dated 05/01/1445 AH

Facts:

This is to consider the appeal submitted on 01/09/2024 AD by / (.....), National ID No. (.....), in her capacity as the owner of the appellant establishment, against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Jeddah Governorate No. (IZJ-2024-236764) issued in Case No. (Z-236764-2024) relating to the Zakat assessment for the year 2023 AD, in the lawsuit filed by the Taxpayer against the Zakat, Tax and Customs Authority, wherein the decision of the Resolution Circuit ruled as follows:



Non-Acceptance of the lawsuit procedurally.

On Wednesday, 19/03/2025 AD, the First Appeal Circuit for Income Tax Violations and Disputes held its hearing at exactly 12:45 PM in the presence of its members whose names are recorded in the minutes, via video conferencing in accordance with the remote litigation procedures; pursuant to the provisions of Paragraph (1) of Article (Fifteen) of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. After reviewing the appeal request, the submitted memoranda, and the papers and documents contained in the case file, and after deliberation, and whereas the case is ripe for judgment in its current state, the Circuit decided to close the pleadings and reserve the case for adjudication.

Grounds



After reviewing the Rules of Operation of the Circuits for Adjudicating Tax Violations and Disputes issued by Royal Decree No. (26040) dated 21/04/1441 AH, and relevant laws.

Upon the Circuit's deliberation on the subject of the dispute, and whereas it became evident that the Taxpayer submitted its appeal against the Circuit's decision via the electronic portal of the General Secretariat of Zakat, Tax and Customs Committees (Hayad) and did not satisfy the data required to submit an appeal pursuant to Article (34) of the Rules of Operation for Zakat, Tax, and Customs Committees, which stipulates: "Without prejudice to the provisions of Paragraph (2) of Article (Thirty-Three) of the Rules, the appeal request shall be submitted within (thirty) days from the day following the date of its receipt, through the electronic system of the General Secretariat, including the data of the appealed decision, the grounds upon which the appeal is based, and the requests of the appellant, and the appeal request shall be deemed registered from the date of its submission. In the event the data is not satisfied, the applicant must satisfy what is missing within (fifteen) days from the date of being notified of such deficiency; if it fails to satisfy what was requested within this period, the Circuit may rule to not accept it." And whereas Article (10) of the Implementing Regulations of the Procedures of Objection to Judgments stipulates: "1- The statement of objection must include the grounds upon which the objection is based, the objector's requests, and the statement must be accompanied by the document proving the capacity of the objector's representative - if any. 2- If the statement of objection fails to satisfy what is stated in Paragraph (1) of this Article, the court shall, on its own motion, rule to not accept it." And whereas the General Secretariat of Zakat, Tax and Customs Committees requested the Taxpayer to submit an appeal brief clarifying its requests and the reasons for its objection, but the Taxpayer failed to respond to that request, this leads the Circuit to conclude non-acceptance of the appeal procedurally.

Based on the foregoing, and adopting the aforementioned grounds, the Circuit unanimously rendered the following decision:



Decision

Non-Acceptance of the appeal procedurally, submitted by the Taxpayer / (.....) Establishment, Commercial Registration No. (.....), TIN (.....), against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Jeddah Governorate No. (IZJ-2024-236764) issued in Case No. (Z-236764-2024) relating to the Zakat assessment for the year 2023 AD, in accordance with the reasons and grounds set forth in this decision



Appeal Committee for Tax Violations and Disputes First Appeal Circuit for Income Tax Violations and Disputes in Riyadh City

Decision No IR-2025-246937

Case No Z-2025-246937

Keywords:

Zakat – Zakat Assessment – Procedural – Abandonment of litigation – Acceptance of the abandonment of litigation.

Summary:

The Taxpayer and the Authority appealed against the decision of the Resolution Circuit relating to the Zakat assessment for the year 2016 AD. The appealed decision of the Resolution Circuit included the adjudication of several items, including provisions, donations and gratuities, credit balances and other payables, and government receivables. During the pleading proceedings before the Appellate Circuit, the Taxpayer submitted a request to abandon the litigation in application of Ministerial Resolution No. (1007), and attached proof of the Authority's approval of this request. The Circuit based its grounds on Article (70) of the Law of Sharia Procedures and Paragraph (1) of Article (70) of its Implementing Regulations, which allow litigants to request recording what they have agreed upon at any stage of the lawsuit. The operative part of the decision unanimously concluded the acceptance of the abandonment of litigation in the appeal submitted by both parties to apply the aforementioned Ministerial Resolution.

Document

- Article 70 of the Law of Sharia Procedures, issued by Royal Decree No. (M/1) dated 22/01/1435 AH.
- Paragraph (1) of Article (70) of the Implementing Regulations of the Law of Sharia Procedures, issued by the Minister of Justice's Resolution No. (39933) dated 19/05/1435 AH.

Facts:

This is to consider the appeal submitted on 01/01/2025 AD by / the Zakat, Tax and Customs Authority, and the appeal submitted by / (.....), National ID No. (.....), in his capacity as the legal representative of the appellant company pursuant to the articles of association, against the decision of the Second Circuit for the Resolution of Income Tax Violations and Disputes in Riyadh City No. (ISR-2024-240701) issued in Case No. (Z-240701-2024) relating to the Zakat assessment for the year 2016 AD, in the lawsuit filed by the Taxpayer against the Zakat, Tax and Customs Authority, wherein the decision of the Resolution Circuit ruled as follows:



- 1- Rejection of the plaintiff's objection regarding the provisions item in the amount of SAR 20,000,000 and SAR 11,782,144 for the year 2016 AD.
- 2- Annulment of the defendant's procedure regarding the donations and gratuities item in the amount of SAR 138,827 for the year 2016 AD, in accordance with the grounds.
- 3- Rejection of the plaintiff's objection regarding the credit balances and other payables item in the amount of SAR 61,652,260 and SAR 42,816,172 for the year 2016 AD.
- 4- Rejection of the plaintiff's objection regarding the government receivables item in the amount of SAR 58,468,273.71 for the year 2016 AD.

Whereas this decision did not meet the acceptance of the Taxpayer, (.....) Company, it submitted an appeal brief which the Circuit reviewed, the substance of which is that the Taxpayer requests the acceptance of its appeal and the annulment of the Resolution Circuit's decision regarding the items subject to its appeal. Moreover, this decision did not meet the acceptance of the Authority, so it submitted an appeal brief which the Circuit reviewed, the substance of which is that the Authority requests the acceptance of its appeal and the annulment of the Resolution Circuit's decision regarding the items subject to its appeal.

On Thursday, 24/04/2025 AD, the First Appeal Circuit for Income Tax Violations and Disputes held its hearing at exactly 09:00 AM in the presence of its members whose names are recorded in the minutes, via video conferencing in accordance with the remote litigation procedures; pursuant to the provisions of Paragraph (1) of Article (Fifteen) of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. After reviewing the Taxpayer's submitted request to abandon the lawsuit in application of Ministerial Resolution No. (1007), and the proof of the Authority's approval thereof provided by it, and after deliberation, and whereas the case is ripe for judgment in its current state, the Circuit decided to close the pleadings and reserve the case for adjudication. And after closing the pleadings and deliberation.

Grounds

Whereas Article (70) of the Law of Sharia Procedures issued by Royal Decree No. (M/1) dated 22/01/1435 AH stipulates: "Litigants may request the court, at any stage of the lawsuit, to record what they have agreed upon, whether an acknowledgment, settlement, or otherwise, in the hearing minutes, and the court shall Issue an instrument to that effect," and Paragraph (1) of Article (70) of the Implementing Regulations of the Law of Sharia Procedures issued by the Minister of Justice's Resolution No. (39933) dated 19/05/1435 AH stipulates: "If the agreement is reached before the case is recorded, the content of the lawsuit and the answer must be documented before recording the agreement, taking into consideration that the origin of the lawsuit is within the jurisdiction of the circuit, even if the content of the agreement falls within the jurisdiction of another court or circuit, provided that the subject matter of the lawsuit or part of it is among what is agreed upon." Based on the foregoing, and whereas it has been established to this Circuit the Taxpayer's request to abandon the appeal in application of Ministerial Resolution No. (1007), and the proof of the



Authority's approval thereof provided by it, this renders it incumbent upon the Circuit to accept the abandonment of litigation in application of Ministerial Resolution No. (1007).

Based on the foregoing, and adopting the aforementioned grounds, the Circuit unanimously rendered the following decision:

Decision

Acceptance of the abandonment of litigation in application of Ministerial Resolution No. (1007) in the appeal submitted by / the Zakat, Tax and Customs Authority, and the appeal submitted by / (.....) Company, Commercial Registration No. (.....), TIN (.....), against the decision of the Second Circuit for the Resolution of Income Tax Violations and Disputes in Riyadh City No. (ISR-2024-240701) issued in Case No. (Z-240701-2024) relating to the Zakat assessment for the year 2016 AD.



Appeal Committee for Tax Violations and Disputes First Appeal Circuit for Income Tax Violations and Disputes in Riyadh City

Decision No IR-2025-238809

Case No Z-2024-238809

Keywords:

Zakat – Zakat Assessment – Procedural – Breach of valid representation conditions – Attorney's letterhead lacking their information – Non-Acceptance of the appeal procedurally.

Summary:

The Taxpayer appealed against the decision of the Resolution Circuit relating to the Zakat assessment for the year 2017 AD, which ruled the non-acceptance of its lawsuit procedurally. The facts of the dispute are summarized in that the Taxpayer's representative (a licensed attorney) submitted an appeal brief. It became evident to the Appellate Circuit after examining the case file that the attorney submitted and signed the appeal on papers not belonging to their own professional letterhead. The Circuit affirmed that verifying the capacity of the parties to the lawsuit is considered a preliminary matter that must be adjudicated before entering into the subject matter of the dispute. The Circuit based its decision on Article (13/01) of the Implementing Regulations of the Code of Law Practice, which obliges the attorney to use their own specific papers for writings submitted to the authorities, containing their name, main office, license number and date, and contact information, while prohibiting the submission of any writing on papers not belonging to them or lacking such data. It also relied on Article (10) of the Rules of Operation for Zakat, Tax, and Customs Committees, which stipulates that the representation of the parties to the lawsuit must be in accordance with the Code of Law Practice and its Implementing Regulations. Since the submitter of the appeal did not adhere to the mandatory statutory conditions for valid representation, the operative part of the decision unanimously concluded the non-acceptance of the appeal procedurally.

Document

- Paragraph 1 of Article 13 of the Implementing Regulations of the Code of Law Practice, issued by the Minister of Justice's Resolution No. (676) dated 11/01/1424 AH.
- Article 10 of the Implementing Regulations of the Procedures of Objection to Judgments, issued by the Minister of Justice's Resolution No. (512) dated 05/01/1445 AH.



Facts:



This is to consider the appeal submitted on 23/06/2024 AD by / (.....), National ID No. (.....), in his capacity as an attorney for the appellant company pursuant to Power of Attorney No. (.....) and Law Practice License No. (.....), against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Dammam City No. (IZD-2024-227998) issued in Case No. (Z-227998-2023) relating to the Zakat assessment for the year 2017 AD, in the lawsuit filed by the appellant against the Zakat, Tax and Customs Authority, wherein the decision of the Resolution Circuit ruled as follows:

Non-acceptance of the lawsuit procedurally.

Whereas this decision did not meet the acceptance of the Taxpayer, it submitted an appeal brief which the Circuit reviewed, the substance of which is that the Taxpayer requests the acceptance of its appeal and the annulment of the Resolution Circuit's decision.

On Thursday, 16/01/2025 AD, the First Appeal Circuit for Income Tax Violations and Disputes held its hearing at exactly 08:00 AM in the presence of its members whose names are recorded in the minutes, via video conferencing in accordance with the remote litigation procedures; pursuant to the provisions of Paragraph (1) of Article (Fifteen) of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. After reviewing the appeal request, the submitted memoranda, and the papers and documents contained in the case file, and after deliberation, and whereas the case is ripe for judgment in its current state, the Circuit decided to close the pleadings and reserve the case for adjudication.

Grounds



Regarding the Taxpayer's appeal, and upon the Circuit's deliberation on the Taxpayer's appeal, and after examining the case file, and whereas verifying the capacity of the parties to the lawsuit is considered one of the preliminary matters that are adjudicated before entering into the subject matter of the lawsuit; and whereas the Circuit reviewed the submitted appeal brief, and it became evident that the submitter of the lawsuit is a licensed attorney who submitted and signed the appeal on papers other than their own professional letterhead, whereas they were obligated to submit requests and briefs on their own professional letterhead based on Article (13/01) of the Implementing Regulations of the Code of Law Practice, which stipulates: "An attorney must use their own specific papers to submit their writings to the authorities, and they must include their name, the name of the main and branch offices, the license number and date, phone numbers, P.O. Box, and postal code. They may not submit to the authorities any writing on papers that do not include such information, or papers that do not belong to them." And based on Article (10) of the Rules of Operation for Zakat, Tax, and Customs Committees, which stipulates: "The representation of the parties to the lawsuit shall be in accordance with the provisions set forth in the Code of Law Practice and its Implementing Regulations," and since the



submitter of the appeal, as stated, did not adhere to the mandatory conditions for valid representation, the Circuit concludes the non-acceptance of the appeal procedurally.

Based on the foregoing, and adopting the aforementioned grounds, the Circuit unanimously rendered the following decision:

Decision

Non-acceptance of the appeal procedurally, submitted by the Taxpayer (.....) Company, Commercial Registration No. (.....), TIN (.....), against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Dammam City No. (IZD-2024-227998) issued in Case No. (Z-227998-2023) relating to the Zakat assessment for the year 2017 AD



Appeal Committee for Tax Violations and Disputes First Appeal Circuit for Income Tax Violations and Disputes in Riyadh City

Decision No IR-2024-238288

Case No Z-2024-238288

Keywords:

Zakat – Zakat Assessment – Procedural – Filing the lawsuit by a person without standing – Expiration of the power of attorney – Non-Acceptance of the appeal procedurally.

Summary:

The Taxpayer appealed against the decision of the Resolution Circuit which ruled the non-acceptance of its lawsuit procedurally regarding the Zakat assessment for the year 1439 AH. It became evident to the Appeal Circuit upon examining the capacity of the parties to the dispute that the power of attorney of the Taxpayer's representative who submitted the appeal had expired on 08/05/2024 AD, while the appeal was registered on a later date, which is 06/06/2024 AD. Whereas verifying the capacity of the parties to the lawsuit is considered a preliminary matter that is adjudicated before entering into its merits, the Circuit based its decision on Article (76) of the Law of Sharia Procedures, which obliges the court to verify capacity on its own motion and rule the non-acceptance of the lawsuit due to the lack of capacity or legal competence. The operative part of the decision unanimously concluded the non-acceptance of the appeal procedurally due to it being filed by a person without standing, given the lack of a valid power of attorney at the time of submitting the request.

Document

- Article 76 of the Implementing Regulations of the Law of Sharia Procedures, issued by the Minister of Justice's Resolution No. (39933) dated 19/05/1435 AH.

Facts:

This is to consider the appeal submitted on 06/06/2024 AD by / (.....), National ID No. (.....), in his capacity as an attorney for the appellant pursuant to Power of Attorney No. (.....), against the decision of the Third Circuit for the Resolution of Income Tax Violations and Disputes in Riyadh City No. (ITR-2024-231290) issued in Case No. (Z-231290-2024) relating to the Zakat assessment for the year 1439 AH, in the lawsuit filed by the appellant against the Zakat, Tax and Customs Authority, wherein the decision of the Resolution Circuit ruled as follows:

Non-acceptance of the lawsuit procedurally.



Whereas this decision did not meet the acceptance of the Taxpayer, it submitted an appeal brief which the Circuit reviewed, the substance of which is that the Taxpayer requests the acceptance of its appeal and the annulment of the Resolution Circuit's decision.

On Thursday, 26/12/2024 AD, the First Appeal Circuit for Income Tax Violations and Disputes held its hearing in the presence of its members whose names are recorded in the minutes, via video conferencing in accordance with the remote litigation procedures; pursuant to the provisions of Paragraph (1) of Article (Fifteen) of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. After reviewing the appeal request, the submitted memoranda, and the papers and documents contained in the case file, and after deliberation, and whereas the case is ripe for judgment in its current state, the Circuit decided to close the pleadings and reserve the case for adjudication.

Grounds

Upon the Circuit's deliberation on the Taxpayer's appeal, and after examining the case file, and whereas verifying the capacity of the parties to the lawsuit is considered one of the preliminary matters that are adjudicated before entering into its merits, which the Circuit rules on of its own motion, in accordance with Article (76) of the Law of Sharia Procedures which stipulates: "The plea of the court's lack of jurisdiction due to the lack of general jurisdiction or due to the nature or value of the lawsuit, or the plea of non-acceptance of the lawsuit due to the Lack of standing or capacity, or interest, or for any other reason, as well as the plea of the inadmissibility of considering the lawsuit due to prior adjudication; may be pleaded at any stage of the lawsuit and the court shall rule on it of its own motion." And whereas it has been established to this Circuit that the power of attorney of the lawsuit's submitter expired on 08/05/2024 AD, while his submission of the appeal was on 06/06/2024 AD, which renders the power of attorney, as stated, invalid at the time of submitting the appeal subject of the lawsuit. Accordingly, and since the power of attorney was invalid during the registration of the appeal and the submitter of the lawsuit did not attach a valid document proving his capacity to submit the appeal, the Circuit concludes the non-acceptance of the appeal procedurally due to it being submitted by a person without standing.

Based on the foregoing, and adopting the aforementioned grounds, the Circuit unanimously rendered the following decision:

Decision

Non-acceptance of the appeal procedurally, submitted by the Taxpayer / (.....), National ID No. (.....), TIN (.....), against the decision of the Third Circuit for the Resolution of Income Tax Violations and Disputes in Riyadh City No. (ITR-2024-231290) issued in Case No. (Z-231290-2024) relating to the Zakat assessment for the year 1439 AH, due to it being filed by a person without standing.



Appeal Committee for Tax Violations and Disputes First Appeal Circuit for Income Tax Violations and Disputes in Riyadh City

Decision No IA-2025-66

Case No Z-2024-243390

Keywords:

Zakat – Zakat Assessment – Procedural – Breach of valid representation conditions – Lack of quorum in the company's articles of association – Non-Acceptance of the appeal procedurally.

Summary:

The Taxpayer appealed against the decision of the Resolution Circuit relating to the Zakat assessment for the year 2016 AD regarding several items including unrealized profits, investments in (.....) Company and (.....) Bank, additional financing, and bank facilities. It became evident to the Appellate Circuit upon examining the capacity of the parties to the dispute that the submitter of the appeal (a member of the board of directors) did not submit the statutory document authorizing him to represent the company solely before the judiciary. Upon reviewing the Taxpayer's articles of association, it became clear that the right to litigate before the judiciary is exercised by the legal quorum for decision-making, specified as half the board of directors, which was not proven to be satisfied by the applicant. The Circuit based its decision on Article (10) of the Implementing Regulations of the Procedures of Objection to Judgments, which obligates attaching the document proving the capacity of the representative to the statement of objection, and mandates the court to rule on its own motion the non-acceptance if it is not satisfied. The operative part of the decision unanimously ruled the non-acceptance of the appeal procedurally due to it being submitted by a person without standing.

Document

- Paragraph 2 of Article 10 of the Implementing Regulations of the Procedures of Objection to Judgments, issued by the Minister of Justice's Resolution No. (512) dated 05/01/1445 AH.

Facts:

This is to consider the appeal submitted on 03/10/2024 AD by / (.....), National ID No. (.....), in his capacity as a member of the board of directors of the appellant company, against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Jeddah Governorate No. (IZJ-2024-237443) issued in Case No. (Z-237443-2024) relating to the Zakat assessment for the year 2016 AD, in the lawsuit filed by the



appellant against the Zakat, Tax and Customs Authority, wherein the decision of the Resolution Circuit ruled as follows:

First: Rejection of the plaintiff's objection regarding the item of adding the balance of unrealized profits to the Zakat base for the year 2016 AD.

Second: Amending the defendant's procedure; by recording the settlement of the dispute regarding the item of the balance due to related parties for the year 2016 AD, rejection of the plaintiff's objection regarding the item of additional financing for the year 2016 AD as it is classified within the partners' equity balances, and rejection of the plaintiff's objection regarding the item of the bank facilities balance for the year 2016 AD.

Third: Rejection of the plaintiff's objection regarding the items of the investment balance in (.....) and the investment balance in (.....) from the Zakat base for the year 2016 AD.

Whereas this decision did not meet the acceptance of the Taxpayer, (.....) Company, it submitted an appeal brief which included its claim to annul and overturn the Resolution Circuit's decision.

On Sunday, 20/04/2025 AD, the First Appeal Circuit for Income Tax Violations and Disputes held its hearing at exactly 12:31 PM in the presence of its members whose names are recorded in the minutes, via video conferencing in accordance with the remote litigation procedures; pursuant to the provisions of Paragraph (1) of Article (Fifteen) of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. After reviewing the appeal request, the submitted memoranda, and the papers and documents contained in the case file, and after deliberation, and whereas the case is ripe for judgment in its current state, the Circuit decided to close the pleadings and reserve the case for adjudication.

Grounds

After reviewing the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH, and relevant laws.

Upon the Circuit's deliberation on the Taxpayer's appeal, and after examining the case file, and whereas verifying the capacity of the parties to the lawsuit is considered one of the preliminary matters that are adjudicated before entering into the subject matter of the lawsuit; and whereas the Circuit reviewed the submitted appeal brief, and it became evident that the submitter of the lawsuit / (.....) in his capacity as a member of the board of directors, did not submit what proves the statutory document authorizing him to represent the company before the judiciary. Upon the Circuit's review of pages four and nine of the articles of association, it became clear that it included the right to litigate before the judiciary (exercised by the legal quorum for decision-making). By reviewing page fifty-seven, it became evident that the valid quorum for decision-making is half the board of directors. Whereas the capacity of the board member to represent the appellant was not proven, and based on Paragraph (2) of Article (10) of the Implementing Regulations of the Procedures of Objection to Judgments, which stipulates: "2- If the statement of objection fails to satisfy what is



stated in Paragraph (1) of this Article, the court shall, on its own motion, rule its non-acceptance," and whereas Paragraph (1) of the same Article stipulates: "1- The statement of objection must include the grounds upon which the objection is based, the objector's requests, and the statement must be accompanied by the document proving the capacity of the objector's representative - if any," the Circuit concludes the non-acceptance of the appeal due to it being submitted by a person without standing.

Based on the foregoing, and adopting the aforementioned grounds, the Circuit unanimously rendered the following decision:

Decision

Non-Acceptance of the appeal submitted by the Taxpayer / (.....) Company, Commercial Registration No. (.....), TIN (.....), against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Jeddah Governorate No. (IZJ-2024-237443) issued in Case No. (Z-237443-2024) relating to the Zakat assessment for the year 2016 AD, in accordance with the reasons and grounds set forth in this decision.



Appeal Committee for Tax Violations and Disputes
First Appeal Circuit for Income Tax Violations and Disputes
in Riyadh City

Decision No IR-2024-238289

Case No Z-2024-238289

Keywords:

Zakat – Zakat Assessment – Procedural – Expiration of the statutory period – Non-Acceptance of the appeal procedurally.

Summary:

The Taxpayer appealed against the decision of the Resolution Circuit relating to the Zakat assessment for the year 1429 AH. The Appellate Circuit clarified that the Taxpayer was notified of the Resolution Circuit's decision via the electronic system of the General Secretariat on 02/05/2024 AD, but did not submit the appeal brief until 06/06/2024 AD. The Circuit based its grounds on Article (34) of the Rules of Operation for Zakat, Tax, and Customs Committees, which limits the appeal period to thirty days from the day following the date of receiving the decision. The operative part of the decision unanimously ruled the non-acceptance of the appeal procedurally due to its submission after the expiration of the statutory period prescribed for objection.

Document

- Article 34 of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH.

Facts

This is to consider the appeal submitted on 06/06/2024 AD by / (.....), National ID No. (.....), in his capacity as the owner of the appellant establishment, against the decision of the Second Circuit for the Resolution of Income Tax Violations and Disputes in Riyadh City No. (ISR-2024-225652) issued in Case No. (Z-225652-2023) relating to the Zakat assessment for the year 1429 AH, in the lawsuit filed by the appellant against the Zakat, Tax and Customs Authority, wherein the decision of the Resolution Circuit ruled as follows:

Dismissal of the case filed by the plaintiff / (.....), National ID No. (.....), owner of (.....) Commercial Registration No. (.....), against the defendant / Zakat, Tax and Customs Authority, in accordance with what is stated in the grounds.

Whereas this decision did not meet the acceptance of the Taxpayer, it submitted an appeal brief which included its claim to annul and overturn the Resolution Circuit's decision.



On Thursday, 26/12/2024 AD, the First Appeal Circuit for Income Tax Violations and Disputes held its hearing in the presence of its members whose names are recorded in the minutes, via video conferencing in accordance with the remote litigation procedures; pursuant to the provisions of Paragraph (1) of Article (Fifteen) of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. After reviewing the appeal request, the submitted memoranda, and the papers and documents contained in the case file, and after deliberation, and whereas the case is ripe for judgment in its current state, the Circuit decided to close the pleadings and reserve the case for adjudication.

Grounds

After reviewing the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH, and relevant laws.

Upon the Circuit's deliberation on the subject of the dispute, and whereas Article (Thirty-Four) of the Rules of Operation for Zakat, Tax, and Customs Committees stipulates: "Without prejudice to the provisions of Paragraph (2) of Article (Thirty-Three) of the Rules, the appeal request shall be submitted within (thirty) days from the day following the date of its receipt, through the electronic system of the General Secretariat, including the data of the appealed decision, the grounds upon which the appeal is based, and the requests of the appellant, and the appeal request shall be deemed registered from the date of its submission. In the event the data is not satisfied, the applicant must satisfy what is missing within (fifteen) days from the date of being notified of such deficiency; if it fails to satisfy what was requested within this period, the Circuit may rule to reject it." And whereas it is established from the lawsuit documents that the Taxpayer was notified of the Resolution Circuit's decision via the electronic portal (Hayad) of the General Secretariat of Zakat, Tax and Customs Committees (Hayad) on 02/05/2024 AD, and submitted the appeal against it on 06/06/2024 AD, which renders the appeal submitted after the lapse of the statutory period. This leads the Circuit to conclude the non-acceptance of the appeal procedurally due to its submission after the expiration of the statutorily prescribed period.

Based on the foregoing, and adopting the aforementioned grounds, the Circuit unanimously rendered the following decision:

Decision

Non-Acceptance of the appeal procedurally, submitted by the Taxpayer / (.....) Establishment, Commercial Registration No. (.....), TIN (.....), against the decision of the Second Circuit for the Resolution of Income Tax Violations and Disputes in Riyadh City No. (ISR-2024-225652) issued in Case No. (Z-225652-2023) relating to the Zakat assessment for the year 1429 AH, due to its submission after the expiration of the statutorily specified period.



Appeal Committee for Tax Violations and Disputes First Appeal Circuit for Income Tax Violations and Disputes in Riyadh City

Decision No IR-2025-240921

Case No Z-2024-240921

Keywords:

Zakat – Zakat Assessment – Zakat Base – Petition for Reconsideration – Non-Acceptance of the Petition for Reconsideration.

Summary:

The Taxpayer submitted a Petition for Reconsideration against the decision of the Appellate Circuit issued regarding the Zakat assessment for the years from 2016 to 2018 AD. The Taxpayer claimed the existence of a contradiction between the decision subject to the petition and decision No. **(IR-2023-128308)** regarding the item of "Incorrect application of the ownership percentage of Saudis and non-Saudis." The Circuit reviewed the conditions for the petition stipulated in Article (200) of the Law of Sharia Procedures, and concluded that the previous decision ruled to recalculate while taking into account that the base shall not be less than the adjusted net profit as a minimum, which aligned with the decision subject to the petition that, in turn, relied on the provisions of the Implementing Regulations to adopt the adjusted profit as a minimum for the Zakat base and uphold the Authority's procedure. The operative part of the decision unanimously ruled the non-acceptance of the Petition for Reconsideration due to the absence of statutorily mandated cases of contradiction for the petition.

Document

- Article 200 of the Law of Sharia Procedures, issued by Royal Decree No. (M/1) dated 22/01/1435 AH.
- Paragraph (9/i) of Article 4 of the Implementing Regulations for Zakat Collection, issued by H.E. the Minister of Finance's Resolution No. (2216) dated 07/07/1440 AH.

Facts

This is to consider the petition submitted on 21/08/2024 AD by / (.....), National ID No. (.....), in his capacity as the legal representative of the appellant company pursuant to the articles of association and commercial registration, against the decision of the First Appeal Circuit for Income Tax Violations and Disputes No. (IR-2024-194159) issued in Case No. (Z-194159-2023) relating to the Zakat assessment for the years from



2016 to 2018 AD, in the lawsuit filed by the Taxpayer against the Zakat, Tax and Customs Authority, wherein the decision of the Appellate Circuit ruled as follows:

First: Acceptance of the appeal procedurally submitted by the Taxpayer / (.....) Company, Commercial Registration (.....), TIN (.....), against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Riyadh City No. (IFR-2023-91037) issued in Case No. (Z-91037-2022) relating to the Zakat assessment for the years from 2016 to 2018 AD.

Second: On the Merits:

- 1- Acceptance of the Taxpayer's appeal and annulment of the Resolution Circuit's decision regarding the item of (due from related parties for the years 2017 and 2018 AD) by deducting the amount due from related parties from the Zakat base according to its ownership percentages for the avoidance of double Zakat.
- 2- Rejection of the Taxpayer's appeal and affirming the Resolution Circuit's decision regarding the item of (Zakat on adjusted profit for the year 2017 AD).
- 3- Rejection of the Taxpayer's appeal and affirming the Resolution Circuit's decision regarding the item of (available-for-sale investments for the years 2016 and 2017 AD).
- 4- Rejection of the Taxpayer's appeal and affirming the Resolution Circuit's decision regarding the item of (dividends for the year 2016 AD).
- 5- Rejection of the Taxpayer's appeal and affirming the Resolution Circuit's decision regarding the item of (related parties for the years 2016 and 2018 AD).

Whereas this decision did not meet the acceptance of the Taxpayer, it submitted a Statement of Petition for Reconsideration which the Circuit reviewed, and it included its claim to annul and overturn the Appellate Circuit's decision.

On Tuesday, 24/06/2025 AD, the First Appeal Circuit for Income Tax Violations and Disputes held its hearing at exactly 10:46 AM in the presence of its members whose names are recorded in the minutes, via video conferencing in accordance with the remote litigation procedures; pursuant to the provisions of Paragraph (1) of Article (Fifteen) of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. After reviewing the petition request, the submitted memoranda, and the papers and documents contained in the case file, and after deliberation, and whereas the case is ripe for judgment in its current state, the Circuit decided to close the pleadings and reserve the case for adjudication.

Grounds

After reviewing the grounds contained in the petition for reconsideration, it became evident to the Appellate Circuit that the petitioner requests the annulment of the Circuit's decision, claiming the existence of a contradiction between the decision subject to the petition and decision No. **(IR-2023-128308)** issued in Case No. (ZIW-2022-128308) regarding the item of (Incorrect application of the ownership percentage of Saudis



and non-Saudis). Based on Article (200) of the Law of Sharia Procedures issued by Royal Decree No. (M/1) dated 22/01/1435 AH, which stipulates: "1- Any of the litigants shall have the right to petition for reconsideration of final judgments in the following cases: a- If the judgment was based on papers that were proven forged after the judgment, or was based on testimony ruled - by the competent authority after the judgment - to be perjury. b- If the petitioner obtains, after the judgment, conclusive documents in the lawsuit that they were unable to present before the judgment. c- If fraud occurred by the litigant that would influence the judgment. d- If the judgment ruled on something not requested by the litigants or ruled for more than they requested. e- If the operative part of the judgment contradicts itself. f- If the judgment was rendered in absentia. g- If the judgment was issued against someone who was not validly represented in the lawsuit. 2- Anyone against whom the judgment is deemed a proof and who was not joined or did not intervene in the lawsuit shall have the right to petition for reconsideration of the final judgments." Based on the foregoing, and upon the Circuit's review of decision No. **(IR-2023-128308)** issued in Case No. **(ZIW-2022-128308)**, it became evident that the appellant's (petitioner's) appeal was accepted regarding the item of the incorrect application of the ownership percentage of Saudis and non-Saudis. Consequently, the correct percentage for Saudis and non-Saudis must be taken into consideration in the item (adjustments made on the ERAD system), as it was stated in the grounds of the decision to recalculate based on the item of (Incorrect application of the ownership percentage of Saudis and non-Saudis), which was accepted for the Taxpayer, taking into account that the base shall not be less than the adjusted net profit for Zakat purposes as a minimum. And whereas the decision of the Appellate Circuit No. **(IR-2023-128308)** issued in Case No. **(ZIW-2022-128308)** concluded the acceptance of the appellant's (petitioner's) appeal regarding the item of the incorrect application of the ownership percentage of Saudis and non-Saudis, while the Circuit's decision in the decision subject to the petition concluded to reject the appellant's (petitioner's) appeal and uphold the Authority's procedure to adopt the adjusted profit as a minimum for the Zakat base. Upon reviewing the decision referred to by the petitioner, it became evident that the Circuit relied on the provisions of Paragraph (9/i) of Item (Second) of Article (Four) of the Implementing Regulations for Zakat Collection to recalculate according to the correct percentages of the owners, and the decision also concluded taking into account that the base shall not be less than the adjusted net profit for Zakat purposes as a minimum. As for the decision subject to the petition, the Circuit relied on the provisions of Paragraph (9/i) of Item (Second) of Article (Four) of the Regulations to adopt the adjusted profit as a minimum for the Zakat base, and accordingly the appellant's appeal was rejected and the Authority's procedure was upheld. Thus, the Circuit concludes the non-acceptance of the petition for reconsideration.

Based on the foregoing, and adopting the aforementioned grounds, the Circuit unanimously rendered the following decision:



Decision

Non-Acceptance of the petition for reconsideration submitted by the Taxpayer / (.....) Company, Commercial Registration (.....), TIN (.....), against the decision of the First Appeal Circuit for Income Tax Violations and Disputes No. (IR-2024-194159) issued in Case No. (Z-194159-2023) relating to the Zakat assessment for the years from 2016 to 2018 AD.



Substantive Zakat Decisions Issued by the Zakat and Tax Committees

Additions to the Zakat Base



Appeal Committee for Tax Violations and Disputes First Appeal Circuit for Income Tax Violations and Disputes in Riyadh City

Decision No IR-2024-194260

Case No Z-2023-194260

Keywords:

Zakat – Additions to the Zakat Base – Advance Payments from Customers item – Offsetting of balances – Rejection of the Authority's appeal – Acceptance of the Taxpayer's appeal.

Summary:

The Taxpayer and the Authority appealed the decision of the Resolution Circuit regarding the Zakat assessment for the year 2019 AD relating to the items of (Advance Payments from Customers) and (Payables). The Taxpayer requested to cancel the addition of the Advance Payments for several customers due to the existence of corresponding debit balances, arguing that receivables are considered a Zakat asset covering those payments, while the Authority requested the addition of the lower balance (beginning or end of the period) for one of the customers. The Circuit concluded the Acceptance of the Taxpayer's appeal regarding the Advance Payments item since its right to execute Offsetting between the credit and debit balances is established as they belong to the same customers, and it ruled the Rejection of the Authority's appeal because the Completion of one Zakat year (Al-Hawl) was not satisfied for the entire disputed amount. Regarding the (Payables) item, the Circuit ruled the Rejection of the Taxpayer's appeal due to the failure to submit what warrants a correction to the Resolution Circuit's decision, and concluded to (partially accept the Taxpayer's appeal by cancelling the addition of three customers' payments), (reject the Authority's appeal and amend the balance of the fourth customer), and (uphold the decision regarding the Payables item).

Document

- Paragraph 2 of Article 4 of the Implementing Regulations for Zakat Collection issued by H.E. the Minister of Finance's Resolution No. (2082) dated 01/06/1438 AH.

Facts:

This is to consider the appeal submitted on 03/05/2023 AD by / (.....), National ID No. (.....), in his capacity as the legal representative of the appellant company pursuant to the articles of association, and the appeal submitted on 01/06/2023 AD by the Zakat, Tax and Customs Authority, against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Dammam City No. (IZD-2023-142923) issued in



Case No. (Z-142923-2023) relating to the Zakat assessment for the year 2019 AD, in the lawsuit filed by the appellant against the Zakat, Tax and Customs Authority, wherein the decision of the Resolution Circuit ruled as follows:

1- Regarding the Advance Payments from Customers item:

- a) Amending the defendant's decision regarding the balance of (.....) Company in the amount of SAR (628,948.47).
- b) Rejecting the plaintiff's objection regarding the balance of (.....) in the amount of SAR (62,116.47) and the balance of (.....) Company - (.....) Project - in the amount of SAR (1,649,405.48).
- c) Recording the settlement of the dispute regarding the balance of (.....) Company in the amount of SAR (218,505.13), and rejecting the plaintiff's objection regarding the balance of (.....) in the amount of SAR (321,880.14).
- d) Rejecting the plaintiff's objection regarding the balance of (.....) in the amount of SAR (8,455) and the balance of (.....) Company in the amount of SAR (336,714).
- e) Annulment of the defendant's decision regarding a misclassification in the amount of SAR (262,807) in the account of (.....) Company.

2- Rejecting the plaintiff's objection regarding the Payables item.

Whereas this decision did not meet the acceptance of the Taxpayer (.....) Company, it submitted an Appeal brief which the Circuit reviewed, and it included the following:

Regarding the (Advance Payments from Customers item (b- the balance of (.....) in the amount of SAR 62,116.47 and the balance of (.....) Company - (.....) Project in the amount of SAR 1,649,405.48)), the Taxpayer requests the annulment of the Circuit's decision regarding this item on the basis that the receivables balance is double the advance payments from customers balance, and as it is known, these receivables are matched by sales, meaning they increased the retained earnings, which in turn increased the Zakat base for the relevant years. In addition, from another perspective of Zakat calculation, receivables are considered a Zakat asset. Furthermore, these projects have been closed since that date and there is no movement on them, and the customer has been claimed for the difference since that date; meaning the other party, which is the customer, performed the Offsetting between the accounts but they were not closed accounting-wise on our end. Regarding the (Advance Payments from Customers item (d- (.....) Company)), the Taxpayer requests the annulment of the Circuit's decision regarding this item on the basis that the Resolution Circuit accepted what relates to (.....) Company and rejected what relates to (.....) Company, even though what applies to (.....) Company applies to (.....) Company in terms of having multiples of the advance payments balance as debit retentions. Regarding the (Payables) item, the Taxpayer requests the annulment of the Circuit's decision regarding this item on the basis that adding the carried-forward or long-term Payables along with what is deducted against them has a significance, which is: either the Taxpayer financed those assets against the long-term Payables, or the Taxpayer settled the long-term Payables that financed the assets and delayed the



settlement of trade Payables to reduce the base, which has the same meaning. Both scenarios do not apply to our case for the following reasons: there are no additions to the Fixed assets for 5-8 years or more, and what corresponds to these Payables calculated in the Zakat base are Zakat assets in the supplier's base, and therefore there will be an Avoidance of Double Zakat. Also, all assets were acquired from the capital and all intangible additions were paid in cash, and there is no connection between the assets or what is deducted from the base and the carried-forward Payables.

Furthermore, this decision did not meet the acceptance of the Authority, so it submitted an Appeal brief which the Circuit reviewed, and it included the following:

Regarding the (Advance Payments from Customers item (a- the balance of (.....) Company in the amount of SAR 628,948.47)), the Authority requests the annulment of the Circuit's decision regarding this item on the basis that it added the Advance Payments related to (.....) Company based on the submitted movement where the beginning or end of period balance was added in application of the mentioned Article. Whereas the Resolution Circuit's decision concluded to amend the Authority's procedure, and whereas it became evident to the Circuit through the statement of account of (.....) Company submitted by the Company that the Completion of one Zakat year (Al-Hawl) was not satisfied for the entire beginning of period balance of SAR (1,023,265.7), as it was revealed that there is a settled balance in the amount of SAR (394,317.23). Accordingly, since what completed the Zakat holding period is the amount of SAR (628,948.47), which is greater than what the Company is claiming, as it claimed SAR (618,949).

On Sunday, 04/08/2024 AD, the First Appeal Circuit for Income Tax Violations and Disputes held its hearing in the presence of all its members via video conferencing in accordance with the remote litigation procedures; pursuant to the provisions of Item No. (2) of Article Fifteen of the Rules of Operation of the Circuits for Adjudicating Tax Violations and Disputes issued by Royal Decree No. (26040) dated 21/04/1441 AH. After reviewing the appeal submitted by both parties to the lawsuit, and after examining the contents of the case file, the Circuit determined that the case has become ready for adjudication and the issuance of a decision on its merits. Whereas the Circuit found nothing requiring the attendance of the parties to the lawsuit, the Circuit decided to close the pleadings and reserve the case for adjudication.

Grounds

Whereas by reviewing the case documents and the Appeal brief submitted by the Taxpayer and the Zakat, Tax and Customs Authority, it became evident to the Circuit that the conditions for considering the appeal procedurally have been met according to the conditions stipulated in the relevant laws, regulations, and decisions. This renders both appeal requests acceptable procedurally, as they were submitted by persons with standing and within the statutory period prescribed for their submission.



On the Merits, regarding the Authority's appeal concerning the (Advance Payments from Customers item (a- the balance of (.....) Company)), the Authority requests the annulment of the Circuit's decision regarding this item on the basis that it added the Advance Payments related to (.....) Company based on the submitted movement where the beginning or end of period balance was added in application of the mentioned Article. Whereas the Resolution Circuit's decision concluded to amend the Authority's procedure, and whereas it became evident to the Circuit through the statement of account of (.....) Company submitted by the Company that the Completion of one Zakat year (Al-Hawl) was not satisfied for the entire beginning of period balance of SAR (1,023,265.7), as it was revealed that there is a settled balance in the amount of SAR (394,317.23). Accordingly, since what completed the Zakat holding period is the amount of SAR (628,948.47), which is greater than what the Company is claiming, as it claimed SAR (618,949). Based on Paragraph (2) of Article (4) of the Implementing Regulations for Zakat Collection issued by Ministerial Resolution No. (2216) dated 07/07/1440 AH, which stipulates: "The Zakat base for a Taxpayer who maintains commercial books shall consist of all of its funds subject to Zakat, including the following: 2- Revenues and advance payments made to the Taxpayer at the beginning or end of the year, whichever is lower." Based on the foregoing, the dispute lies in the Authority's claim to add the lower balance of the item, where the Authority argues that according to the Article applied to the disputed year, the advance payments from customers' balance is added based on the beginning or end of period balance, whichever is lower. However, upon the Circuit's review of the case file, it became evident that the beginning of period balance amounts to SAR (1,023,265.7) and the settled balance is SAR (451,590.92). Therefore, the amount that satisfied the Completion of one Zakat year (Al-Hawl) amounts to SAR (571,674.78). This leads the Circuit to conclude the Rejection of the Authority's appeal and amend the Resolution Circuit's decision regarding the (Advance Payments from Customers item (a- the balance of (.....) Company)).

Regarding the Taxpayer's appeal concerning the (Advance Payments from Customers item (b- the balance of (.....) and the balance of (.....) Company - (.....) Project)), the Taxpayer requests the annulment of the Circuit's decision regarding this item on the basis that the receivables balance is double the advance payments from customers balance, and as it is known, these receivables are matched by sales, meaning they increased the retained earnings, which in turn increased the Zakat base for the relevant years. In addition, from another perspective of Zakat calculation, receivables are considered a Zakat asset. Furthermore, these projects have been closed since that date and there is no movement on them, and the customer has been claimed for the difference since that date; meaning the other party, which is the customer, performed the Offsetting between the accounts but they were not closed accounting-wise on our end. Based on Paragraph (2) of Article (4) of the Implementing Regulations for Zakat Collection issued by Ministerial Resolution No. (2216) dated 07/07/1440 AH, which stipulates: "The Zakat base for a Taxpayer who maintains commercial books shall consist of all of its funds subject to Zakat, including the following: 2- Revenues and advance payments made to the Taxpayer at the beginning or end of the year, whichever is lower." Based on the foregoing, and whereas advance payments



from customers are added to the Zakat base by taking the beginning or end of period balance, whichever is lower. Upon the Circuit's review of the case file and the defenses and documents it contained, it became evident that the Taxpayer requests to perform an Offsetting for the customers, since the receivables balance is double the advance payments from customers balance. It is also evident that the Taxpayer submitted the statements of account of advance payments for the balance of (.....) and the statements of account of advance payments for the balance of (.....) Company - (.....) Project, through which the existence of debit balances corresponding to the credit balances becomes clear. The credit balance for the customer (.....) amounts to SAR (62,116.47) and the receivables balance amounts to SAR (710,977.67). The credit balance for the customer (.....) - (.....) Project amounts to SAR (1,649,405.48) and the receivables balance amounts to SAR (3,215,324.91). Accordingly, the correctness of what the Taxpayer argues is evident. And whereas the Taxpayer has the right to perform an Offsetting between the credit and debit balances since they belong to the same customer, this leads the Circuit to conclude the Acceptance of the Taxpayer's appeal and the Annulment of the Resolution Circuit's decision regarding the Advance Payments from Customers item (b- the balance of (.....) and the balance of (.....) Company - (.....) Project).

Regarding the Taxpayer's appeal concerning the (Advance Payments from Customers item (d- the balance of (.....) Company)), the Taxpayer requests the annulment of the Circuit's decision regarding this item on the basis that the Resolution Circuit accepted what relates to (.....) Company and rejected what relates to (.....) Company, even though what applies to (.....) Company applies to (.....) Company in terms of having multiples of the advance payments balance as debit retentions. Based on Paragraph (2) of Article (4) of the Implementing Regulations for Zakat Collection issued by Ministerial Resolution No. (2216) dated 07/07/1440 AH, which stipulates: "The Zakat base for a Taxpayer who maintains commercial books shall consist of all of its funds subject to Zakat, including the following: 2- Revenues and advance payments made to the Taxpayer at the beginning or end of the year, whichever is lower." Based on the foregoing, and upon the Circuit's review of the case file and the defenses and documents it contained, and whereas the Taxpayer argues that what applies to (.....) Company applies to (.....) Company in terms of having multiples of the advance payments balance as debit retentions. By reviewing the statements submitted by the Taxpayer, it became evident that the customer (.....) has credit balances and debit balances, where the credit balance for the customer amounts to SAR (436,588.52), and the debit balance amounts to SAR (1,242,640.14). It is clear from this that the debit balance covers the credit balance. Accordingly, and whereas the Taxpayer has the right to perform an Offsetting between the credit and debit balances since they belong to the same customer, this leads the Circuit to conclude the Acceptance of the Taxpayer's appeal and the Annulment of the Resolution Circuit's decision regarding the (Advance Payments from Customers item (d- (.....))).

Regarding the appeal of the Taxpayer and the Authority on the remaining items, and whereas The Circuit is not precluded from adopting the reasons of the appealed decision without adding to it whenever it deems that those reasons suffice without citing any new ones. By endorsing it with what those reasons carried, it is



confirmed that it found nothing in the challenges directed at the decision that deserves a response beyond what those reasons included. And since it is established that the appealed decision regarding the dispute concerning the appealed items was consistent with the sound reasons upon which it was based and which are sufficient to carry its ruling, as the issuing Circuit undertook the examination of the merits of the dispute therein and concluded regarding it to the result reached in its operative part. And whereas this Circuit has not noticed anything requiring correction or comment regarding it in light of the defenses raised before it. This leads the Circuit to conclude the Rejection of the Taxpayer's appeal and the Rejection of the Authority's appeal, and uphold the appealed Resolution Circuit's decision regarding the result it reached based on its reasons.

Based on the foregoing, and adopting the aforementioned grounds, the Circuit unanimously rendered the following decision:

Decision

First: Acceptance of the appeal procedurally submitted by the Taxpayer (.....) Company, Commercial Registration No. (.....), TIN (.....), and the appeal submitted by the Zakat, Tax and Customs Authority, against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Dammam City No. (IZD-2023-142923) issued in Case No. (Z-142923-2023) relating to the Zakat assessment for the year 2019 AD.

Second: On the Merits:

- 1- Rejection of the Authority's appeal and amending the Resolution Circuit's decision regarding the (Advance Payments from Customers item (a- the balance of (.....) Company)).
- 2- Acceptance of the Taxpayer's appeal and Annulment of the Resolution Circuit's decision regarding the (Advance Payments from Customers item (b- the balance of (.....) and the balance of (.....) Company - (.....) Project)).
- 3- Acceptance of the Taxpayer's appeal and Annulment of the Resolution Circuit's decision regarding the (Advance Payments from Customers item (d- the balance of (.....))).
- 4- Rejection of the Taxpayer's appeal and affirming the Resolution Circuit's decision regarding the (Payables) item.



Appeal Committee for Tax Violations and Disputes First Appeal Circuit for Income Tax Violations and Disputes in Riyadh City

Decision No IR-2024-196644

Case No Z-2023-196644

Keywords:

Zakat – Additions to the Zakat Base – Loans – Rejection of the Taxpayer's appeal – Partial acceptance of the Authority's appeal.

Summary:

The Taxpayer and the Authority appealed the decision of the Resolution Circuit regarding the Zakat assessment for the year 2016 AD. The Taxpayer challenged the addition of the items (related parties), (creditors), and (amounts payable) to the base, arguing they are short-term liabilities. The Authority appealed regarding the item (Loans and the like), claiming their addition to the base, whether what satisfied the Completion of one Zakat year (Al-Hawl) or what was used to finance assets. The Circuit concluded to partially accept the Authority's appeal regarding the loans item after verifying their use in financing assets exceeding the cash available at the beginning of the year. It also recorded the settlement of the dispute regarding the items (Investments) and (Unrealized Profits) based on a reconciliation and agreement between the two parties, in application of Article (70) of the Law of Sharia Procedures. Accordingly, the Circuit decided to (reject the Taxpayer's appeal and affirm the Resolution Circuit's decision on its items), (partially accept the Authority's appeal and amend the loans item), and (record the settlement of the dispute regarding the rest of the items subject to reconciliation).

Document

- Paragraph 5 of Item (First) of Article 4 of the Implementing Regulations for Zakat Collection, issued by H.E. the Minister of Finance's Resolution No. (2082) dated 01/06/1438 AH.
- Article 70 of the Law of Sharia Procedures, issued by Royal Decree No. (M/1) dated 22/01/1435 AH.
- Paragraph 1 of Article 70 of the Law of Sharia Procedures, issued by Royal Decree No. (M/1) dated 22/01/1435 AH.

Facts

This is to consider the appeal submitted on 09/05/2023 AD by / (.....), National ID No. (.....), in his capacity as an attorney for the appellant company pursuant to Power of Attorney No. (.....), and the appeal submitted



on 11/05/2023 AD by / the Zakat, Tax and Customs Authority, against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Riyadh City No. (IFR-2023-98334) issued in Case No. (Z-98334-2022) relating to the Zakat assessment for the year 2016 AD, in the lawsuit filed by the Taxpayer against the Zakat, Tax and Customs Authority, wherein the decision of the Resolution Circuit ruled as follows:

First: Rejection of the objection of the plaintiff / (.....) Group, TIN (.....) against the decision of the defendant / Zakat, Tax and Customs Authority, relating to the related parties item subject of the lawsuit.

Second: Rejection of the objection of the plaintiff / (.....) Group, TIN (.....) against the decision of the defendant / Zakat, Tax and Customs Authority, relating to the creditors item subject of the lawsuit.

Third: Rejection of the objection of the plaintiff / (.....) Group, TIN (.....) against the decision of the defendant / Zakat, Tax and Customs Authority, relating to the amounts payable item subject of the lawsuit.

Fourth: Annulment of all other decisions of the defendant / Zakat, Tax and Customs Authority, against the plaintiff / (.....) TIN (.....) relating to the assessment subject of the lawsuit.

Whereas this decision did not meet the acceptance of both parties, each of them submitted an Appeal brief summarizing the following:

Whereas this decision did not meet the acceptance of the Taxpayer ((.....) Group), it submitted an Appeal brief which the Circuit reviewed, and it included the following: As the Taxpayer appeals against the Resolution Circuit's decision regarding the item (related parties), the item (creditors), and the item (amounts payable), the appellant requests the annulment of the Circuit's decision regarding the aforementioned items on the basis of adding the balances that satisfied the Completion of one Zakat year (Al-Hawl) to the Zakat base, as these amounts are due and established debts owed by the Company, were classified as short-term liabilities, and did not finance any of the Assets acquired for use from the Zakat base.

Furthermore, the decision did not meet the acceptance of the Zakat, Tax and Customs Authority, so it submitted its appeal against the objected decision pursuant to an Appeal brief summarizing the following:

Regarding the Authority's appeal against the Resolution Circuit's decision, its appeal regarding (Loans and the like) involves the Authority requesting the annulment of the Circuit's decision regarding this item on the basis of adding what satisfied the Completion of one Zakat year (Al-Hawl) for the loans, in addition to the loans that financed the Assets acquired for use from the base with a total of SAR (1,953,130,704) to the Zakat base for the year 2018 AD. This is based on Article Four of the Implementing Regulations for Zakat Collection. Upon reviewing the analysis of the loans' movement submitted by the Taxpayer, it is evident that the Taxpayer failed to submit a detailed statement clarifying the date of receiving the loans and the date of their repayment to confirm that these loans are not revolving loans. Thus, we opine amending the Authority's procedure by adding the beginning or end of period balance, whichever is lower, according to the analysis submitted by the Taxpayer, considering it as what satisfied the Completion of one Zakat year (Al-Hawl) and for each bank



separately. In addition, the loans that financed Assets acquired for use from the base were added. Regarding the item (Investments in equity instruments measured at fair value through other comprehensive income and the item of unrealized profits from the valuation of investments at fair value), the Authority requests recording the settlement of the dispute through the Authority's acceptance of deducting the investment in Company, and the Taxpayer's acceptance of the Authority's procedure of not deducting the investment in companies outside the Kingdom. Regarding the item (Unrealized profits from the valuation of investments at fair value), the Authority requests amending the operative part and recording the settlement of the dispute therein.

On Sunday, 21/07/2024 AD, the First Appeal Circuit for Income Tax Violations and Disputes held its hearing in the presence of its members whose names are recorded in the minutes, via video conferencing in accordance with the remote litigation procedures; pursuant to the provisions of Item No. (1) of Article Fifteen of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH.

After reviewing the appeal request, the submitted memoranda, and the papers and documents contained in the case file, and after deliberation, and whereas the case is ripe for judgment in its current state, the Circuit decided to close the pleadings and reserve the case for adjudication.

Grounds

Whereas by reviewing the case documents and the Appeal brief submitted by the Taxpayer and the Zakat, Tax and Customs Authority, it became evident to the Circuit that the conditions for considering the appeal procedurally have been met according to the conditions stipulated in the relevant laws, regulations, and decisions. This renders both appeal requests acceptable procedurally, as they were submitted by persons with standing and within the statutory period prescribed for their submission.

On the Merits, regarding the Authority's appeal concerning the item (Loans and the like), and whereas the Authority requests the annulment of the Resolution Circuit's decision regarding this item on the basis of adding what satisfied the Completion of one Zakat year (Al-Hawl) for the loans, in addition to the loans that financed the Assets acquired for use from the base to the Zakat base for the year 2018 AD. Based on Paragraph (First/5) of Article (4) of the Implementing Regulations for Zakat Collection issued by Ministerial Resolution No. (2082) dated 01/06/1438 AH, which stipulates: "The Zakat base consists of all of the Taxpayer's funds subject to Zakat, including: 5- Government and commercial loans and their equivalents from other financing sources, such as creditors, notes payable, and Bank Overdrafts due from the Taxpayer, in accordance with the following: a- What remains of them in cash and has satisfied the Completion of one Zakat year (Al-Hawl). b- What was used of them to finance assets acquired for use. c- What was used of them in trade goods and has satisfied the Completion of one Zakat year (Al-Hawl)." Based on the foregoing, and after considering the entirety of both parties' defenses, and whereas loans are considered one of the components of the Zakat base regardless of



their type, source, or classification, provided they satisfy the Completion of one Zakat year (Al-Hawl) or are used to finance the Assets acquired for use from the Zakat base without requiring the Completion of one Zakat year (Al-Hawl). And whereas the Authority's procedure was to add what satisfied the Completion of one Zakat year (Al-Hawl) for the loans, in addition to the loans that financed the Assets acquired for use from the base, with a total of SAR (1,953,130,704). Upon the Circuit's review of the case file and the defenses and documents it contained, regarding the loans that satisfied the Completion of one Zakat year (Al-Hawl) in the amount of SAR (1,462,742,679), the Authority added the beginning or end of period balance, whichever is lower, according to the analysis submitted by the Taxpayer considering what satisfied the Completion of one Zakat year (Al-Hawl) and for each bank separately. It became evident to the Circuit that these added loans are short and long-term loans, and by referring to the submitted movement, it becomes clear that the beginning or end of period balances do not match the approved financial statements. Therefore, the correctness of what the Authority reached by adding the beginning or end of period balance, whichever is lower, is evident. This leads the Circuit to conclude the Acceptance of the Authority's appeal regarding the loans that satisfied the Completion of one Zakat year (Al-Hawl) in the amount of SAR (1,462,742,679).

Regarding the loans that financed Assets acquired for use from the base in the amount of SAR (490,388,025), it became evident that the dispute lies in the Authority's analysis of the statement of cash flows, through which it found additions to the assets, and therefore added the corresponding loans. Upon the Circuit's review of the statement of cash flows submitted according to the submitted financial statements, it became evident that the Taxpayer has liquidity (cash) at the beginning of the year amounting to SAR (231,924,508). Since the amount of Fixed assets and investments purchased during the year exceeded the cash amount held by the Taxpayer, and since the financial statements and their notes indicated that the bank facilities are "secured by mortgaging some real estate investments, investments acquired for trading purposes, available-for-sale investments, property, and equipment." Based on Paragraph (First/5) of Article (4) of the Implementing Regulations for Zakat Collection issued by Ministerial Resolution No. (2082) dated 01/06/1438 AH mentioned above, the Circuit concludes to accept the Authority's appeal and amend the Resolution Circuit's decision regarding the loans that financed Assets acquired for use from the base by adding what exceeds the cash held by the Taxpayer at the beginning of the year, making the amount added from it SAR (258,463,517).

Regarding the Authority's appeal concerning the item (Investments in equity instruments measured at fair value through other comprehensive income and the item of unrealized profits from the valuation of investments at fair value), and whereas Article (70) of the Law of Sharia Procedures issued by Royal Decree No. (M/1) dated 22/01/1435 AH stipulates: "Litigants may request the court, at any stage of the lawsuit, to record what they have agreed upon, whether an acknowledgment, settlement, or otherwise, in the hearing minutes, and the court shall Issue an instrument to that effect," and Paragraph (1) of Article (70) of the Implementing Regulations of the Law of Sharia Procedures issued by the Minister of Justice's Resolution No. (39933) dated 19/05/1435 AH stipulates: "If the agreement is reached before the case is recorded, the content of the lawsuit



and the answer must be documented before recording the agreement, taking into consideration that the origin of the lawsuit is within the jurisdiction of the circuit, even if the content of the agreement falls within the jurisdiction of another court or circuit, provided that the subject matter of the lawsuit or part of it is among what is agreed upon." Based on the foregoing, and whereas it has been established to this Circuit the Authority's request to record the settlement of the dispute according to what was stated in its letter, which includes "The Authority accepts deducting the value of the investment in (.....) Factory - Kingdom of Saudi Arabia from the Zakat base. This is based on Article Four, Paragraph (Second/4/a) of the Implementing Regulations for Zakat Collection issued by Ministerial Resolution 2082 dated 01/06/1438 AH." Also, the Taxpayer accepted the Authority's requests according to what was stated in its letter, which includes "When the Company submitted the objection, it amended the investments amount by not deducting the foreign investments amount - which means accepting the Authority's procedure - with a total amount of SAR 20,443,850 within the return deductions related to foreign investments, which means there is no dispute therein." This leads the Circuit to conclude recording the settlement of the dispute regarding the Authority's appeal on the item (Investments in equity instruments measured at fair value through other comprehensive income and the item of unrealized profits from the valuation of investments at fair value).

Regarding the Authority's appeal concerning the item (Unrealized profits from the valuation of investments), and whereas Article (70) of the Law of Sharia Procedures issued by Royal Decree No. (M/1) dated 22/01/1435 AH stipulates: "Litigants may request the court, at any stage of the lawsuit, to record what they have agreed upon, whether an acknowledgment, settlement, or otherwise, in the hearing minutes, and the court shall Issue an instrument to that effect," and Paragraph (1) of Article (70) of the Implementing Regulations of the Law of Sharia Procedures issued by the Minister of Justice's Resolution No. (39933) dated 19/05/1435 AH stipulates: "If the agreement is reached before the case is recorded, the content of the lawsuit and the answer must be documented before recording the agreement, taking into consideration that the origin of the lawsuit is within the jurisdiction of the circuit, even if the content of the agreement falls within the jurisdiction of another court or circuit, provided that the subject matter of the lawsuit or part of it is among what is agreed upon." Based on the foregoing, and whereas it has been established to this Circuit the Authority's request to record the settlement of the dispute according to what was stated in its letter, which includes "Regarding the above item, the Authority accepts the Taxpayer's objection by deducting the revaluation losses. Based on the grounds mentioned above, it is evident from the aforementioned responsive memorandum that the Authority accepts the Taxpayer's objection by deducting the revaluation losses, so the Authority requests amending the operative part and recording the settlement of the dispute therein." This leads the Circuit to conclude recording the settlement of the dispute regarding the Authority's appeal on the item (Unrealized profits from the valuation of investments).

Regarding the Taxpayer's appeal on the remaining items subject of the lawsuit, and whereas The Circuit is not precluded from adopting the reasons of the appealed decision without adding to it whenever it deems that



those reasons suffice without citing any new ones. By endorsing it with what those reasons carried, it is confirmed that it found nothing in the challenges directed at the decision that deserves a response beyond what those reasons included. And since it is established that the appealed decision regarding the dispute concerning the appealed items was consistent with the sound reasons upon which it was based and which are sufficient to carry its ruling, as the issuing Circuit undertook the examination of the merits of the dispute therein and concluded regarding it to the result reached in its operative part. And whereas this Circuit has not noticed anything requiring correction or comment regarding it in light of the defenses raised before it. This leads the Circuit to conclude the Rejection of the Taxpayer's appeal and affirming the appealed Resolution Circuit's decision regarding the result it reached in the remaining items subject of the lawsuit, based on its reasons.

Based on the foregoing, and adopting the aforementioned grounds, the Circuit unanimously rendered the following decision:

Decision

First: Acceptance of the appeal procedurally submitted by / (.....) Group, Commercial Registration (.....), TIN (.....), and the Zakat, Tax and Customs Authority, against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Riyadh City No. (IFR-2023-98334) issued in Case No. (Z-98334-2022) relating to the Zakat assessment for the year 2016 AD.

Second: On the Merits:

- 1- Rejection of the Taxpayer's appeal and affirming the Resolution Circuit's decision regarding the item (Related Parties).
- 2- Rejection of the Taxpayer's appeal and affirming the Resolution Circuit's decision regarding the item (Creditors).
- 3- Rejection of the Taxpayer's appeal and affirming the Resolution Circuit's decision regarding the item (Amounts Payable).
- 4- Partial acceptance of the Authority's appeal and amending the Resolution Circuit's decision regarding the item (Loans and the like).
- 5- Recording the settlement of the dispute regarding the Authority's appeal on the item (Investments in equity instruments measured at fair value through other comprehensive income and the item of unrealized profits from the valuation of investments at fair value).
- 6- Recording the settlement of the dispute regarding the Authority's appeal on the item (Unrealized profits from the valuation of investments).



This decision is considered final in accordance with the provisions of Articles Forty-Seven and Forty-Eight of the Rules of Operation of the Circuits for Adjudicating Tax Violations and Disputes.



Appeal Committee for Tax Violations and Disputes First Appeal Circuit for Income Tax Violations and Disputes in Riyadh City

Decision No IR-2025-226101

Case No Z-2023-226101

Keywords:

Zakat – Additions to the Zakat Base – Profits – Unrealized profits – Partial acceptance of the Authority's appeal – Rejection of the Taxpayer's appeal.

Summary:

Both parties objected to several Zakat items for the year 2018 AD. The Circuit accepted the Authority's appeal regarding the unrealized investment profits item and annulled the Resolution Circuit's decision therein. It also accepted its appeal regarding the long-term due balances from subsidiary companies item and, in contrast, rejected the Taxpayer's appeal regarding it. It rejected most of the Taxpayer's appeals regarding the items of investment profits, carried-forward tax losses, provisions, domestic and foreign investments, advance payments and prepaid expenses, employee loans, guarantee deposits, unbilled revenues, and taxes. Furthermore, it recorded the settlement of the dispute partially regarding the variances in accumulated losses and amended the decision regarding the credit balances based on what satisfied the Completion of one Zakat year (Al-Hawl) and by the Saudi partner's share. It also concluded to amend the Late Payment Penalty by linking it to the item upon which the principal tax was settled or dropped.

Document

- Paragraph 4 of Item (Second) of Article 4 of the Implementing Regulations for Zakat Collection issued by H.E. the Minister of Finance's Resolution No. (2082) dated 01/06/1438 AH.
- Paragraph (4/a) of Item (Second) of Article 4 of the Implementing Regulations for Zakat Collection issued by H.E. the Minister of Finance's Resolution No. (2082) dated 01/06/1438 AH

Facts:

This is to consider the appeal submitted on 07/11/2023 AD by / (.....), National ID No. (.....), in his capacity as an attorney for the appellant company pursuant to Power of Attorney No. (.....) dated 14/03/1444 AH, and the appeal submitted by the Zakat, Tax and Customs Authority on 08/11/2023 AD, against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Jeddah Governorate No. (IZJ-2023-173116) issued in Case No. (ZI-173116-2023) relating to the tax and Zakat assessment for the year 2018 AD,



in the lawsuit filed by the Taxpayer against the Zakat, Tax and Customs Authority, wherein the decision of the Resolution Circuit ruled as follows:

First: Acceptance of the plaintiff's objection regarding the item of non-deduction of unrealized investment profits from the net book profit.

Second: Rejection of the plaintiff's objection regarding the item of non-deduction of the company's share in the investment profits in (.....) Company from the adjusted net profit (loss) for the year 2018 AD.

Third: Rejection of the plaintiff's objection regarding the item of non-deduction of the non-Saudi partner's share in the carried-forward losses from the tax base for the year 2018 AD.

Fourth: Rejection of the plaintiff's objection regarding the item of non-acceptance of deducting the utilized amount of the allowance for doubtful accounts For Zakat and tax purposes for the year 2018 AD.

Fifth: Rejection of the plaintiff's objection regarding the item of deducting the utilized amount of provisions within the adjustments to the net profit instead of the Zakat base for the year 2018 AD.

Sixth: Rejection of the plaintiff's objection regarding the item of the Authority's non-approval of deducting variances in accumulated losses.

Seventh: Recording the settlement of the dispute regarding the item of adding the Saudi partner's share in loans that financed fixed assets.

Eighth: Rejection of the plaintiff's objection regarding the item of adding the Saudi partner's share in the accrued expenses.

Ninth: Recording the settlement of the dispute regarding the item of adding the Saudi partner's share from the credit balances.

Tenth: Amending the defendant's decision regarding the item of investments in domestic entities, to be as follows:

- a) Acceptance of the plaintiff's objection regarding the item of investments in (.....) Company for the year 2018 AD.
- b) Recording the settlement of the dispute regarding the item of investments in (.....) Company.
- c) Rejection of the plaintiff's objection regarding the item of investments in (.....) Company.
- d) Amending the defendant's procedure regarding the item of investments in (.....) Fund, by recording the settlement of the dispute by the defendant's acceptance of the plaintiff's objection regarding the amount of SAR (108,864), and rejection of the plaintiff's objection regarding the remaining amount of SAR (18,601,212).

Eleventh: Rejection of the plaintiff's objection regarding the item of non-deduction of the Saudi partner's share in foreign investments for the year 2018 AD.



Twelfth: Recording the settlement of the dispute regarding the item of non-deduction of the Saudi partner's share in the long-term due balances from subsidiary companies (debit advances) from the Zakat base.

Thirteenth: Rejection of the plaintiff's objection regarding the item of non-deduction of the advance payments balance for purchasing investments from the Zakat base.

Fourteenth: Rejection of the plaintiff's objection regarding the item of non-deduction of prepaid expenses from the Zakat base for the year 2018 AD.

Fifteenth: Rejection of the plaintiff's objection regarding the item of non-deduction of the Saudi partner's share in the employee advances balance from the Zakat base for the year 2018 AD.

Sixteenth: Rejection of the plaintiff's objection regarding the item of deducting the Saudi partner's share in Cash margin against a bank guarantee from the Zakat base for the year 2018 AD.

Seventeenth: Rejection of the plaintiff's objection regarding the item of non-deduction of the Saudi partner's share in unbilled revenues within the debit balances.

Eighteenth: Rejection of the plaintiff's objection regarding the item of non-deduction of taxes from the Zakat base.

Nineteenth: Rejection of the plaintiff's objection regarding the item of non-deduction of withholding taxes paid on 100% owned subsidiary companies.

Twentieth: Amending the defendant's procedure regarding the Late Payment Penalty item; in accordance with what this decision concluded.

Whereas this decision did not meet the acceptance of both parties, each of them submitted an appeal brief summarizing the following:

Regarding the Taxpayer's appeal against the Resolution Circuit's decision, and regarding the item (non-deduction of the company's share in the investment profits in (.....) Company), the Taxpayer indicated that the Resolution Circuit's decision addressed the item from a single side, which is the Zakat side, ignoring the item's impact on the company's tax side (tax base). Accordingly, the Taxpayer affirms the settlement of the dispute from the Zakat side by accepting the deduction of the end-of-period balance for the investment in (.....) Company according to the grounds of the decision for item (10-a). As for the tax side, the Taxpayer requests annulling the effect of its share in the profits of (.....) Company, which were disclosed (as profit) within the company's revenues in its audited financial statements according to the income statement, where they were declared within the company's revenues in the audited financial statements regarding the company's share in the deductible profits for income tax purposes according to the text of the Implementing Regulations of the Income Tax Law and subsequent amendments thereto in Article (One). Regarding the item (non-deduction of the non-Saudi partner's share in the adjusted carried-forward losses from the tax base), the Taxpayer requests the annulment of the Circuit's decision regarding this item based on the Taxpayer's objection



to the Authority's procedure represented in the non-deduction of the non-Saudi partner's share in the carried-forward losses from the tax base for the year 2018 AD, and it emphasizes the Taxpayer's right to deduct the non-Saudi partner's share from the carried-forward losses pursuant to the text of Article (21) of the Tax Law. Accordingly, the Taxpayer requests deducting the carried-forward losses at a rate of (25%) of the final adjusted net profit from the tax base for the year 2018 AD. Regarding the item (non-deduction of the utilized amount of the allowance for doubtful accounts), the Taxpayer requests the annulment of the Circuit's decision regarding this item on the basis of not allowing the deduction of the utilized amount of the allowance for doubtful accounts from the net profit For Zakat and tax purposes for the year 2018 AD. It argued that the statutory controls were satisfied before the debt was written off, they were declared as revenues in previous years, and the bad debts resulted from providing services and were based on regularly maintained accounts by a licensed certified public accountant in the Kingdom. The company believes that its audited accounts are considered an alternative to the certified public accountant's certificate. The Taxpayer also pointed out the suitability of the bad debts amount to the volume of revenues and the high cost of their collection compared to their amount, as they are not of relative importance compared to revenues, and the applicability of the statutory controls for deducting the utilized amount of the allowance for doubtful accounts. The Taxpayer clarifies that the revenue recognition is linked to accounting standards and principles, especially in revenue recognition, which actually reflect the occurrence of collecting those revenues, as the process of writing off debts is the only means that would reflect the reality of the possibility of collection or lack thereof to arrive at the company's actual cash revenues. Regarding the item (deducting the utilized balance of provisions from the net profit instead of the Zakat base), the Taxpayer requests the annulment of the Circuit's decision regarding this item based on deducting the utilized amount of provisions from the adjustments to the net profit, as the utilized amount of these provisions (end-of-service benefits provision, and allowance for doubtful accounts) represents actual Zakat expenses incurred by the Taxpayer, and thus it is permissible to allow their deduction from the Zakat base within the adjustments to the net book profit, especially since they were not approved as statutory expenses when they were charged to the company's accounts as provisions and not actual expenses and were subject to Zakat; therefore, the utilized amount of provisions must be taken into consideration when determining the base subject to Zakat, to avoid double Zakat. Regarding the item (non-deduction of variances in accumulated losses), the Taxpayer requests the annulment of the Circuit's decision regarding this item based on the Authority's initial non-approval to deduct variances in accumulated losses, as the Resolution Circuit's decision did not record the Authority's partial approval of the company's objection, according to what was stated in the Authority's Response Memorandum. By reviewing the Resolution Circuit's decision, it acknowledged the amounts stated in the Authority's assessment which the Authority had amended based on its viewpoint, which constitutes ruling for more than the Authority claimed. Accordingly, the company requests recording partial acceptance of the appealed item so that the differences are as clarified in the Authority's Response Memorandum. As for the company's appeal regarding the Authority's inaccurate calculation of the accumulated losses, the Taxpayer maintains its viewpoint stated in its response memorandum to the



Authority's Response Memorandum, such that the correct calculation of the accumulated losses to be deducted from the Zakat base for the year 2018 AD is as attached to the brief. Accordingly, the Taxpayer requests accepting its appeal, annulling the Circuit's decision, and approving the deduction of variances in accumulated losses. Regarding the item (adding the Saudi partner's share in accrued expenses to the Zakat base), the Taxpayer requests the annulment of the Circuit's decision regarding this item on the basis that the Authority added the Saudi partner's share from the accrued expenses item to the Zakat base in the amount of SAR (799,520) for satisfying the Completion of one Zakat year (Al-Hawl), Based on the statement of account movement by the Taxpayer, as these amounts are not considered loans and should not be subject to Zakat, have Satisfied the Completion of one Zakat year (Al-Hawl), and did not finance additions to Assets acquired for use. Furthermore, the most important conditions for being subject to Zakat do not apply to these amounts. Regarding the item (investments in domestic entities), the Taxpayer requests the annulment of the Circuit's decision regarding this item based on the Taxpayer's objection to the Authority's non-deduction of the investment in (.....) Company in (.....) Fund, as the Authority did not clarify the reasons and grounds it relied on in that calculation. Accordingly, the Taxpayer reserves its right to annul the assessment due to the company not being notified of the details and reasons for rejection. It relied in its opinion on Paragraph (7) of Article (Twenty-One) of the Implementing Regulations for Zakat Collection, even though the Taxpayer communicated with the Authority to clarify the item's details and the reasons for the difference, but the Authority did not provide a clear response. The Taxpayer pointed out that the deducted investments are attached to the appeal brief and it is evident that all of them are resident entities in the Kingdom of Saudi Arabia, registered with the Zakat, Tax and Customs Authority, and obligated to submit their returns. Therefore, these investments must be deducted from the Zakat base, considering them long-term investments. Accordingly, the Taxpayer requests deducting the investments from the Zakat base. Regarding the item (non-deduction of foreign investments from the Zakat base), the Taxpayer requests the annulment of the Circuit's decision regarding this item based on the Taxpayer's claim to deduct the Saudi partner's share of foreign investments from the Zakat base in the amount of SAR (44,160,384) for the year 2018 AD. The Taxpayer indicated that the company's intention is to retain this investment as Assets acquired for use in order to achieve an investment return, and that Zakat for this type is due on the yield only without the principal, relying on Fatwa No. (18690) issued by the Council of Senior Scholars. The Taxpayer relied in the Zakat treatment on what was stated in the Authority's circular No. (2/8443/2/1) issued in the year 1392 AH. The Taxpayer affirmed its right to deduct the foreign investment without the condition of paying Zakat on the amounts in the country of investment, and the Taxpayer requests the deduction of its foreign available-for-sale investments for the year 2018 AD. Regarding the item (deduction of advance payments for purchasing an investment from the Zakat base), the Taxpayer requests the annulment of the Circuit's decision regarding this item, due to not allowing the deduction of the advance payments balance for purchasing investments in the amount of SAR (1,631,250) from the Zakat base for the year 2018 AD. It indicated that the objected amounts represent advance payments to finance an investment in (.....) Company, and thus they may not be subject to Zakat pursuant to Article (Five) of the



Implementing Regulations for Zakat Collection, which stated that payments for purchasing fixed assets are considered among the negative elements of the Zakat base. Accordingly, the Taxpayer requests the deduction of the advance payments for purchasing the investment detailed above from the Zakat base. Regarding the item (deduction of prepaid expenses from the Zakat base for the year 2018 AD), the Taxpayer requests the annulment of the Circuit's decision regarding this item, and requests the deduction of the Saudi partner's share of the advance payments balances, as the nature of these expenses is of a capital nature related to subsequent years, and the submitted financial statements audited by a certified public accountant for the year 2018 AD are sufficient documents to prove that these expenses are indeed expenses related to subsequent years, and since the nature of these prepaid expenses takes the ruling of deferred expenditures because they relate to indirect expenses for more than one financial year. Regarding the item (employee loans from the Zakat base), the Taxpayer requests the annulment of the Circuit's decision regarding this item, and requests allowing the deduction of the Saudi partner's share in the employee advances balance from the Zakat base in the amount of SAR (1,284,323) for the year 2018 AD. It indicated that those balances represent amounts the company was forced to lend to its employees according to the requirements of the activity and as a commitment of the company towards its employees, and accordingly, they are reserved, unutilized funds that are not used in trade goods and have not Satisfied the Completion of one Zakat year (Al-Hawl) in the company's liability, and thus these funds may not be considered as utilized loans subject to Zakat. Regarding the item (deduction of guarantee deposits from the Zakat base), the Taxpayer requests the annulment of the Circuit's decision regarding this item, and requests allowing the deduction of the Saudi partner's share in Cash margin against a bank guarantee in the amount of SAR (461,079) from the Zakat base for the year 2018 AD. It indicated that those amounts represent a cash margin balance against a bank guarantee, which represents the amounts retained by the banks it deals with. Furthermore, the non-deduction of the insurance from the Zakat base contradicts Sharia rules which affirm the Subjection of funds to Zakat in the Taxpayer's possession once they complete the holding period, and thus the cash insurance deposited in one of the banks may not be subject to Zakat since the company does not possess the right to dispose of it through investment or use in the activity, and its ruling is the ruling of a statutory deposit for banks which is permissible to be deducted pursuant to the Regulations. Regarding the item (deduction of unbilled revenues within the receivables), the Taxpayer requests the annulment of the Circuit's decision regarding this item, and requests allowing the deduction of the Saudi partner's share in unbilled revenues within the debit balances in the amount of SAR (2,515,955). It indicated in its appeal brief that those accrued revenues represent rights for the company that the company has not received, and therefore they must not be subject to Zakat until the company receives them and starts a new holding period for them, and this was supported by Fatwa No. (20452/k). Regarding the item (deduction of taxes from the Zakat base), the Taxpayer requests the annulment of the Circuit's decision, and requests allowing the deduction of the Saudi partner's share in taxes from the Zakat base in the amount of SAR (702,021) for the year 2018 AD. It indicated that these expenses represent amounts that left the company's liability before the Completion of one Zakat year (Al-Hawl), and may not be subject to Zakat from a Sharia



perspective. Also, the general principle in treating expenses is permissibility, and as long as there is no specific text rendering the deduction of the expense impermissible, then the withholding tax expense subject to objection is permissible to deduct. Furthermore, the provisions of Article (Thirteen) of the Income Tax Law, concerning non-deductible expenses, do not apply to Zakat Taxpayers. Regarding the item (adding the Saudi partner's share from the credit balances), the Taxpayer requests the annulment of the Circuit's decision, arguing that these amounts are not considered loans, and should not be subject to Zakat even if they satisfy the Completion of one Zakat year (Al-Hawl), especially since they did not finance additions to Assets acquired for use. Furthermore, the most important conditions for being subject to Zakat do not apply to these amounts, because the provisions of the Lawful Zakat Collection Law issued by Royal Decree No. (8634) for the year 1370 AH amended by Royal Decree No. (577) for the year 1376 AH stipulate that Lawful Zakat shall be collected in accordance with the provisions of Islamic Sharia. Therefore, adding these accounts to the Zakat base for the years mentioned above contradicts Sharia and statutory texts which stipulate that debt prevents Zakat, as such amounts and receivables are used to finance working capital and represent dues owed by the company to others. However, if these amounts are considered as loans, which is contrary to reality, then the Taxpayer demands adopting Sharia Fatwas which confirmed that Zakat is upon the lender and not the borrower, as long as the borrower is solvent and not procrastinating, and as long as these amounts were used in trade goods (working capital). Accordingly, the obligation to pay Zakat on that money falls on the lending entity and the same money may not be subject to Zakat twice. Therefore, the Taxpayer requests taking its viewpoint above into consideration when issuing the amended assessment by not adding accrued expenses in the amount of SAR (799,520). Regarding the item (non-deduction of the Saudi partner's share in the long-term due balances from subsidiary companies (debit advances) from the Zakat base), the Taxpayer requests the annulment of the Circuit's decision, and argues that these balances due from Subsidiaries and associates represent debit advances provided to these subsidiary companies which are subject to Zakat in the Kingdom. Consequently, not deducting these amounts from the company's Zakat base will result in double Zakat, which is impermissible under Sharia. Thus, it is evident that the balances due from subsidiary companies must be deducted from the Zakat base to prevent double taxation. Regarding the item (Late Payment Penalty), the Taxpayer requests the annulment of the Late Payment Penalty.

Furthermore, the decision did not meet the acceptance of the Zakat, Tax and Customs Authority, so it submitted its appeal against the objected decision pursuant to an appeal brief summarizing the following:

Regarding the Authority's appeal against the Resolution Circuit's decision, its appeal regarding the item (non-deduction of unrealized investment profits from the net book profit), the Authority states that it did not accept deducting unrealized investment profits from the net book profit in the amount of SAR (18,738,913); this is due to the Taxpayer's failure to submit documents supporting the unrealized investment profits. Also, during the objection stage, a meeting was held with the Taxpayer's representatives, and the Authority requested the submission of the calculation method for unrealized investment profits in the amount of SAR (18,738,913) and



how they were disclosed in the financial statements. The company responded that the unrealized investment profits in the amount of SAR (18,738,913) represent a fair value adjustment to the financial statements, and an amount of SAR (18,913,544) from which a fair value reserve in the amount of SAR (174,630) was deducted pursuant to the statement of changes in equity. As for what the Taxpayer pointed out in its objection brief from the Zakat side that these profits do not represent funds in the company's possession and that the profits are generated from revaluing investments, and from the tax side the Taxpayer mentions that any revenues generated from revaluation are not considered. Regarding what it argued about the Authority's acceptance of the item for the year 2012 AD, the Authority responds with the Taxpayer's lack of responsiveness with the Authority and failure to submit the supporting documents for the profits for the year 2018 AD. Consequently, what was stated in the statement of claim Holds no evidentiary weight. Furthermore, the Taxpayer reduced the adjusted net profit by the value of SAR (18,738,913.00) and did not submit an explanatory document showing the type of investment. If the investment was in funds, the Taxpayer does not have the right to deduct them from the net profit or from the Zakat base. By referring to the financial statements and data submitted by the Taxpayer, it became clear that they represent profits resulting from the revaluation of investment funds and shares in (foreign) funds at fair value and are not actual realized profits resulting from a sale. Also, this type of investments, funds, and shares are not among the deduction elements from the Zakat base. Accordingly, the Taxpayer's objection was rejected, and the Authority affirms the validity and statutory compliance of its procedure of not adjusting the year's profits by this item because its impact on the year's income was not clear, in addition to the fact that the investments related to them are unacceptable to be deducted from the Zakat base, and the non-applicability of Paragraph (Second/h) of Article Four. Regarding the item (adding the Saudi partner's share from the credit balances), the Authority states that the decision concluded to record the settlement of the dispute in the above item based on the Authority's acceptance of the plaintiff's objection according to the Authority's Response Memorandum No. (1). In this regard, the Authority affirms that the decision was mistaken in its conclusion; as the Authority accepted the Taxpayer's objection partially and did not accept the objection entirely. The Authority had added the Saudi partner's share of credit balances to the Zakat base in the amount of SAR (937,392) respectively for satisfying the Completion of one Zakat year (Al-Hawl) Based on the statement of account movement by the Taxpayer, where the creditors at the beginning or end of the period, whichever is lower, were added due to the mismatch of the submitted statement's balance with the financial statements' balances, based on Paragraph (5/First) of Article (Four) of the Implementing Regulations for Zakat Collection. Regarding the item (investments in domestic entities item), the Authority clarifies that the appellee company owns a share of (49%) and the equity according to the financial statements of (.....) Company for the year 2018 AD in the amount of SAR (161,428,929) and the objected company's share of it and the Saudi partner's share of it, and it represents the share which was subject to Zakat in the company. Therefore, the Authority's procedure is sound in deducting the investments only to the extent of what was subjected to Zakat in the investee company (.....), as the Authority deducted the company's share in the investment in (.....) Company from the Zakat base in the amount of SAR (47,623,309.33) with a difference



of SAR (30,919,640) from what was stated in the Taxpayer's return for the year 2018 AD. Upon studying the objection, the Taxpayer's objection was rejected; considering that the company owns a share of (49%) and the equity according to the financial statements of (.....) Company for the year 2018 AD in the amount of SAR (161,428,929) and the objected company's share of it is SAR (79,100,175), meaning a percentage of (49%) of the equity, in addition to the Saudi partner's share of it being (60%), meaning an amount of SAR (47,460,105), which represents the share that was subject to Zakat in the company. Consequently, the investments were deducted to the extent of what was subjected to Zakat in the investee company (.....). The Authority also reviewed the lawsuit papers and it was not evident that the Taxpayer submitted any supporting documents for that item. Moreover, the Authority reviewed the certified public accountant's report included within the special purpose consolidated financial statements for the year 2018 AD, in which he expressed reservations about the value invested in this company, as the statements of (.....) Company, of which (.....) Company owns (49%), were examined by the Authority, and it became clear that the invested amount is less than declared. As for what was stated in the Circuit's grounds, the Authority responds that they are incorrect and contrary to the statutory requirement, which confirms the validity and soundness of the Authority's procedure. Regarding the item (non-deduction of the Saudi partner's share in the long-term due balances from subsidiary companies (debit advances) from the Zakat base), the Authority states that the decision concluded to record the settlement of the dispute in the above item based on the Authority's acceptance of the plaintiff's objection according to the Authority's Response Memorandum No. (1). In this regard, the Authority affirms that the decision was mistaken in its conclusion; as the Authority accepted the Taxpayer's objection regarding this item by deducting the investments to the extent of the company's share percentage in what was subjected to Zakat in the investee companies. The Circuit did not clarify in its decision the details of the settlement of the dispute between the Taxpayer and the Authority and confined itself to what was stated in the Authority's memorandum, which might cause confusion among the parties to the lawsuit in interpreting what the Circuit's judgment concluded regarding the item. Regarding the item (Late Payment Penalty), the Authority states that the Circuit issuing the appealed decision accepted the Taxpayer's objection to the Late Payment Penalty item and waived it from him as a consequential result of the items appealed above. Since the Authority appealed them, the Authority therefore demands imposing the Late Payment Penalty on the Unsettled tax differences within the statutory deadline based on Article No. (77) Paragraph (a) of the Income Tax Law, and also based on Article (68) Paragraph (1/b) of the Implementing Regulations of the Income Tax Law. Accordingly, the Authority requests accepting its appeal and annulling the Resolution Circuit's decision, and it also reserves its right to submit further responses and clarifications until before the closure of the pleadings.

On Wednesday, 02/10/2024 AD, the First Appeal Circuit for Income Tax Violations and Disputes held its hearing in the presence of its members whose names are recorded in the minutes, via video conferencing in accordance with the remote litigation procedures; pursuant to the provisions of Paragraph (1) of Article (Fifteen) of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No.



(25711) dated 08/04/1445 AH. After reviewing the request to suspend the proceedings in the lawsuit deposited in the case file by the parties, the Circuit accordingly decided to suspend the proceedings in the lawsuit pursuant to Article (43) of the Rules of Operation for Zakat, Tax, and Customs Committees, which stipulated suspending the proceedings in the lawsuit for a period not exceeding (one hundred and eighty) days.

On 06/04/2025 AD, the Authority submitted a request to resume the proceedings in the lawsuit.

On Tuesday, 02/09/2025 AD, the First Appeal Circuit for Income Tax Violations and Disputes held its hearing at exactly 12:30 PM in the presence of its members whose names are recorded in the minutes, via video conferencing in accordance with the remote litigation procedures; pursuant to the provisions of Paragraph (1) of Article (Fifteen) of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. Upon calling upon the litigants, the Authority's representative / (.....), National ID (.....), attended pursuant to an authorization issued by the Deputy Governor of the Zakat, Tax and Customs Authority for Legal Affairs under No. (.....) dated 19/03/1445 AH. The Taxpayer's representative did not attend despite the established statutory notification of the date of this hearing. Upon asking the Authority's representative what she wished to add, she stated that she reiterates its previous submissions in this lawsuit. Accordingly, the Circuit decided to adjourn the lawsuit for further study to the hearing on Tuesday, 09/09/2025 AD.

On Tuesday, 09/09/2025 AD, the First Appeal Circuit for Income Tax Violations and Disputes held its hearing at exactly 11:30 AM in the presence of its members whose names are recorded in the minutes, via video conferencing in accordance with the remote litigation procedures; pursuant to the provisions of Paragraph (1) of Article (Fifteen) of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. Upon calling upon the litigants, the Authority's representative / (.....), National ID (.....), attended pursuant to an authorization issued by the Deputy Governor of the Zakat, Tax and Customs Authority for Legal Affairs under No. (.....) dated 19/03/1445 AH. The Taxpayer's representative did not attend despite the established statutory notification of the date of this hearing. And after closing the pleadings and deliberation.

Grounds

Whereas by reviewing the case documents and the appeal brief submitted by the Taxpayer and the Zakat, Tax and Customs Authority, it became evident to the Circuit that the conditions for considering the appeal procedurally have been met according to the conditions stipulated in the relevant laws, regulations, and decisions. This renders both appeal requests acceptable procedurally, as they were submitted by persons with standing and within the statutory period prescribed for their submission.

On the Merits, regarding the Authority's appeal concerning the item (non-deduction of unrealized investment profits from the net book profit), and whereas Paragraph No. (4) of Item (Second) of Article (Four) of the



Implementing Regulations for Zakat Collection issued by Ministerial Resolution No. (2082) dated 01/06/1438 AH stipulates: "The following shall be deducted from the Zakat base: 4-(a): Investments in entities inside the Kingdom – in participation with others – if those investments are subject to Zakat under these Regulations, but if the investment in those entities is not subject to collection, it shall not be deducted from the base." Furthermore, Paragraph (h) of the same Article stipulates: "h- For Zakat purposes, the results of revaluing securities in terms of profit or loss according to the market value shall be taken into consideration." Based on the foregoing, and whereas the provisions of the Implementing Regulations for Zakat Collection referred to above stipulate that the results of revaluing securities investments according to the fair value shown in the financial statements shall be taken into consideration, and whereas the dispute lies in not deducting the value of unrealized profits in the amount of SAR (18,738,913), where the Authority argues that the Taxpayer failed to submit sufficient documents clarifying the nature of the investments. Since the acceptance of deducting profits or losses or lack thereof is not tied to the principal, the Circuit therefore concludes the acceptance of the Authority's appeal and the annulment of the Resolution Circuit's decision regarding the item (non-deduction of unrealized investment profits from the net book profit).

Regarding the Authority's appeal concerning the item (investments in domestic entities ((.....) Company)), and whereas Paragraph No. (4/a) of Item (Second) of Article (Four) of the Implementing Regulations for Zakat Collection issued by Ministerial Resolution No. (2082) dated 01/06/1438 AH stipulates: "The following shall be deducted from the Zakat base: 4-(a): Investments in entities inside the Kingdom – in participation with others – if those investments are subject to Zakat under these Regulations, but if the investment in those entities is not subject to collection, it shall not be deducted from the base." Based on the foregoing, and whereas the dispute lies in the Authority's claim to deduct the company's share in the investment in (.....) Company in the amount of SAR (47,460,105) from the Zakat base, which represents the Saudi partner's share at a rate of (60%) of the company's total share in the investee company amounting to SAR (79,100,175), which represents a rate of (49%) of the capital of (.....) Company (the investee). Since the general principle for investments in Saudi companies registered with the Authority, which submit their returns to the Authority and pay Zakat pursuant to them, is that they are fully deducted, and since the Taxpayer owns (49%) of the capital of (.....) Company, for which (.....) Company paid Zakat according to the Zakat Declaration and financial statements of (.....) Company (the investee), through which it is evident that Zakat was paid in full for these investments and that the share of the investing company (the Taxpayer) was subject to Zakat, the Circuit therefore concludes to reject the Authority's appeal and affirm the Resolution Circuit's decision regarding the item (investments in domestic entities ((.....) Company)).

Regarding the Taxpayer's appeal concerning the item (non-deduction of the company's share in the investment profits in (.....) Company), and based on Ministerial Resolution No. (3294) issued on 15/11/1431 AH which includes: "a- Regarding the income generated from its investments in another capital company resident inside the Kingdom, to avoid double taxation, this income is excluded from being subject to tax provided the following



controls are met: 1- This income was previously subject to tax in the Kingdom. 2- The shareholding percentage in the investee company is not less than 10%. 3- The holding period of the shares is not less than one year." Based on the foregoing, and whereas the dispute lies in the Authority's procedure of not accepting the deduction of the company's share in the investment profits in (.....) Company from the adjusted net profit in the amount of SAR (494,848) due to realizing losses in the results of the year for (.....) Company for the year 2018 AD. Upon the Circuit's review of the case file, it became evident from the financial statements of (.....) Company, the statement of profit or loss, and the statement of comprehensive income, that it achieved losses during the year and not profits; therefore, there are no profits that were subjected to Zakat. Furthermore, investments that were fully subject to Zakat, which include the year's profits, have been deducted. Consequently, deducting them from the year's profit would result in Avoidance of Double Zakat, once within the investments balance and once again within the adjusted year's profits. Therefore, the Circuit concludes to reject the Taxpayer's appeal and affirm the Resolution Circuit's decision regarding the item (non-deduction of the company's share in the investment profits in (.....) Company).

Regarding the Taxpayer's appeal concerning the item (non-deduction of the non-Saudi partner's share in the adjusted carried-forward losses from the tax base), and whereas Paragraph (1) of Article (11) of the Implementing Regulations of the Income Tax Law issued by Ministerial Resolution No. (1535) dated 11/06/1425 AH stipulates: "The Taxpayer has the right to carry forward adjusted operating losses, according to the provisions of the Law and these Regulations for tax purposes, to the tax years following the loss year, by reducing the profits of subsequent years until the entire accumulated operating losses are recovered, without being restricted to a specific period, provided that the maximum limit allowed to be deducted in each tax year does not exceed (25%) of the annual profit according to the Taxpayer's return." And based on Paragraphs (a, b) of Article (21) of the Income Tax Law issued by Royal Decree No. (M/1) dated 15/01/1425 AH, relating to carrying forward losses, which stipulate the following: "a - Net operating losses may be carried forward to the tax year following the year in which the loss was realized, and the carried-forward loss shall be deducted from the tax base for subsequent tax years until the entire accumulated loss is recovered, and the Regulations shall determine the maximum limits allowed to be deducted annually. b- The net operating loss is the deductions permissible under this Chapter exceeding the taxable income in the tax year." Based on the foregoing, whereas the dispute lies in the Authority's non-acceptance of deducting the non-Saudi partner's share in the adjusted losses from the tax base for the year 2018 AD by no more than (25%), where the Authority argues that the Taxpayer did not deduct any losses within the return for the years 2017 and 2018 AD within the limit of (25%) of the adjusted return net profit, while the Taxpayer emphasizes its right to deduct the non-Saudi partner's share of the carried-forward losses according to the text of Article (21) of the Tax Law. Upon the Circuit's review of the case file and the defenses and documents it contained, it became evident that the Taxpayer declared in its return a profit of SAR (329,091) for the year 2018 AD, and whereas the Authority partially accepted the Taxpayer's objection by deducting the carried-forward losses at a rate of (25%), i.e., an amount of SAR (82,273)



from the profit declared in the Taxpayer's return. Since the Taxpayer did not submit any new defenses but merely repeated what was previously stated before the Resolution Circuit, this leads the Circuit to conclude the rejection of the Taxpayer's appeal and affirming the Resolution Circuit's decision regarding the item (non-deduction of the non-Saudi partner's share in the adjusted carried-forward losses from the tax base).

Regarding the Taxpayer's appeal concerning the item (non-deduction of the utilized amount of the allowance for doubtful accounts), and whereas Paragraph (3) of Article (9) of the Implementing Regulations of the Income Tax Law issued by Ministerial Resolution No. (1535) dated 11/06/1425 AH stipulates that "The expenses that may be deducted to determine the taxable income are: 3- Bad debts according to the following controls: a- The bad debts must have been previously declared in the return within the Taxpayer's revenues in the year the revenue accrued. b- The bad debts must result from the sale of goods or the provision of services. c- The Taxpayer must submit a certificate from its certified public accountant stating that these debts have been written off the books pursuant to a decision by the authorized person. d- All legal procedures to collect the debts must have been taken, and the impossibility of their collection is proven by convincing evidence, such as the issuance of a judicial judgment or proving the debtor's bankruptcy. e- The debts must not be owed by entities related to the Taxpayer. f- The Taxpayer commits to declaring the debts within its income whenever they are collected." And based on Paragraph (3) of Article (5) of the Implementing Regulations for Zakat Collection issued by Ministerial Resolution No. (2082) dated 01/06/1438 AH, which stipulates: "Bad debts are considered among the expenses that may be deducted according to the following controls: a- They must have been previously declared within the Taxpayer's revenues in the year the revenue accrued. b- The bad debts must result from conducting commercial activity. c- The Taxpayer must submit a certificate from its certified public accountant stating that these debts have been written off the books pursuant to a decision by the authorized person. d- The debts must not be owed by entities related to the Taxpayer. e- The Taxpayer commits to declaring the debts within its income whenever they are collected." Based on the foregoing, and whereas the dispute lies in the non-deduction of the utilized amount of the allowance for doubtful accounts from the net profit for the tax and Zakat sides in the amount of SAR (24,798) for the year 2018 AD, where the Authority argues that the Taxpayer did not submit the documents stipulated in the provisions of the Implementing Regulations for Zakat Collection and the Implementing Regulations of the Income Tax Law referred to above to prove the debt write-off. Conversely, the Taxpayer argues that the statutory controls were met prior to the debt write-off, they were declared as revenues in previous years, and the bad debts resulted from providing services. It added that the debt write-off was done pursuant to statutory accounts audited by a licensed certified public accountant in the Kingdom, which it considers an alternative to the certified public accountant's certificate from its perspective. Upon the Circuit's review of the case file, it became evident that the Taxpayer did not submit the documents stipulated in the provisions of the Implementing Regulations for Zakat Collection and the Implementing Regulations of the Income Tax Law referred to above; accordingly, the Taxpayer did not meet the statutory controls For Zakat and tax purposes, but rather merely repeated the same defenses



previously submitted before the Resolution Circuit. This leads the Circuit to conclude the rejection of the Taxpayer's appeal and affirming the Resolution Circuit's decision regarding the item (non-deduction of the utilized amount of the allowance for doubtful accounts).

Regarding the Taxpayer's appeal concerning the item (deducting the utilized balance of provisions from the net profit instead of the Zakat base), and whereas Paragraph (9) of Item (First) of Article (Four) of the Implementing Regulations for Zakat Collection issued by Ministerial Resolution No. (2082) dated 01/06/1438 AH stipulates: "The Zakat base consists of all of the Taxpayer's funds subject to Zakat, including: 9- Provisions at the beginning of the year (except for doubtful collection provisions for banks) after deducting the utilized amount from them during the year." Based on the foregoing, and whereas the dispute lies in the Taxpayer's demand to deduct the utilized amount of provisions from the adjustments to the net profit as actual Zakat expenses permissible for deduction, while the Authority argued that it did not accept deducting the utilized amount of provisions in the amount of SAR (685,825) from the Zakat base for the year 2018 AD, in order to deduct them within the provisions movement. Upon the Circuit's review of the provisions movement attached in the Authority's memorandum, it became evident that it amended the deduction of the utilized amount of provisions according to what was stated in the attached provisions movement statement, since the Taxpayer did not submit the provisions movement. Whereas the Zakat treatment for the utilized amount of provisions is represented in deducting it from the provisions balance at the beginning of the year, and whereas the Authority performed the Zakat treatment for the Saudi partner's share in the provisions item through the provisions balance at the beginning of the year. Also, the allowance for doubtful accounts was adjudicated in the item relating to (non-deduction of the utilized amount of the allowance for doubtful accounts), wherein the Circuit's decision concluded to reject the Taxpayer's appeal and affirm the Resolution Circuit's decision. This leads the Circuit to conclude the rejection of the Taxpayer's appeal and affirming the Resolution Circuit's decision regarding the item (deducting the utilized balance of provisions from the net profit instead of the Zakat base).

Regarding the Taxpayer's appeal concerning the item (non-deduction of variances in accumulated losses), and whereas Paragraph (9) of Item (Second) of Article (Four) of the Implementing Regulations for Zakat Collection issued by Ministerial Resolution No. (2082) dated 01/06/1438 AH stipulates that "The following shall be deducted from the Zakat base: 9- The adjusted accumulated losses carried forward according to the Authority's assessments, after adding only the provisions or reserves to it by which the loss was previously reduced in the year of its formation." And whereas Article (70) of the Law of Sharia Procedures issued by Royal Decree No. (M/1) dated 22/01/1435 AH stipulates: "Litigants may request the court, at any stage of the lawsuit, to record what they have agreed upon, whether an acknowledgment, settlement, or otherwise, in the hearing minutes, and the court shall Issue an instrument to that effect," and Paragraph (1) of Article (70) of the Implementing Regulations of the Law of Sharia Procedures issued by the Minister of Justice's Resolution No. (39933) dated 19/05/1435 AH stipulates: "If the agreement is reached before the case is recorded, the content of the lawsuit and the answer must be documented before recording the agreement, taking into consideration that the origin



of the lawsuit is within the jurisdiction of the circuit, even if the content of the agreement falls within the jurisdiction of another court or circuit, provided that the subject matter of the lawsuit or part of it is among what is agreed upon." Based on the foregoing, and since the carried-forward losses among the elements that may be deducted from the Zakat base are the adjusted losses according to the assessments issued by the Authority after adding provisions to them by which the loss was previously reduced in the year of its formation. And whereas the appealed Resolution Circuit's decision concluded to reject the Taxpayer's objection and approve the losses amount of SAR (32,751,267) before the Authority's partial acceptance of deducting the amount of SAR (45,486,980.40). And since the Taxpayer's demand lies in recording the partial acceptance of the item according to the Authority's memorandum, as follows: "... Accordingly, the company requests, initially, recording the Authority's partial acceptance of the company's objection..", which leads the Circuit to conclude recording the settlement of the dispute regarding the Taxpayer's appeal concerning the amount of SAR (45,486,980.40). As for the Taxpayer's appeal concerning the amount of SAR (11,717,618.60), represented in the difference between what was stated in the Zakat Declaration amounting to SAR (57,204,599) and what was accepted by the Authority and the settlement of the dispute recorded for it in the amount of SAR (45,486,980.40). And since what is considered for carried-forward losses for Zakat purposes is what was adjusted according to the requirements of the Zakat Law and not the carried-forward losses listed in the financial statements. And whereas it became evident that the Authority deducted the adjusted carried-forward losses according to its assessment after adjusting them with the provisions that were returned in the year of their formation, which demonstrates the correctness of the Authority's procedure. This leads the Circuit to conclude the rejection of the Taxpayer's appeal and amend the Resolution Circuit's decision regarding the amount of SAR (11,717,618.60) instead of SAR (24,453,332).

Regarding the Taxpayer's appeal concerning the item (adding the Saudi partner's share in accrued expenses to the Zakat base), and whereas Paragraph (5) of Article (Four) of the Implementing Regulations for Zakat Collection issued by Ministerial Resolution No. (2082) dated 01/06/1438 AH stipulates: "5- Government and commercial loans and their equivalents from other financing sources, such as creditors, notes payable, and Bank Overdrafts due from the Taxpayer, in accordance with the following: a- What remains of them in cash and has satisfied the Completion of one Zakat year (Al-Hawl). b- What was used of them to finance assets acquired for use. c- What was used of them in trade goods and has satisfied the Completion of one Zakat year (Al-Hawl)."

Based on the foregoing, accrued expenses are considered one of the components of the Zakat base regardless of their type, source, or classification, provided they satisfy the Completion of one Zakat year (Al-Hawl) or are used to finance the Assets acquired for use from the base without requiring the Completion of one Zakat year (Al-Hawl). And whereas it became evident that the Authority calculated the Completion of one Zakat year (Al-Hawl) Based on the statement of account movement by the Taxpayer, pursuant to the provisions of Paragraph (5) of Article (Four) of the Implementing Regulations for Zakat Collection. Upon the Circuit's review of the case file, it became evident that the Taxpayer did not submit the detailed movement of the accrued expenses



matching the financial statements to verify the non-completion of the holding period. This is not undermined by what the Taxpayer pointed out that these debts are used to finance working capital, as these debts are subject to Zakat even when they are used to finance the company's working capital. This leads the Circuit to conclude the rejection of the Taxpayer's appeal and affirming the Resolution Circuit's decision regarding the item (adding the Saudi partner's share in accrued expenses to the Zakat base).

Regarding the Taxpayer's appeal concerning the item (adding investments in domestic entities), and whereas Paragraph (4/a) of Article (Four) of the Implementing Regulations for Zakat Collection issued by Ministerial Resolution No. (2082) dated 01/06/1438 AH stipulates: "Investments in entities inside the Kingdom – in participation with others - if those investments are subject to Zakat under these Regulations, but if the investment in those entities is not subject to collection, it shall not be deducted from the base." And based on Paragraph (3) of Article (Twenty) of the same Regulations, which stipulates: "The burden of proving the validity of the items and any other data stated in the Taxpayer's Zakat Declaration falls on the Taxpayer, and in the event of its inability to prove the validity of what is stated in its return, the Authority may not approve the item whose validity is not proven by the Taxpayer, or perform a presumptive assessment according to the Authority's viewpoint in light of the circumstances and facts related to the case and the information available to it." Based on the foregoing, and whereas two basic conditions must be met to consider that the investments represent Assets acquired for use and may be deducted from the Zakat base, which are the documented intention from the authorized person clarifying the intention of the investment, and the absence of sale transactions executed on them during the year. And since the dispute between the parties lies in the investments in (.....) and the investments in (.....) Fund, and since funds are characterized by collecting funds from various sources to invest them in diverse fields, and the fund has an independent financial capacity from the issuing investment entity, and is based on turning over funds and trading in them by buying and selling and not acquisition. Consequently, the investment in these funds takes the ruling of trade goods and may not be deducted from the Zakat base. This is not altered by the duration of the investment in the fund; rather, the criterion is the nature of the investment, as they are funds for trading and not for possession. As for the investment in (.....) Company, and whereas the Authority stated that (.....) Company was registered with the Authority at a date subsequent to the date of the amended articles of association on 24/04/2019 AD, consequently, the investment share was not subjected to Zakat in the year 2018 AD, and the Taxpayer did not submit what proves its subjection to Zakat. This leads the Circuit to conclude the rejection of the Taxpayer's appeal and affirming the Resolution Circuit's decision regarding the item (adding investments in domestic entities).

Regarding the Taxpayer's appeal concerning the item (non-deduction of foreign investments from the Zakat base), and whereas Paragraph (4/b) of Article (Four) of the Implementing Regulations for Zakat Collection issued by Ministerial Resolution No. (2082) dated 01/06/1438 AH stipulates: "Investments in entities outside the Kingdom - in participation with others - provided that the Taxpayer calculates within its Zakat Declaration the Zakat due on these investments according to the rules stipulated in these Regulations and remits it to the



Authority, while attaching audited accounts from a certified public accountant in the country of investment authenticated by official authorities; if it does not commit to calculating and remitting Zakat accordingly, they shall not be deducted from the Zakat base." And based on Paragraph (3) of Article (Twenty) of the same Regulations, which stipulates: "The burden of proving the validity of the items and any other data stated in the Taxpayer's Zakat Declaration falls on the Taxpayer, and in the event of its inability to prove the validity of what is stated in its return, the Authority may not approve the item whose validity is not proven by the Taxpayer, or perform a presumptive assessment according to the Authority's viewpoint in light of the circumstances and facts related to the case and the information available to it." Based on the foregoing, and whereas the dispute between the parties lies in the Authority's non-deduction of the Saudi partner's share in foreign investments in the amount of SAR (44,160,384) from the Zakat base, where the Authority argues that the Taxpayer did not calculate within its Zakat Declaration for the year 2018 AD the Zakat due on these investments and did not submit the financial statements for them approved by an certified public accountant, nor did it submit what proves they were subjected to Zakat. On the other hand, the Taxpayer argues that the intention is the intention of possession in order to achieve a return; therefore, these investments were classified within non-current assets, and that Zakat for this type of investments is due on their yield without their principal. Upon the Circuit's review of the case file and the defenses and documents it contained, it became evident that the Taxpayer failed to submit the financial statements audited by a certified public accountant for the investee companies outside the Kingdom, nor did it submit a document proving its payment of the Zakat due on this investment. This leads the Circuit to conclude the rejection of the Taxpayer's appeal and affirming the Resolution Circuit's decision regarding the item (non-deduction of foreign investments from the Zakat base).

Regarding the Taxpayer's appeal concerning the item (deduction of advance payments for purchasing an investment from the Zakat base), and whereas Paragraph (4) of Article (Four) of the Implementing Regulations for Zakat Collection issued by the Minister of Finance's Resolution No. (2082) dated 01/06/1438 AH stipulates: "(a): Investments in entities inside the Kingdom - in participation with others - if those investments are subject to Zakat under these Regulations, but if the investment in those entities is not subject to collection, it shall not be deducted from the base." And based on Paragraph (3) of Article (Twenty) of the same Regulations, which stipulates: "The burden of proving the validity of the items and any other data stated in the Taxpayer's Zakat Declaration falls on the Taxpayer, and in the event of its inability to prove the validity of what is stated in its return, the Authority may not approve the item whose validity is not proven by the Taxpayer, or perform a presumptive assessment according to the Authority's viewpoint in light of the circumstances and facts related to the case and the information available to it." Based on the foregoing, and whereas the dispute between the parties lies in the Authority's non-deduction of advance payments for purchasing an investment in the amount of SAR (1,631,250) from the Zakat base for the year 2018 AD, where the Authority argues that this amount is among the non-deductible items pursuant to the provisions of the Implementing Regulations for Zakat Collection issued by the Minister of Finance's Resolution No. (2082) dated 01/06/1438 AH. On the other hand,



the Taxpayer argues that the advance payments are to finance an investment in (.....) Company, and thus they may not be subject to Zakat pursuant to Article (Five) of the Implementing Regulations for Zakat Collection. Upon the Circuit's review of the financial statements and their notes, it became evident that this company paid in advance to (.....) Company, and this paid amount relates to a potential project. Upon the Circuit's review of the case file, it became evident that the Taxpayer failed to submit supporting documents to clarify the nature of this potential project and the extent to which it is subject to Zakat. This leads the Circuit to conclude the rejection of the Taxpayer's appeal and affirming the Resolution Circuit's decision regarding the item (deduction of advance payments for purchasing an investment from the Zakat base).

Regarding the Taxpayer's appeal concerning the item (deduction of prepaid expenses from the Zakat base for the year 2018 AD), and whereas Paragraph (3) of Article (Twenty) of the Implementing Regulations for Zakat Collection issued by Ministerial Resolution No. (2082) dated 01/06/1438 AH stipulates: "The burden of proving the validity of the items and any other data stated in the Taxpayer's Zakat Declaration falls on the Taxpayer, and in the event of its inability to prove the validity of what is stated in its return, the Authority may not approve the item whose validity is not proven by the Taxpayer, or perform a presumptive assessment according to the Authority's viewpoint in light of the circumstances and facts related to the case and the information available to it." Based on the foregoing, where the dispute between the parties lies in the Authority's non-deduction of the prepaid expenses in the amount of SAR (378,953) from the Zakat base for the year 2018 AD. Upon the Circuit's review of the case file, it became evident that the Taxpayer did not submit the supporting documents for these expenses to verify their nature and that they are of a capital and revenue nature and related to subsequent periods. And whereas the Taxpayer did not submit any new defenses requiring correction or comment, this leads the Circuit to conclude the rejection of the Taxpayer's appeal and affirming the Resolution Circuit's decision regarding the item (deduction of prepaid expenses from the Zakat base for the year 2018 AD).

Regarding the Taxpayer's appeal concerning the item (employee loans from the Zakat base), and whereas Paragraph (1/First) of Article (Four) of the Implementing Regulations for Zakat Collection issued by Ministerial Resolution No. (2082) dated 01/06/1438 AH stipulates: "The Zakat base consists of all of the Taxpayer's funds subject to Zakat, including: 1- Capital that has satisfied the Completion of one Zakat year (Al-Hawl), as well as the increase in it even if it has not satisfied the Completion of one Zakat year (Al-Hawl) if the source of this increase is one of the equity elements or was financing for an asset of the Assets acquired for use deducted from the Zakat base." Based on the foregoing, where the dispute between the parties lies in the Authority's non-deduction of the loans provided to employees in the amount of SAR (1,284,323) from the Zakat base for the year 2018 AD, where the Taxpayer argues that those amounts represent amounts the Taxpayer lent to its employees according to the activity's requirements and as a commitment of the company towards its employees. On the other hand, the Authority argues that they are not among the deductible items pursuant to the provisions of Article (Four) of the Implementing Regulations for Zakat Collection. Upon the Circuit's review



of the case file and the defenses and documents it contained, it became evident that the appealed item represents debit balances (employee advances), and is considered among the sources of internal funds and is subject to Zakat within the capital pursuant to Paragraph (First/1) of Article (Four) of the Implementing Regulations for Zakat Collection. Regarding the Taxpayer's argument that they are reserved, unutilized funds by the Taxpayer, this is not considered a valid argument, since the employees are considered a contractually related party to the Taxpayer and the Taxpayer can collect these debts. This leads the Circuit to conclude the rejection of the Taxpayer's appeal and affirming the Resolution Circuit's decision regarding the item (employee loans from the Zakat base).

Regarding the Taxpayer's appeal concerning the item (deduction of guarantee deposits from the Zakat base), and whereas Paragraph (1/First) of Article (Four) of the Implementing Regulations for Zakat Collection issued by the Minister of Finance's Resolution No. (2082) dated 01/06/1438 AH stipulates: "The Zakat base consists of all of the Taxpayer's funds subject to Zakat, including: 1- Capital that has satisfied the Completion of one Zakat year (Al-Hawl), as well as the increase in it even if it has not satisfied the Completion of one Zakat year (Al-Hawl) if the source of this increase is one of the equity elements or was financing for an asset of the Assets acquired for use deducted from the Zakat base." Based on the foregoing, where the dispute between the parties lies in the non-deduction of guarantee deposits against a bank guarantee in the amount of SAR (461,079) from the Zakat base for the year 2018 AD, where the Authority argues that they are not among the deductible items pursuant to the provisions of Article (Four) of the Implementing Regulations for Zakat Collection. On the other hand, the Taxpayer argues that the cash insurance deposited in one of the banks may not be subject to Zakat, since the company does not possess the right to dispose of it through investment or use in the activity, and its ruling is the ruling of a statutory deposit for banks which is permissible to be deducted pursuant to the Regulations. Upon the Circuit's review of the case file and the defenses and documents it contained, it became evident that the Taxpayer's activity is represented in management, underwriting, managing investment funds, and managing clients' portfolios. Since the letter of guarantee is, in reality, a guarantee contract provided by the company to the bank, which means it appears as a debit balance, and its purpose is to guarantee commitment in fulfilling a debt, and is submitted to the beneficiary, so that the bank guarantees the guarantee applicant in a specific commitment. In case of non-commitment, The letter of guarantee is encashed in favor of those entities for which the letter of guarantee was issued. Because the letter of guarantee is unique with certain characteristics that do not exclude it from this reality, therefore the guarantee in favor of the guaranteed party (the beneficiary) does not result in ownership of the money prior to performance; rather, it is a document by which fulfillment is achieved upon maturity. Furthermore, the guarantee is a guarantee of what will become due, and not a guarantee of something that has already become due in the customer's liability. Since the funds in letters of guarantee and letters of credit are considered Zakat funds subject to Zakat, and that the amounts the Taxpayer retained in the letter of guarantee were retained for the benefit of its growth, which does not prevent its full ownership and the obligation of Zakat on it as long as the money remains in its ownership. And



whereas the Taxpayer did not submit any new impactful defenses, and what it submitted was a repetition of what was submitted before the Resolution Circuit, this leads the Circuit to conclude the rejection of the Taxpayer's appeal and affirming the Resolution Circuit's decision regarding the item (deduction of guarantee deposits from the Zakat base).

Regarding the Taxpayer's appeal concerning the item (deduction of unbilled revenues within the receivables), where the dispute between the parties lies in the Authority's non-deduction of unbilled revenues within debit balances in the amount of SAR (2,515,955) from the Zakat base for the year 2018 AD. The Taxpayer argues that they are accrued revenues the company has not received, and should not be subjected to Zakat until it receives them. On the other hand, the Authority argues that these items are not among the deductible items pursuant to the provisions of Article (Four) of the Implementing Regulations for Zakat Collection. Upon the Circuit's review of the case file, and whereas all revenues recognized in the income statement resulting from applying accounting policies, including the accrual basis of accounting, are subject to Zakat in the year they were recognized in the financial statements, whether billed or unbilled according to accounting accrual principles. This is represented by the unbilled revenues item within current assets in the audited financial statements. Consequently, and since the appealed item was not among the Zakat base deduction items, and whereas the Taxpayer did not submit any new impactful defenses, and what it submitted was a repetition of what was submitted before the Resolution Circuit, this leads the Circuit to conclude the rejection of the Taxpayer's appeal and affirming the Resolution Circuit's decision regarding the item (deduction of unbilled revenues within the receivables).

Regarding the Taxpayer's appeal concerning the item (deduction of taxes from the Zakat base), and whereas Paragraph (3) of Article (Twenty) of the Implementing Regulations for Zakat Collection issued by Ministerial Resolution No. (2082) dated 01/06/1438 AH stipulates: "The burden of proving the validity of the items and any other data stated in the Taxpayer's Zakat Declaration falls on the Taxpayer, and in the event of its inability to prove the validity of what is stated in its return, the Authority may not approve the item whose validity is not proven by the Taxpayer, or perform a presumptive assessment according to the Authority's viewpoint in light of the circumstances and facts related to the case and the information available to it." Based on the foregoing, the dispute between the parties lies in the Authority's non-deduction of a tax expense paid for the foreign partner's share; where the Taxpayer claims the deduction of the Saudi partner's share of the paid tax expense, while the Authority argues that it is not among the deductible items pursuant to the provisions of Article (Four) of the Implementing Regulations for Zakat Collection. Upon the Circuit's review of the case file and the defenses and documents it contained, since calculating the tax expense is based only on the foreign partner's share, and that is after making adjustments to the accounting net profit. Consequently, the Saudi partner's Zakat base will not be affected by the paid expense. And whereas there is no statutory text that permits the deduction, and whereas the Taxpayer did not submit any new impactful defenses, and what it submitted was a repetition of what was submitted before the Resolution Circuit, this leads the Circuit to conclude the rejection of the



Taxpayer's appeal and affirming the Resolution Circuit's decision regarding the item (deduction of taxes from the Zakat base).

Regarding the Taxpayer's appeal concerning the item (non-deduction of withholding taxes paid on 100% owned subsidiary companies), and whereas Paragraph (3) of Article (Fifty-Seven) of the Implementing Regulations for Zakat Collection issued by the Minister of Finance's Resolution No. (2082) dated 01/06/1438 AH stipulates: "The burden of proving the validity of the revenues and expenses and any other data stated in the Taxpayer's return falls on the Taxpayer, and in the event of its inability to prove the validity of what is stated in its return, the Department may, in addition to applying any other statutory penalties, disallowance of the expense whose validity is not proven by the Taxpayer, or perform a presumptive assessment according to the Department's viewpoint in light of the circumstances and facts related to the case and the information available to the Department." Based on the foregoing, the dispute between the parties lies in the Taxpayer's claim to deduct the withholding taxes paid on 100% subsidiary companies in the amount of SAR (9,661,329), as the Authority did not approve the withholding taxes paid to the Authority and listed in the company's base as advance payments. On the other hand, the Authority argues that the Taxpayer failed to submit documents. Upon the Circuit's review of the case file, it became evident that the Taxpayer failed to submit the documents requested by the Authority, represented in: an analytical statement of revenues detailed at the branch level, and what proves the payment of withholding taxes on the amounts paid to the head office. And whereas the Taxpayer did not submit any new impactful defenses, and what it submitted was a repetition of what was submitted before the Resolution Circuit, this leads the Circuit to conclude the rejection of the Taxpayer's appeal and affirming the Resolution Circuit's decision regarding the item (non-deduction of withholding taxes paid on 100% owned subsidiary companies).

Regarding both parties' appeal concerning the item (adding the Saudi partner's share from the credit balances), and whereas Paragraph (First/5) of Article (Four) of the Implementing Regulations for Zakat Collection issued by Ministerial Resolution No. (2082) dated 01/06/1438 AH stipulates: "The Zakat base consists of all of the Taxpayer's funds subject to Zakat, including: 5- Government and commercial loans and their equivalents from other financing sources, such as creditors, notes payable, and Bank Overdrafts due from the Taxpayer, in accordance with the following: a- What remains of them in cash and has satisfied the Completion of one Zakat year (Al-Hawl). b- What was used of them to finance assets acquired for use. c- What was used of them in trade goods and has satisfied the Completion of one Zakat year (Al-Hawl)." Based on the foregoing, credit balances are considered one of the components of the Zakat base regardless of their type, source, or classification, provided they satisfy the Completion of one Zakat year (Al-Hawl) or are used to finance Assets acquired for use from the Zakat base without requiring the Completion of one Zakat year (Al-Hawl). Upon the Circuit's review of the case file, it became evident that the Taxpayer submitted the detailed movement for the credit balances item and the approved financial statements, from which it became clear that the submitted statement's balance matched the financial statements' balances. It became evident that what satisfied the Completion of one Zakat



year (Al-Hawl) amounts to SAR (175,802), and what pertains to the Saudi partner's share is valued at SAR (105,481). This is not undermined by what the Taxpayer pointed out that these debts are used to finance working capital, as they are subject to Zakat even if they were used to finance the company's working capital. This leads the Circuit to conclude rejecting both parties' appeal and amending the Resolution Circuit's decision regarding the item (adding the Saudi partner's share from the credit balances), by adding the credit balances balance based on what satisfied the Completion of one Zakat year (Al-Hawl) according to the submitted movement and by the Saudi partner's share in the amount of SAR (105,481).

Regarding both parties' appeal concerning the item (non-deduction of the Saudi partner's share in the long-term due balances from subsidiary companies (debit advances) from the Zakat base), and whereas Paragraph (4/a) of Article (Four) of the Implementing Regulations for Zakat Collection issued by Ministerial Resolution No. (2082) dated 01/06/1438 AH stipulates: "Investments in entities inside the Kingdom – in participation with others - if those investments are subject to Zakat under these Regulations, but if the investment in those entities is not subject to collection, it shall not be deducted from the base." Based on the foregoing, where the dispute lies in the Authority's appeal against the Resolution Circuit's decision which concluded recording the settlement of the dispute based on the Authority's acceptance of the Taxpayer's objection. It emphasizes that it accepted deducting the investments within the limit of the company's share percentage in what was subjected to Zakat in the investee companies with a value of SAR (16,001,619), while the Taxpayer demands deducting the entire item from the Zakat base. Upon the Circuit's review of the case file, it became evident that the Taxpayer submitted the financial statements of (.....) Company, through which it became clear that they are classified within liabilities. Accordingly, the Taxpayer has the right to deduct a portion of the loans from its Zakat base according to its ownership percentage in the investee company in the amount of SAR (16,100,619). This leads the Circuit to conclude the acceptance of the Authority's appeal, annulment of the Resolution Circuit's decision, and rejection of the Taxpayer's appeal regarding the item (non-deduction of the Saudi partner's share in the long-term due balances from subsidiary companies (.....) from the Zakat base).

Regarding both parties' appeal concerning the item (Late Payment Penalty), and whereas Paragraph (a) of Article (77) of the Income Tax Law issued by Royal Decree No. (M/1) dated 15/01/1425 AH stipulates that: "In addition to the penalties set forth in Article Seventy-Six of this Law and in Paragraph (b) of this Article, the Taxpayer shall pay a Late Payment Penalty at the rate of one percent (1%) of the unpaid tax for every thirty days of delay, and this includes the delay in paying the tax required to be withheld and advance payments, and it shall be calculated from the due date of the tax until the date of payment." And based on Paragraph (1) of Article (68) of the Implementing Regulations of the Income Tax Law issued by Ministerial Resolution No. (1535) dated 11/06/1425 AH which stipulates: "1% of the unpaid tax for every thirty days of delay shall be added to the penalties set forth in the preceding Article in the following cases: b- Delay in paying the tax due under The Authority's assessment." Furthermore, Paragraph (3) of Article (67) of the same Regulations stipulates: "Unpaid tax means the difference between what the Taxpayer paid within the statutory deadline,



and the Tax payable under the provisions of the Law. It includes the adjustments made by the Department which have become final as set forth in Paragraph (2) of Article Seventy-One of these Regulations, including disputed cases, where the fine is calculated from the date of the statutory deadline for submitting the return and payment." Based on the foregoing, and upon the Circuit's review of the case file and the defenses and documents it contained, and whereas the Late Payment Penalty is calculated from the end date of the deadline specified for submitting the return until the date of paying the due tax arising pursuant to the application of the provisions of the Law and the adjustments made by the Authority. And whereas the dispute between the parties is a documentary dispute, and did not arise from a significant difference in the interpretation of the statutory texts. Accordingly, the correctness of the Authority's procedure becomes evident in imposing the Late Payment Penalty from the maturity date on the items in which the Taxpayer's appeal was rejected, and the Late Payment Penalty is dropped on the items in which the Authority's appeal was rejected due to the dropping of the principal tax imposition. This leads the Circuit to conclude amending the Resolution Circuit's decision regarding both parties' appeal concerning the item (Late Payment Penalty).

Based on the foregoing, and adopting the aforementioned grounds, the Circuit unanimously rendered the following decision:

Decision

First: Acceptance of the appeal procedurally submitted by the Taxpayer / (.....) Company, Commercial Registration (.....), TIN (.....), and the appeal submitted by the Zakat, Tax and Customs Authority, against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Jeddah Governorate No.

(IZJ-2023-173116) issued in Case No. (ZI-173116-2023) relating to the tax and Zakat assessment for the year 2018 AD.

Second: On the Merits:

- 1- Acceptance of the Authority's appeal and annulment of the Resolution Circuit's decision regarding the item (non-deduction of unrealized investment profits from the net book profit).
- 2- Rejection of the Authority's appeal and affirming the Resolution Circuit's decision regarding the item (investments in domestic entities (.....) Company).
- 3- Rejection of the Taxpayer's appeal and affirming the Resolution Circuit's decision regarding the item (non-deduction of the company's share in the investment profits in (.....) Company).
- 4- Rejection of the Taxpayer's appeal and affirming the Resolution Circuit's decision regarding the item (non-deduction of the non-Saudi partner's share in the adjusted carried-forward losses from the tax base).



- 5- Rejection of the Taxpayer's appeal and affirming the Resolution Circuit's decision regarding the item (non-deduction of the utilized amount of the allowance for doubtful accounts).
- 6- Rejection of the Taxpayer's appeal and affirming the Resolution Circuit's decision regarding the item (deducting the utilized balance of provisions from the net profit instead of the Zakat base).
- 7- Regarding the Taxpayer's appeal concerning the item (non-deduction of variances in accumulated losses):
 - a) Recording the settlement of the dispute regarding the Taxpayer's appeal concerning (the amount of SAR 45,486,980.40).
 - b) Rejection of the Taxpayer's appeal and amending the Resolution Circuit's decision regarding (the amount of SAR 11,717,618.60).
- 8- Rejection of the Taxpayer's appeal and affirming the Resolution Circuit's decision regarding the item (adding the Saudi partner's share in accrued expenses to the Zakat base).
- 9- Rejection of the Taxpayer's appeal and affirming the Resolution Circuit's decision regarding the item (investments in domestic entities).
- 10- Rejection of the Taxpayer's appeal and affirming the Resolution Circuit's decision regarding the item (non-deduction of foreign investments from the Zakat base).
- 11- Rejection of the Taxpayer's appeal and affirming the Resolution Circuit's decision regarding the item (deduction of Advance payments for purchasing an investment from the Zakat base).
- 12- Rejection of the Taxpayer's appeal and affirming the Resolution Circuit's decision regarding the item (deduction of prepaid expenses from the Zakat base for the year 2018 AD).
- 13- Rejection of the Taxpayer's appeal and affirming the Resolution Circuit's decision regarding the item (employee loans from the Zakat base).
- 14- Rejection of the Taxpayer's appeal and affirming the Resolution Circuit's decision regarding the item (deduction of guarantee deposits from the Zakat base).
- 15- Rejection of the Taxpayer's appeal and affirming the Resolution Circuit's decision regarding the item (deduction of unbilled revenues within the receivables).
- 16- Rejection of the Taxpayer's appeal and affirming the Resolution Circuit's decision regarding the item (deduction of taxes from the Zakat base).
- 17- Rejection of the Taxpayer's appeal and affirming the Resolution Circuit's decision regarding the item (non-deduction of withholding taxes paid on 100% owned subsidiary companies).
- 18- Rejection of both parties' appeal and amending the Resolution Circuit's decision regarding the item (adding the Saudi partner's share from the credit balances).



- 19- Acceptance of the Authority's appeal, Annulment of the Resolution Circuit's decision, and Rejection of the Taxpayer's appeal regarding the item (non-deduction of the Saudi partner's share in the long-term due balances from subsidiary companies (.....) from the Zakat base).
- 20- Amending the Resolution Circuit's decision regarding both parties' appeal concerning the item (Late payment penalty)



Appeal Committee for Tax Violations and Disputes First Appeal Circuit for Income Tax Violations and Disputes in Riyadh City

Decision No IR-2025-233354

Case No Z-2024-233354

Keywords:

Zakat – Additions to the Zakat Base – Taxpayers – Due from related parties – Acceptance of the Taxpayer's appeal.

Summary:

The Taxpayer appealed regarding several items for the year 2016 AD, the most important of which are (Investment in Funds), (Due from related parties), (Other Long-Term Assets), and (Real Estate Investments Under Development). The Authority also appealed regarding some investment items due to the inadequacy of documents or failure to prove shareholdings. The Circuit concluded the Rejection of the Taxpayer's appeal regarding the item (Investment in Funds), and accepted its appeal regarding (Due from related parties) through Annulment of the Resolution Circuit's decision / amending it according to what was proven to be subjected to Zakat and the ownership percentage. It accepted the deduction of (Other Long-Term Assets) in the amount of SAR (1,856,000), and accepted the deduction of a development project in the amount of SAR (8,211,087), while recording the settlement of the dispute for the rest of the accepted investments in the amount of SAR (225,336,540). In return, the Circuit accepted the Authority's appeal and annulled the Resolution Circuit's decision regarding some investments, and amended the deduction of an investment to SAR (10,000,000) due to the mismatch between what was proven in the financial statements and the articles of association.

Document

- Paragraph (4/a) of Item (Second) of Article 4 of the Implementing Regulations for Zakat Collection issued by H.E. the Minister of Finance's Resolution No. (2082) dated 01/06/1438 AH.
- Paragraph 7 of Item (Second) of Article 4 of the Implementing Regulations for Zakat Collection issued by H.E. the Minister of Finance's Resolution No. (2082) dated 01/06/1438 AH.
- Paragraph (1) of Item (Second) of Article 4 of the Implementing Regulations for Zakat Collection issued by H.E. the Minister of Finance's Resolution No. (2082) dated 01/06/1438 AH.



Facts:



This is to consider the appeal submitted on 13/03/2024 AD by / (.....), National ID No. (.....), in her capacity as an attorney for the appellant company pursuant to Power of Attorney No. (.....) dated 09/01/1444 AH, and Law Practice License Resolution No. (.....), and the appeal submitted by the Zakat, Tax and Customs Authority, against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Jeddah Governorate No. (IZJ-2024-34521) issued in Case No. (Z-34521-2021) relating to the Zakat assessment for the year 2016 AD, in the lawsuit filed by the Taxpayer against the Zakat, Tax and Customs Authority, wherein the decision of the Resolution Circuit ruled as follows:

Regarding the plaintiff's objection to the item of non-deduction of other long-term debit assets for 2016 AD:

First: Rejection of the plaintiff's objection regarding the item of prepaid rents to (.....) Company.

Second: Rejection of the plaintiff's objection regarding the item of payments under the investment account in (.....).

Whereas the Resolution Circuit issued its aforementioned decision and reconsidered the lawsuit de novo as a result of this Circuit's decision No. (IR-2023-161908), and on Monday, 02/12/2024 AD, the Circuit held its hearing to consider the lawsuit. After reviewing the lawsuit, the Circuit decided on Remanding the case to the Resolution Circuit to review and restate the decision to encompass all items subject to the lawsuit and return it to the Appeal Circuit encompassing all of the plaintiff's claims for adjudication, as the Circuit had not exhausted its jurisdiction in deciding all of the plaintiff's claims.

As a result of that request, the First Circuit for the Resolution of Income Tax Violations and Disputes in Jeddah Governorate issued decision No. (IZJ-2025-34521) in Case No. (Z-34521-2021), which ruled as follows:

First: Amending the defendant's procedure regarding the item of real estate investments under development for the year 2016 AD; according to the grounds of the decision.

Second: Acceptance of the plaintiff's objection regarding the investments item for the year 2016 AD, and the investment in Dr. (.....) Company item for the year 2016 AD.

Third: Rejection of the plaintiff's objection regarding the investment in funds item for the year 2016 AD.

Fourth: Rejection of the plaintiff's objection regarding the Due from related parties item for the year 2016 AD.

Fifth: Regarding the plaintiff's objection to the item of non-deduction of other long-term debit assets for 2016 AD:

1) Rejection of the plaintiff's objection regarding the item of prepaid rents to (.....) Company.

2) Rejection of the plaintiff's objection regarding the item of payments under the investment account in (.....).



Whereas this decision did not meet the acceptance of both parties, each of them submitted an Appeal brief summarizing the following:

Regarding the Taxpayer's appeal against the Resolution Circuit's decision, and regarding the item (Investment in Funds for the year 2016 AD), its appeal lies in that the investment in (.....) Fund represents a partnership with (.....) Bank, which is a limited liability company in the Cayman Islands, and this investment was entered into to benefit from the long-term return, which is confirmed by the continuation of the investment for several years. The Taxpayer stated that it attached the investment amounts transfers and their accounts from the accounting system, and it is evident that the investment is outside the Kingdom. The Taxpayer believes that to accept deducting the investment from its Zakat base, it is sufficient to declare it within its revenues regarding its profits resulting from entering into this investment. It mentioned that the financial statements were prepared and approved by a certified public accountant licensed in the Kingdom. It believes, nevertheless, that the investment deserves to be deducted from the Zakat base because it exited its liability and was not in its possession at the end of the Zakat year. The Taxpayer relied on an appellate decision that upheld the Taxpayer in deducting the investment even if the Taxpayer did not submit a certificate from a certified public accountant proving its subjection to Zakat in the country of investment, as long as it was among Fixed assets and its profits were declared in the financial statements of the Taxpayer (the investor). The decision stated that the lack of a sale movement on the investment confirms that it is a non-current investment and is from Fixed assets and its Zakat is on the profit, not the principal investment. Consequently, there is no impact of not submitting a certified public accountant certificate to prove that it was subjected to Zakat in the country of investment. Thus, the investment is deducted and it is limited to subjecting its profits to Zakat. Furthermore, the investment in funds meets the conditions set by the Committee for accepting the investment deduction as stated in the decision. The Taxpayer requests the Appellate Circuit to issue a decision affirming the Taxpayer's right to deduct the full value of the investment in the fund for the year 2016 AD. Regarding the item (Due from related parties), the Taxpayer requests the annulment of the Circuit's decision regarding this item on the basis that it owns a percentage of (34%) in (.....) Company, and a percentage of (50%) in (.....) Company, and the necessary financial support was provided to them to continue their operations. It mentioned that there is no intention from the Taxpayer to claim its repayment by the investee company during a specific period, and it does not charge any interest on it. It appears in the Taxpayer's financial statements within non-current assets, which confirms that it is a long-term investment and not a loan required to be repaid. It is also added to the Zakat base of the investee company, and it confirms that this item represents an additional investment that must be deducted from the Zakat base. Regarding the item (non-deduction of other long-term assets), the Taxpayer requests deducting the item's full value from the Zakat base. Accordingly, the Company submitted a detailed analysis of the item according to what is stated in the audited financial statements. Regarding the item (Real Estate Investments Under Development), the Taxpayer appeals the Resolution Circuit's decision and points out that it submitted a detailed analysis of the item extracted from the financial statements audited by a certified



public accountant licensed in the Kingdom. It mentioned that the item is classified in the financial statements within non-current assets, and this indicates the intention to retain the investment, and if the purpose of the investment was trading, the certified public accountant would not have agreed to that, because accounting standards stipulate that. It mentioned that the (.....) complex project represents the construction of a residential villas complex on land leased under a long-term investment lease between a number of partners via an investment lease contract. It mentioned that the purpose is to build the villas, lease them, and benefit from their yield after completing their construction, and it submitted the partners' resolution clarifying the Taxpayer's intention from investing in these two projects. It mentioned that the investment lease contract on which the two projects are established is registered in the name of one of the partners, who is the partner / (.....) and he owns a percentage of (35%) in (.....) Company. Due to the difficulty of transferring the ownership of the investment lease right to the Company, the partner submitted a confirmation and declaration that the ownership of the investment lease right (utilization of the leased land), and the entire investment belongs to (.....) Company and it is not owned by him personally, and it requests the deduction of the full value of the investment. Regarding the item (Investments), the Taxpayer appeals the Resolution Circuit's decision, pointing out that it did not state its reasons regarding the investment in (.....) and (.....) Company for the year 2016 AD in the amount of SAR (35,460), which the Taxpayer requested to accept its deduction from the Zakat base and submitted its justifications and grounds.

Furthermore, the decision did not meet the acceptance of the Zakat, Tax and Customs Authority, so it submitted its appeal against the objected decision pursuant to an Appeal brief summarizing the following:

Regarding the Authority's appeal against the Resolution Circuit's decision, its appeal regarding the item (Real Estate Investments Under Development) involves it requesting the annulment of the Circuit's decision regarding this item on the basis that the Authority reviewed the notes of the financial statements, from which it became evident that they do not indicate in any way that they are for the purpose of possession. Also, the Taxpayer did not submit the title deeds for the lands, or the documents supporting its intention when entering into these investments, and therefore the Authority maintains the correctness and soundness of its procedure. After reviewing the Circuit's decision, it became evident that it accepted the item considering that the Taxpayer submitted the documents. The Authority clarifies since the Taxpayer's objection initially lacked documentary evidence for the appealed item, and clarifying how it treated it to the Authority initially and proving this item in a correct accounting manner and the certified public accountant's endorsement of it in a detailed manner. Therefore, the Authority rejected the appellee's objection based on Paragraph (3) of Article (Twenty) of the Implementing Regulations for Zakat Collection. Regarding the item (Investments and the item of Investment in Dr. / (.....) Company), it requests the annulment of the Circuit's decision regarding this item on the basis that the Authority referred to the financial statements of those companies submitted to the Authority, from which it became evident that (.....) Company does not own a share in the capital of these companies, and therefore they cannot be deducted. Also, the investment in (.....) and (.....) Company is not registered with the



Authority, and therefore it is not deducted from the base, based on Article (Four) of the Implementing Regulations for Zakat Collection issued by Ministerial Resolution No. (2082) dated 01/06/1438 AH. As for deducting the investment in (.....) Company in the amount of SAR (12,180,000) instead of SAR (10,000.00) for the years from 2015 AD to 2017 AD, the Authority clarifies that the appellee is entitled to deduct the investment in the amount of SAR (10,000.00) only, because this amount is what was subjected to Zakat in the investee company only, based on Article (Four) of the Implementing Regulations for Zakat Collection issued by Ministerial Resolution No. (2082) dated 01/06/1438 AH, and the Authority maintains the correctness and soundness of its procedure. It added that the Circuit issuing the appealed decision accepted that item justifying that it reviewed the articles of association, through which the Company's ownership of these investments is confirmed. The Authority responds to that by stating that it did not submit the TIN (Taxpayer Identification Number) for the companies registered with the Authority and did not submit what proves that those investments have been subjected to Zakat. Accordingly, the Authority requests the acceptance of its appeal and the annulment of the Circuit's decision.

On Monday, 21/07/2025 AD, the First Appeal Circuit for Income Tax Violations and Disputes held its hearing at exactly 08:45 AM in the presence of its members whose names are recorded in the minutes, via video conferencing in accordance with the remote litigation procedures; pursuant to the provisions of Paragraph (1) of Article (Fifteen) of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. After reviewing the appeal request, the submitted memoranda, and the papers and documents contained in the case file, and after deliberation, and whereas the case is ripe for judgment in its current state, the Circuit decided to close the pleadings and reserve the case for adjudication. And after closing the pleadings and deliberation, the Circuit unanimously rendered the following decision: Non-Acceptance of the appeal procedurally.

On Tuesday, 05/08/2025 AD, the First Appeal Circuit for Income Tax Violations and Disputes held its hearing at exactly 12:10 PM in the presence of its members whose names are recorded in the minutes, via video conferencing in accordance with the remote litigation procedures; pursuant to the provisions of Paragraph (1) of Article (Fifteen) of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. In this hearing, the Circuit decided to reverse its unanimous decision, which was pronounced in the minutes of the previous hearing on 21/07/2025 AD, which stated: "Non-Acceptance of the appeal procedurally". This is due to the necessity of the parties' attendance in compliance with Paragraph (2) of Article Thirty-Seven of the Rules of Operation for Zakat, Tax, and Customs Committees.

On Tuesday, 02/09/2025 AD, the First Appeal Circuit for Income Tax Violations and Disputes held its hearing at exactly 12:00 PM in the presence of its members whose names are recorded in the minutes, via video conferencing in accordance with the remote litigation procedures; pursuant to the provisions of Paragraph (1) of Article (Fifteen) of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. Upon calling upon the litigants, / (.....), National ID No. (.....),



attended in his capacity as an attorney for the Taxpayer pursuant to Power of Attorney No. (.....), dated 09/01/1444 AH, and Law Practice License No. (.....). The Authority's representative / (.....), National ID No. (.....), also attended pursuant to an authorization issued by the Deputy Governor of the Zakat, Tax and Customs Authority for Legal Affairs under No. (.....) dated 19/03/1445 AH. Upon asking the Taxpayer's attorney what he wished to add, he stated that there are four related lawsuits that have been adjudicated except for one lawsuit which was remanded to the Resolution Circuit, and we maintain what was previously submitted in this lawsuit. Upon presenting this to the Authority's representative, she responded by maintaining what was previously submitted in this lawsuit. Upon asking both parties what they wished to add, they decided to rest their case on what was previously submitted. And after closing the pleadings and deliberation.

Grounds

Whereas by reviewing the case documents and the Appeal brief submitted by the Taxpayer and the Zakat, Tax and Customs Authority, it became evident to the Circuit that the conditions for considering the appeal procedurally have been met according to the conditions stipulated in the relevant laws, regulations, and decisions. This renders both appeal requests acceptable procedurally, as they were submitted by persons with standing and within the statutory period prescribed for their submission.

On the Merits, and regarding the Taxpayer's appeal concerning the item (Due from related parties for the year 2016 AD), and whereas Paragraph (4/a) of Item (Second) of Article (Four) of the Implementing Regulations for Zakat Collection issued by Ministerial Resolution No. (2082) dated 01/06/1438 AH stipulates that: "The following shall be deducted from the Zakat base: 4- (a): Investments in entities inside the Kingdom – in participation with others – if those investments are subject to Zakat under these Regulations, but if the investment in those entities is not subject to collection, it shall not be deducted from the base." Based on the foregoing, and upon the Circuit's review of the case file and the financial statements of (.....) Company submitted by the Taxpayer, it became evident from Note No. (8) relating to due to related parties the existence of (.....) Company in the amount of SAR (898,286). And by reviewing Note No. (13-a) relating to calculating Lawful Zakat, the subsidiary company considered the amount of SAR (898,286) within the capital and it was subjected to Zakat. Accordingly, since it became evident that the Due from related parties were subjected to Zakat in the subsidiary company, this leads the Circuit to conclude the Acceptance of the Taxpayer's appeal and the Annulment of the Resolution Circuit's decision regarding the item ((.....) Company for the year 2016 AD). Upon the Circuit's review of the financial statements of (.....) Company, it became evident through Note No. (9) relating to projects under execution the existence of the following text: "Transactions with related parties are similar to commercial transactions with external parties, as the Company deals with (.....) Company considering it a completely independent company from (.....) Company, and that the transactions linking the two companies are commercial transactions, and therefore commercial contracts are concluded between the two parties whether contracting contracts or project management contracts so that abstracts are submitted to



(.....) Company at actual cost plus a specific management percentage agreed upon for each contract separately." Accordingly, since it became evident that the nature of the transactions between (.....) Company and the subsidiary (.....) Company are commercial transactions, this leads the Circuit to conclude partially accepting the Taxpayer's appeal and amending the Resolution Circuit's decision regarding the item ((.....) Company for the year 2016 AD by accepting the deduction of the Due from related parties related to (.....) Company according to its ownership percentage).

Regarding the Taxpayer's appeal concerning the item (non-deduction of other long-term assets for the year 2016 AD), and whereas Paragraph (7) of Item (Second) of Article (Four) of the Implementing Regulations for Zakat Collection issued by Ministerial Resolution No. (2082) dated 01/06/1438 AH stipulates that: "The following shall be deducted from the Zakat base: 4-Net establishment and pre-operating expenses and their equivalents from capital expenses, such as advertising campaigns." Based on the foregoing, since the dispute between the parties lies in the Taxpayer's request to deduct long-term assets, where the Authority argues that they represent prepaid rents to (.....) Company; to establish a four-star hotel and the lease is for twenty-three years, while the Taxpayer requests deducting the item considering it a long-term capital contract to utilize the owned land to build a commercial project. Upon the Circuit's review of the case file, it became evident that the item is classified within non-current assets and represents long-term lease contract payments related to subsequent years and that it is for the purpose of leasing land to utilize it to build a commercial project. Upon the Circuit's review of the Authority's Response Memorandum, it became evident that the date of the payment is 31/12/2013 AD related to the years 2017 and 2018 AD, while what the Taxpayer claimed are the payments for the year 2018 AD which are still classified within non-current assets amounting to SAR (1,856,000). This leads the Circuit to conclude the Acceptance of the Taxpayer's appeal and the Annulment of the Resolution Circuit's decision regarding the item (non-deduction of other long-term assets for the year 2016 AD).

Regarding the Taxpayer's appeal concerning the item (Real Estate Investments Under Development for the year 2016 AD (deduction of the (.....) residential villas project in the amount of SAR (8,211,087) for the year 2016 AD)), and whereas Paragraph (1) of Item (Second) of Article (Four) of the Implementing Regulations for Zakat Collection issued by Ministerial Resolution No. (2082) dated 01/06/1438 AH stipulates: "The following shall be deducted from the Zakat base: 2- The Taxpayer's capital work in progress which are constructed for the purpose of using them in the activity and not for the purpose of sale." Based on the foregoing, and upon the Circuit's review of the case file and the documents submitted by the Taxpayer represented in the audited financial statements for the year 2015 AD, a copy of the investment lease contract, a copy of the joint venture lease contract, an analysis of the payments spent on the investment for each project, a report on the investment position in the two projects until 2020 AD, and the confirmation and declaration from the partner that work is underway to transfer the ownership of this project to, where he stated his relinquishment of this project and that it is fully owned by the Company, and the partners' resolution clarifying the Taxpayer's intention from investing in these two projects. Accordingly, and whereas the Taxpayer submitted all documents supporting



the real estate investments under development, and it did not become evident that there was a sale or trading movement in these investments during the disputed year. This leads the Circuit to conclude the Acceptance of the Taxpayer's appeal and the Annulment of the Resolution Circuit's decision regarding the item (deduction of the (.....) residential villas project in the amount of SAR (8,211,087) for the year 2016 AD).

Regarding the Authority's appeal concerning the item (Real Estate Investments Under Development for the year 2016 AD (the remaining investments based on what the Authority accepted in the amount of SAR (225,336,540) for the year 2016 AD)), and whereas Article (70) of the Law of Sharia Procedures issued by Royal Decree No. (M/1) dated 22/01/1435 AH stipulates: "Litigants may request the court, at any stage of the lawsuit, to record what they have agreed upon, whether an acknowledgment, settlement, or otherwise, in the hearing minutes, and the court shall Issue an instrument to that effect," and Paragraph (1) of Article (70) of the Implementing Regulations of the Law of Sharia Procedures issued by the Minister of Justice's Resolution No. (39933) dated 19/05/1435 AH stipulates: "If the agreement is reached before the case is recorded, the content of the lawsuit and the answer must be documented before recording the agreement, taking into consideration that the origin of the lawsuit is within the jurisdiction of the circuit, even if the content of the agreement falls within the jurisdiction of another court or circuit, provided that the subject matter of the lawsuit or part of it is among what is agreed upon." Based on the foregoing, and whereas it has been established to this Circuit the Authority's request to abandon the appeal according to what was stated in the letter issued by it in the supplementary memorandum which includes: "And based on the above, the Authority states withdrawing its partial appeal and accepting the Taxpayer's objection according to what was clarified above and the Authority affirms the correctness and regularity of its procedure...", the Circuit concludes recording the settlement of the dispute regarding the Authority's appeal concerning the item (Real Estate Investments Under Development for the year 2016 AD (the remaining investments based on what the Authority accepted in the amount of SAR (225,336,540) for the year 2016 AD).

Regarding the Authority's appeal concerning the item (Investments in (.....), (.....), Dr. (.....) Hospital Company), and whereas Paragraph (1/4) of Article (Four) of the Implementing Regulations for Zakat Collection issued by Ministerial Resolution No. (2082) dated 01/06/1438 AH stipulates: "Investments in entities inside the Kingdom – in participation with others - if those investments are subject to Zakat under these Regulations, but if the investment in those entities is not subject to collection, it shall not be deducted from the base." Based on the foregoing, and upon the Circuit's review of the case file and the defenses and documents it contained, regarding (Investments in (.....)), it became evident by reviewing the audited financial statements of (.....) the existence of a qualified opinion as follows: "The Company's management did not record the Company's share in the profits and losses of (.....) Factory Company ((.....) Company) resulting from applying the equity method, and the Company did not provide us with a copy of the approved financial statements for this company for the year ending on December 31, 2016 AD, and we were unable to perform alternative audit procedures to verify the correctness of the investment value in (.....) Factory Company as well as the



Company's share in the profits or losses resulting from it." This leads the Circuit to conclude the Acceptance of the Authority's appeal and the Annulment of the Resolution Circuit's decision regarding the item (Investments in (.....)). As for the item (Investments in (.....) Company), it became evident to the Circuit the existence of a contribution in (.....) Company through the investee company's articles of association amended in July 2015 AD at a rate of (13%) which is recorded in the Taxpayer's financial statements, but by reviewing the financial statements of the investee company, it became evident that it did not include in the capital note the existence of a share for (.....) Company. Consequently, and since the return is submitted based on the financial statements, it becomes evident that (.....) Company did not pay Zakat on the investment of (.....) Company, due to it not being included in its financial statements from the ground up. This leads the Circuit to conclude the Acceptance of the Authority's appeal and the Annulment of the Resolution Circuit's decision regarding the item (Investments in ((.....) Company)). As for the item (Investments in ((.....) Company))), where the Taxpayer submitted the subsidiary company's financial statements and an entry stating the investment of (.....) Company in the hospital with a total of SAR (12,180,000), but upon the Circuit's review of the articles of association and the audited financial statements of Dr. (.....) Hospital Company, it became evident that it indicated that the share of (.....) Company from (.....) Hospital Company amounts to SAR (10,000,000). Accordingly, and whereas the audited statements of the subsidiary company did not include any qualified opinion regarding the capital, we conclude the Acceptance of the Authority's appeal and the Annulment of the Resolution Circuit's decision regarding the item (Investments in ((.....) Company)) by deducting the amount of SAR (10,000,000) only, which is recorded in the subsidiary company's statements and recorded in the partners' resolution regarding the capital increase.

Regarding the Taxpayer's appeal on the remaining items, and whereas The Circuit is not precluded from adopting the reasons of the appealed decision without adding to it whenever it deems that those reasons suffice without citing any new ones, because by endorsing it with what those reasons carried, it is confirmed that it found nothing in the challenges directed at the decision that deserves a response beyond what those reasons included. And since it is established that the appealed decision regarding the dispute concerning the appealed items was consistent with the sound reasons upon which it was based and which are sufficient to carry its ruling, as the issuing Circuit undertook the examination of the merits of the dispute therein and concluded regarding it to the result reached in its operative part. And whereas this Circuit has not noticed anything requiring correction or comment regarding it in light of the defenses raised before it. This leads the Circuit to conclude the Rejection of the Taxpayer's appeal and affirming the appealed Resolution Circuit's decision regarding the result it reached in the remaining items subject of the lawsuit, based on its reasons.

Based on the foregoing, and adopting the aforementioned grounds, the Circuit unanimously rendered the following decision:



Decision

First: Acceptance of the appeal procedurally submitted by the Taxpayer / (.....) Company, Commercial Registration (.....), TIN (.....), and the appeal submitted by the Zakat, Tax and Customs Authority, against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Jeddah Governorate No. (IZJ-2024-34521) issued in Case No. (Z-34521-2021) relating to the Zakat assessment for the year 2016 AD.

Second: On the Merits:

- 1- Rejection of the Taxpayer's appeal and affirming the Resolution Circuit's decision regarding the item (Investment in Funds for the year 2016 AD).
- 2- Regarding the Taxpayer's appeal concerning the item (Due from related parties for the year 2016 AD):
 - a) Acceptance of the Taxpayer's appeal and Annulment of the Resolution Circuit's decision regarding the item ((.....) Company for the year 2016 AD).
 - b) Partial acceptance of the Taxpayer's appeal and amending the Resolution Circuit's decision regarding the item ((.....) Company, for the year 2016 AD by accepting the deduction of the Due from related parties related to (.....) Company according to its ownership percentage).
- 3- Acceptance of the Taxpayer's appeal and Annulment of the Resolution Circuit's decision regarding the item (non-deduction of other long-term assets for the year 2016 AD).
- 4- Regarding both parties' appeal on the item (Real Estate Investments Under Development for the year 2016 AD):
 - a) Acceptance of the Taxpayer's appeal and Annulment of the Resolution Circuit's decision regarding the item (deduction of the (.....) residential villas project in the amount of SAR (8,211,087) for the year 2016 AD).
 - b) Recording the settlement of the dispute regarding the Authority's appeal concerning (the remaining investments based on what the Authority accepted in the amount of SAR (225,336,540) for the year 2016).
- 5- Regarding both parties' appeal on the item (Investments for the year 2016 AD):
 - a) Acceptance of the Authority's appeal and Annulment of the Resolution Circuit's decision regarding the item (Investments in (.....), (.....), Dr. (.....) Hospital Company).
 - b) Rejection of the Taxpayer's appeal and affirming the Resolution Circuit's decision regarding the item ((.....), (.....)).



Appeal Committee for Tax Violations and Disputes

Third Circuit for Adjudicating Income Tax Violations and Disputes in Riyadh City

Decision No IR-2025-233360

Case No Z-2024-233360

Keywords:

Zakat – Additions to the Zakat Base – Profits – Exclusion of paid dividends – Rejection of the Taxpayer's appeal – Acceptance of the Authority's appeal.

Summary:

The Taxpayer objected to the assessment procedures, depreciation variances, social insurance differences, and current liabilities, requesting the annulment of the Resolution Circuit's decision, claiming the lack of reasoning for the amendment, the correctness of the depreciation method, considering social insurance as deductible expenses, and that current liabilities are not treated as financing sources. In contrast, the Authority appealed the deduction of the remaining portion of paid dividends exceeding the beginning-of-period retained earnings balance, arguing that the adjusted profit must not be reduced by them as it represents the minimum limit of the base. The Circuit concluded the Acceptance of the Authority's appeal and the Annulment of the Resolution Circuit's decision regarding the dividends item. It ruled the Rejection of the Taxpayer's appeal and upheld the Resolution Circuit's decision regarding the assessment procedures, depreciation variances, and social insurance differences. It also rejected its objection to the current liabilities items and upheld what the Resolution Circuit concluded regarding their components.

Document

- Paragraph 8 of Item (First) of Article (Four) of the Implementing Regulations for Zakat Collection issued by H.E. the Minister of Finance's Resolution No. (2082) dated 01/06/1438 AH.
- Paragraph (9/i) of Item (Second) of Article (Four) of the Implementing Regulations for Zakat Collection issued by H.E. the Minister of Finance's Resolution No. (2082) dated 01/06/1438 AH.

Facts:

This is to consider the appeal submitted on 13/03/2024 AD by /, National ID No. (.....), in his capacity as the Chairman of the Board of Directors pursuant to the articles of association and commercial registration, and the appeal submitted by the Zakat, Tax and Customs Authority, against the decision of the First Appeal



Circuit for Income Tax Violations and Disputes in Jeddah Governorate No. (IZJ-2024-218482) issued in Case No. (Z-218482-2023) Relating to the Zakat assessment for the year 2017 AD, in the lawsuit filed by the Taxpayer against the Zakat, Tax and Customs Authority, wherein the decision of the Resolution Circuit ruled as follows:

- 1- Rejection of the plaintiff's objection regarding the assessment issuance procedures item for the year 2017 AD.
- 2- Amending the defendant's procedure regarding the item of deducting the remaining value of the paid dividends exceeding the beginning-of-period retained earnings balance, in accordance with the grounds of the decision.
- 3- Rejection of the plaintiff's objection regarding the depreciation variances item.
- 4- Rejection of the plaintiff's objection regarding the social insurance differences item.
- 5-
 - a) Rejection of the plaintiff's objection regarding the other accrued expenses item.
 - b) Rejection of the plaintiff's objection regarding the Payables item.
 - c) Rejection of the plaintiff's objection regarding the due amounts and other Payables item, and recording the settlement of the dispute regarding the amount of SAR (9,255,645).
 - d) Rejection of the plaintiff's objection regarding the Unearned Revenues item.

Whereas this decision did not meet the acceptance of both parties, each of them submitted an Appeal brief summarizing the following:

Regarding the Taxpayer's appeal against the Resolution Circuit's decision, and regarding the item (assessment issuance procedures), the Taxpayer requests the annulment of the Circuit's decision regarding this item, arguing that the Authority violated the provisions of Paragraph (7) of Article (Twenty-One) of the Implementing Regulations for Zakat Collection, as the assessment issued by the Authority did not include the reasons for the amendment. Regarding the item (depreciation variances), the Taxpayer objects to the Resolution Circuit's affirming of the Authority's procedure represented in the non-deduction of depreciation variances in the amount of SAR (142,363,278), as the plaintiff applied the depreciation method stated in Article (17) of the Tax Law, in accordance with the Authority's circulars. Regarding the item (social insurance differences), the Taxpayer requests the annulment of the Circuit's decision regarding this item for affirming the Authority's procedure of not deducting the differences in social insurance. The Taxpayer indicated that all social insurance expenses reported in the Zakat Declaration represent ordinary and necessary expenses incurred by the company, and accordingly, they must be allowed as deductible expenses pursuant to Paragraph (1) of Article Five. It argued that the paid amounts have left the company's possession and therefore cannot be subjected to Zakat. Regarding the item (current liabilities), the Taxpayer requests the annulment of the Circuit's decision regarding this item, due to the Authority adding the current liabilities to the Zakat base on the assumption that they remained for (12) months. The Taxpayer also points out that the Authority added them without



considering their nature, purpose, and classification as current liabilities in the financial statements, indicating that these balances represent the Payables due within the ordinary course of commercial activity.

Furthermore, the decision did not meet the acceptance of the Zakat, Tax and Customs Authority, so it submitted its appeal against the objected decision pursuant to an Appeal brief summarizing the following:

Regarding the Authority's appeal against the Resolution Circuit's decision, its appeal concerning the item (deducting the remaining value of the paid dividends exceeding the beginning-of-period retained earnings balance) involves the Authority clarifying that it adjusted the Taxpayer's declaration by not deducting dividends from the adjusted year's profit, as stated in the Taxpayer's declaration in the amount of SAR (49,449,938) for the year 2017 AD. It also became clear to it that the Taxpayer accounts on an accrual basis, and it indicates that it accepted deducting dividends from retained earnings within the limit of the beginning-of-year retained earnings balance. Consequently, no retained earnings were added to the Zakat base, noting that the Zakat base in the Taxpayer's case for the years 2017 and 2018 AD... noting that the Zakat base in the Taxpayer's case hits the adjusted net profit (the minimum limit for the Zakat base), based on Paragraph (i) of Article (Four) of the Implementing Regulations for Zakat Collection. It clarifies that full ownership exists with the Taxpayer because profits are not necessarily entirely in cash to speak of full ownership. Companies rely on the accrual basis in calculating profits, meaning recognizing revenues even though they were not collected in cash, and bearing accrued expenses even though they were not paid in cash. From this, it is evident that profit does not necessarily have to fulfill the condition of full ownership. As for what the Taxpayer pointed out in its statement of claim regarding the applicability of Fatwa No. (23408) to the item subject to the lawsuit, the Authority clarifies its non-applicability to the period subject to the lawsuit. The jurisprudential characterization of profits is that they are funds acquired from the growth of the initial capital. Growth can be by the nature of the thing or by labor, so growth is more general than profit. It is also called the yield resulting from exploiting investments, and these profits are annexed to their principal and their holding period is one, which is the principal's holding period. Thus, if the capital from which the profits resulted from its operation has satisfied the Completion of one Zakat year (Al-Hawl), then the profit is subject to Zakat. Accordingly, the Authority requests the acceptance of its appeal procedurally and on the merits, and it also reserves its right to submit further responses and clarifications until before the closure of the pleadings.

On Tuesday, 05/11/2024 AD, the First Appeal Circuit for Income Tax Violations and Disputes held its hearing in the presence of its members whose names are recorded in the minutes, via video conferencing in accordance with the remote litigation procedures; pursuant to the provisions of Paragraph (1) of Article (Fifteen) of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. Upon calling upon the litigants, / (.....), National ID No. (.....) attended in his capacity as an attorney for the Taxpayer pursuant to Power of Attorney No. (.....), and (.....), National ID No. (.....) attended in her capacity as the Authority's representative, pursuant to an authorization issued by the Deputy Governor of the Zakat, Tax and Customs Authority for Legal Affairs under No. (.....) dated 19/03/1445 AH.



In this hearing, the Authority's representative stated that she requests suspending the proceedings in the lawsuit to resort to settlement under No. (53148), and upon presenting this to the Taxpayer's attorney, he acknowledged his agreement to the Authority's request. Accordingly, the Circuit decided to suspend the proceedings in the lawsuit pursuant to Paragraph One of Article (8) of the Rules of Operation for Zakat, Tax, and Customs Committees, which stipulates: "The Internal Committee may negotiate with the Taxpayer to settle its objection against the Authority's decision at any stage of considering the lawsuit, and initiating negotiations with the Taxpayer shall result in suspending the proceedings in the lawsuit."

On Monday, 26/05/2025 AD, the First Appeal Circuit for Income Tax Violations and Disputes held its hearing at exactly 11:35 AM in the presence of its members whose names are recorded in the minutes, via video conferencing in accordance with the remote litigation procedures; pursuant to the provisions of Paragraph (1) of Article (Fifteen) of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. Upon calling upon the litigants, / (.....), National ID No. (.....), attended in her capacity as an attorney for the Taxpayer pursuant to Power of Attorney No. (.....) issued on 24/11/1446 AH, and Law Practice License No. (.....). The Authority's representative / (.....), National ID No. (.....), attended pursuant to an authorization issued by the Deputy Governor of the Zakat, Tax and Customs Authority for Legal Affairs under No. (.....) dated 19/03/1445 AH. In this hearing, the Circuit directed a question to the parties of the lawsuit about the results of the settlement request, and the parties answered that the settlement request was rejected. The Circuit directed a question to the Taxpayer's attorney whether a request to resume the proceedings in the lawsuit was made. The Taxpayer's attorney answered that a request to resume the proceedings in the lawsuit was made by phone to the General Secretariat three times. Upon asking the Authority's representative for her response, she stated that a supplementary memorandum under No. (GSTC-000007848) was submitted before resorting to settlement. Accordingly, the Circuit decided to adjourn the lawsuit for further study, to the hearing on Monday, 23/06/2025 AD.

On Monday, 23/06/2025 AD, the First Appeal Circuit for Income Tax Violations and Disputes held its hearing at exactly 10:00 AM in the presence of its members whose names are recorded in the minutes, via video conferencing in accordance with the remote litigation procedures; pursuant to the provisions of Paragraph (1) of Article (Fifteen) of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. Upon calling upon the litigants, / (.....), National ID No. (.....), attended in her capacity as an attorney for the Taxpayer pursuant to Power of Attorney No. (.....) issued on 24/11/1446 AH, and Law Practice License No. (.....). The Authority's representative / (.....), National ID No. (.....), attended pursuant to an authorization issued by the Deputy Governor of the Zakat, Tax and Customs Authority for Legal Affairs under No. (.....) dated 19/03/1445 AH. In this hearing, the Circuit asked the Taxpayer's attorney whether they had previously reviewed the Authority's supplementary memorandum. She answered in the negative and requested to review it and respond. Upon asking the Authority's representative what she wished to add, she answered by maintaining what was previously submitted.



Accordingly, the Circuit decided to grant the Taxpayer a grace period of (10) days to respond to the Authority's memorandum ending on 03/07/2025 AD, and to adjourn the lawsuit to the hearing on Tuesday, 08/07/2025 AD.

On Tuesday, 22/07/2025 AD, the First Appeal Circuit for Income Tax Violations and Disputes held its hearing at exactly 10:00 AM in the presence of its members whose names are recorded in the minutes, via video conferencing in accordance with the remote litigation procedures; pursuant to the provisions of Paragraph (1) of Article (Fifteen) of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. Upon calling upon the litigants, / (.....), National ID No. (.....), attended in her capacity as an attorney for the Taxpayer pursuant to Power of Attorney No. (.....) issued on 24/11/1446 AH, and Law Practice License No. (.....). The Authority's representative / (.....), National ID No. (.....), attended pursuant to an authorization issued by the Deputy Governor of the Zakat, Tax and Customs Authority for Legal Affairs under No. (.....) dated 19/03/1445 AH. And the Circuit decided to close the pleadings and deliberate.

Grounds

Whereas by reviewing the case documents and the Appeal brief submitted by the Taxpayer and the Zakat, Tax and Customs Authority, it became evident to the Circuit that the conditions for considering the appeal procedurally have been met according to the conditions stipulated in the relevant laws, regulations, and decisions. This renders both appeal requests acceptable procedurally, as they were submitted by persons with standing and within the statutory period prescribed for their submission.

On the Merits, and regarding the Authority's appeal concerning the item (deducting the remaining value of the paid dividends exceeding the beginning-of-period retained earnings balance for the year 2017 AD), and whereas Paragraph (8) of Item (First) of Article (Four) of the Implementing Regulations for Zakat Collection issued by the Minister of Finance's Resolution No. (2082) dated 01/06/1438 AH stipulates the following: "The Zakat base consists of all of the Taxpayer's funds subject to Zakat, including: the balance of retained earnings carried forward from previous years at the end of the year," and based on Paragraph (i) thereof, which stipulates: "When calculating the Taxpayer's Zakat base, it shall be taken into consideration that the Taxpayer's Zakat base shall not be less than the adjusted net profit for Zakat purposes as a minimum," based on the foregoing, the dispute lies in the Authority's non-acceptance of reducing the adjusted profits by the distributed profit from the year's profit for the disputed year, where the Authority argues for imposing Zakat on the adjusted profit without reducing it by the paid dividends that exceed the beginning-of-period retained earnings balance. This is on the basis that the Implementing Regulations for Zakat Collection explicitly stipulated that the adjusted net profit is one of the funds subject to Zakat, and also stipulated that the adjusted profit is the minimum limit for the Zakat base. On the other hand, the Taxpayer believes in its right to deduct dividends from the adjusted net profit, on the basis that Sharia rules dictate that if the net profit is spent before the



Completion of one Zakat year (Al-Hawl), then there is no Zakat on it. And whereas Item (Second/9/i) of Article (Four) of the Implementing Regulations for Zakat Collection referred to above stipulated that the Zakat base must not be less than the adjusted profit as a minimum when calculating Zakat. And whereas what the Taxpayer demands regarding deducting dividends from the adjusted net profit results in the adjusted profit not being subject to Zakat, which contradicts what was stipulated in the Zakat Collection Regulations that subjected the entire adjusted year's net profit to Lawful Zakat considering it as the yield of capital regardless of the Completion of one Zakat year (Al-Hawl) on it and prior to its distribution, since the holding period of these profits is the holding period of their principal. This demonstrates the correctness of the Authority's procedure of not reducing the adjusted profit by the distributed profit exceeding the beginning-of-period retained earnings balance. This leads the Circuit to conclude the Acceptance of the Authority's appeal and the Annulment of the Resolution Circuit's decision regarding the item (deducting the remaining value of the paid dividends exceeding the beginning-of-period retained earnings balance for the year 2017 AD).

Regarding the Taxpayer's appeal concerning the remaining items subject of the lawsuit. And whereas The Circuit is not precluded from adopting the reasons of the appealed decision without adding to it whenever it deems that those reasons suffice without citing any new ones, because by endorsing it with what those reasons carried, it is confirmed that it found nothing in the challenges directed at the decision that deserves a response beyond what those reasons included. And since it is established that the appealed decision regarding the dispute concerning the appealed items was consistent with the sound reasons upon which it was based and which are sufficient to carry its ruling, as the issuing Circuit undertook the examination of the merits of the dispute therein and concluded regarding it to the result reached in its operative part. And whereas this Circuit has not noticed anything requiring correction or comment regarding it in light of the defenses raised before it. This leads the Circuit to conclude the Rejection of the Taxpayer's appeal and affirming the appealed Resolution Circuit's decision regarding the result it reached in the remaining items subject of the lawsuit, based on its reasons.

For these reasons and after deliberation, the Circuit unanimously rendered the following decision:

Decision

First: Acceptance of the appeal procedurally submitted by the Taxpayer / (.....) Company, Commercial Registration (.....), TIN (.....) and the appeal submitted by the Zakat, Tax and Customs Authority, against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Jeddah Governorate No. (IZJ-2024-218482) issued in Case No. (Z-218482-2023) Relating to the Zakat assessment for the year 2017 AD.

Second: On the Merits:



- 1- Acceptance of the Authority's appeal and Annulment of the Resolution Circuit's decision regarding the item (deducting the remaining value of the paid dividends exceeding the beginning-of-period retained earnings balance for the year 2017 AD).
- 2- Rejection of the Taxpayer's appeal and affirming the Resolution Circuit's decision regarding the item (Zakat assessment procedures for the year 2017 AD).
- 3- Rejection of the Taxpayer's appeal and affirming the Resolution Circuit's decision regarding the item (depreciation variances).
- 4- Rejection of the Taxpayer's appeal and affirming the Resolution Circuit's decision regarding the item (social insurance differences).
- 5- Regarding the Taxpayer's appeal concerning the item (current liabilities for the year 2017 AD):
 - a) Rejection of the Taxpayer's appeal and affirming the Resolution Circuit's decision regarding (other accrued expenses).
 - b) Rejection of the Taxpayer's appeal and affirming the Resolution Circuit's decision regarding (Payables).
 - c) Rejection of the Taxpayer's appeal and affirming the Resolution Circuit's decision regarding (Unearned Revenues).
 - d) Rejection of the Taxpayer's appeal and affirming the Resolution Circuit's decision regarding (Payables and other accrued expenses).



Appeal Committee for Tax Violations and Disputes First Appeal Circuit for Income Tax Violations and Disputes in Riyadh City

Decision No IR-2025-234387

Case No. Z-2024-234387

Keywords:

Zakat – Additions to the Zakat Base – Expenses – Foreign purchases differences – Rejection of the Taxpayer's appeal.

Summary:

The Circuit rejected the Taxpayer's defense regarding the statute of limitations for the disputed assessment, and upheld the reopening of the assessment due to the existence of differences between the import data and the customs data, with the Taxpayer failing to submit a supporting explanation. The Circuit rejected most of the Taxpayer's objections regarding the items of expenses, purchases, travel, losses on sale of assets, damaged goods, cost of goods difference, and payables due to the inadequacy of documents and the impossibility of matching the statements with the invoices. The Circuit recorded the settlement of the dispute partially in some items after the Authority amended its figures and accepted part of the Taxpayer's objection within specific limits. The Circuit amended the addition in the items of accrued expenses and unearned revenues by keeping what was proven to have satisfied the Completion of one Zakat year (Al-Hawl) and subtracting the reductions accepted by the Authority. It concluded to affirm the Resolution Circuit's decision in most items, while recording the settlement of the dispute in specific parts and amending the addition in specific items according to what was proven to it from the movement of balances.

Document

- Paragraph 8 of Article 21 of the Implementing Regulations for Zakat Collection issued by H.E. the Minister of Finance's Resolution No. (2082) dated 01/06/1438 AH.
- Paragraph (1/a) of Article 5 of the Implementing Regulations for Zakat Collection issued by H.E. the Minister of Finance's Resolution No. (2082) dated 01/06/1438 AH.

Facts:

This is to consider the appeal submitted on 01/04/2024 AD by / (.....), National ID No. (.....), in his capacity as the legal representative of the appellant company pursuant to the partners' resolution, against the decision



of the First Circuit for the Resolution of Income Tax Violations and Disputes in Jeddah Governorate No. (IZ)-2024-32061) issued in Case No. (Z-32061-2020) relating to the Zakat assessments for the years from 2012 to 2014 AD, in the lawsuit filed by the Taxpayer against the Zakat, Tax and Customs Authority, wherein the decision of the Resolution Circuit ruled as follows:

First: Rejection of the plaintiff's objection regarding the item of (accrued expenses and other payables for the years from 2012 to 2014 AD).

Second: Rejection of the plaintiff's objection regarding the item of (unearned revenues for the years from 2012 to 2014 AD).

Whereas the Resolution Circuit issued its aforementioned decision and reconsidered the lawsuit de novo as a result of this Circuit's decision No. (IR-2023-115436), and after reviewing the lawsuit, the Circuit decided on remanding the case to the Resolution Circuit to review and restate the decision to encompass all items subject to the lawsuit and return it to the Appeal Circuit encompassing all of the plaintiff's claims for adjudication, as the Circuit had not exhausted its jurisdiction in deciding all of the plaintiff's claims.

As a result of that request, the First Circuit for the Resolution of Income Tax Violations and Disputes in Jeddah Governorate issued decision No. (IZ)-2025-32061) in Case No. (Z-32061-2020), which ruled as follows:

First: Rejection of the plaintiff's objection regarding the statutory period (statute of limitations) item for the years from 2012 to 2014 AD.

Second: Rejection of the plaintiff's objection regarding the offers expense item for the years from 2012 to 2014 AD.

Third: Rejection of the plaintiff's objection regarding the foreign purchases item for the years from 2012 to 2014 AD.

Fourth: Rejection of the plaintiff's objection regarding the travel expenses item for the years from 2012 to 2014 AD.

Fifth: Rejection of the plaintiff's objection regarding the losses on sale of assets item for the years from 2012 to 2014 AD.

Sixth: Rejection of the plaintiff's objection regarding the other expenses item for the years from 2012 to 2014 AD.

Seventh: Rejection of the plaintiff's objection regarding the damaged goods item for the years from 2012 to 2014 AD.

Eighth: Rejection of the plaintiff's objection regarding the cost of goods difference item for the years from 2012 to 2014 AD.

Ninth: Rejection of the plaintiff's objection regarding the Payables item for the years from 2012 to 2014 AD.



Tenth: Rejection of the plaintiff's objection regarding the carried-forward provisions item for the year 2014 AD.

Eleventh: Rejection of the plaintiff's objection regarding the partner's current account item for the years from 2012 to 2014 AD.

Twelfth: Rejection of the plaintiff's objection regarding the item of paid amounts not deducted or deducted by mistake for the years 2012, 2013, and 2014 AD.

Thirteenth: Rejection of the plaintiff's objection regarding the item of (accrued expenses and other payables for the years from 2012 to 2014 AD).

Fourteenth: Rejection of the plaintiff's objection regarding the item of (unearned revenues for the years from 2012 to 2014 AD).

Whereas this decision did not meet the acceptance of the Taxpayer, it submitted an appeal brief which the Circuit reviewed, summarizing the following:

Regarding the Taxpayer's appeal against the Resolution Circuit's decision, and regarding the item (statute of limitations for the year 2012 AD), the Taxpayer requests the annulment of the Circuit's decision regarding this item, where it objects to the Zakat assessment procedure for the year 2012 AD based on the provisions of Article (Twenty-One) of the Implementing Regulations of the Zakat Collection Law, for the years where a period of five years has elapsed since submitting their returns. It argued that the Authority did not provide a response to the statement of claim submitted by the company, which was proven by the text of the Circuit's decision: "Upon presenting the statement of claim to the defendant, it answered that it is impermissible to consider the lawsuit due to prior adjudication by the First Income Tax Circuit in Riyadh." Moreover, the Circuit did not discuss with the Authority the justifications for reopening the assessment regarding this item and what official document supports that, and it provided the justifications on behalf of the Authority. As for the justifications mentioned by the Circuit, they are as follows: "Whereas it became evident that there are differences between the imports recorded in the plaintiff's return and the customs statement, the plaintiff in this case has submitted incorrect data," and it considered this a justification to reopen the assessment despite the lapse of more than five years. Meanwhile, the customs data are available to the Zakat, Tax and Customs Authority through the information center and it can review them at any time. Consequently, the Authority's waiting for the lapse of five years to review data available to it does not give it the right to reopen the assessment, and the existence of differences in the import data does not mean that the company submitted incorrect data, since the company's return is submitted based on regular accounts in accordance with the commercial books law, as well as based on financial statements audited by a certified public accountant licensed by the Saudi Organization for Chartered and Professional Accountants. Regarding the following items: (offers expense for the years from 2012 to 2014 AD), (foreign purchases for the years from 2012 to 2014 AD), (travel expenses for the years from 2012 to 2014 AD), (losses on sale of assets for the years from 2012 to 2014 AD), (other expenses for the years



from 2012 to 2014 AD), and (damaged goods for the years from 2012 to 2014 AD), the Taxpayer requests the annulment of the Circuit's decision regarding the above items, and objects to the Authority's procedure of adding the item to the Zakat base, based on what was stipulated in Paragraph (1/a) of Article (Five) of the Implementing Regulations for Zakat Collection issued by Ministerial Resolution No. (2082) dated 01/06/1438 AH, as the company possesses all supporting documents which were previously submitted before the Authority. Accordingly, the company is fully prepared to submit them before the Appellate Circuit. In response to the Circuit's decision regarding the Taxpayer's failure to submit the supporting invoices, and accordingly its objection was rejected by it, the Circuit should have sought clarification and discussed with the Taxpayer in this regard, requested the documents and the reasons for not submitting them, and heard its viewpoint, as this is the crux of the Sharia ruling. Therefore, the Taxpayer requests the annulment of the Circuit's decision. Regarding the item (cost of goods difference for the years from 2012 to 2014 AD), the Taxpayer requests the annulment of the Circuit's decision regarding this item, where the dispute lies in the cost of goods sold difference, and therefore it was not a documentary dispute but a technical one. The Resolution Circuit did not take into consideration the Taxpayer's objection stated in its objection memorandum, which stated verbatim: "The Authority added the cost of sales difference stated in the company's audited financial statements along with some data in the company's Zakat Declaration, which are only the beginning inventory, purchases during the year, and ending inventory, and the remaining analyses of the cost of sales were not considered, noting that the cost of sales includes other items apart from inventory and purchases, as the cost of sales items are reclassified according to the items specified in the Zakat Declaration." The Circuit should have considered the company's objection as stated in its objection memorandum and discussed it with the Authority in this regard, especially since the net profit in the Zakat Declaration matches the net profit according to the financial statements. Regarding the item (Payables for the years from 2012 to 2014 AD), the Taxpayer requests the annulment of the Circuit's decision regarding this item, as the company objected to the Authority's failure to clarify the reasons for adding those items to the Zakat base, which is considered a violation of the Zakat Collection Regulations. However, the Circuit did not discuss this item with the Authority's representative and merely stated that the company failed to submit proof of non-completion of one Zakat year (Al-Hawl) despite the lack of clarification on the reason for the addition and whether it was due to the Completion of one Zakat year (Al-Hawl) or another reason so that the company could object objectively. Regarding the item (carried-forward provisions for the year 2014 AD), the Taxpayer requests the annulment of the Circuit's decision regarding this item, where the Authority added carried-forward provisions in the year 2014 AD in the amount of SAR (5,595,237) while the correct amount is SAR (5,522,872) as clarified in the appeal brief, and according to the text of Paragraph (9) of Article (Four) stipulating that provisions at the beginning of the year shall be added after deducting the utilized amount from them during the year. Regarding the item (partner's current account for the years from 2012 to 2014 AD), the Taxpayer requests the annulment of the Circuit's decision regarding this item, where it argues that the Authority did not deduct the partner's debit current account, which is a violation of the text of Paragraph (5) of Article (Four) of the Implementing Regulations for Zakat Collection.



According to the audited financial statements, the debit current account belongs to the partner (.....) Company and its share of the profits is as detailed in the appeal brief. Also, there is an amount of SAR (30,530,158) in additional capital that was added to the Zakat base, so the debit current account should have been entirely excluded by offsetting it against the additional capital. Regarding the item (paid amounts not deducted or deducted by mistake for the years from 2012 to 2014 AD), the Taxpayer requests the annulment of the Circuit's decision regarding this item, as the Circuit did not discuss the matter with the Authority and ascertain its viewpoint on this item, noting that the Authority had approved the company's objection, and the evidence for this is the Authority's deduction of the Zakat differences for the disputed years from the company's bank account in the amount of SAR (2,144,200) after correcting the payment receipts according to the company's objection. Regarding the item (accrued expenses and other payables for the years from 2012 to 2014 AD), the Taxpayer requests the annulment of the Circuit's decision regarding this item, basing its claim on the analytical statement for the accrued expenses and other payables item which clarifies the non-completion of one Zakat year (Al-Hawl) on the amounts added by the Authority, noting that this statement was previously submitted to the Zakat, Tax and Customs Authority. Regarding the item (unearned revenues for the years from 2012 to 2014 AD), the Taxpayer requests the annulment of the Circuit's decision regarding this item, basing its claim on the analytical statement for the unearned revenues item clarifying the non-completion of one Zakat year (Al-Hawl) on the amounts added by the Authority, noting that this statement was previously submitted to the Authority.

On Tuesday, 26/08/2025 AD, the First Appeal Circuit for Income Tax Violations and Disputes held its hearing at exactly 10:00 AM in the presence of its members whose names are recorded in the minutes, via video conferencing in accordance with the remote litigation procedures; pursuant to the provisions of Paragraph (1) of Article (Fifteen) of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. Upon calling upon the litigants, / (.....), National ID No. (.....) attended in his capacity as an attorney for the Taxpayer pursuant to Power of Attorney No. (.....) issued on 15/09/1442 AH, and Law Practice License No. (.....). The Authority's representative / (.....), National ID No. (.....) also attended, pursuant to an authorization issued by the Deputy Governor of the Zakat, Tax and Customs Authority for Legal Affairs under No. (.....) dated 19/03/1445 AH. Upon asking the Taxpayer's attorney what he wished to add, he stated that he reiterates its previous submissions in this lawsuit. Upon presenting this to the Authority's representative, she requested a grace period to submit what she has in an upcoming hearing. Accordingly, the Circuit decided to grant the Authority a grace period of (10) days to submit what they have to the Secretariat, ending on: 05/09/2025 AD, and to grant the Taxpayer a period of (10) days ending on: 15/09/2025 AD. After this date, the pleadings will be closed and the lawsuit will be reserved for deliberation and the issuance of a decision, and the Circuit will not accept any new documents or memoranda that were not submitted prior to the aforementioned date. The next hearing shall be on 07/10/2025 AD, a hearing for pronouncing the decision.



On Tuesday, 07/10/2025 AD, at exactly 09:20 AM, the First Appeal Circuit for Income Tax Violations and Disputes held its hearing in the presence of its members whose names are recorded in the minutes, via video conferencing in accordance with the remote litigation procedures; pursuant to the provisions of Item No. (2) of Article Fifteen of the Rules of Operation of the Circuits for Adjudicating Tax Violations and Disputes issued by Royal Decree No. (26040) dated: 21/04/1441 AH. Upon calling upon the litigants, / (.....), National ID No. (.....) attended in his capacity as an attorney for the Taxpayer pursuant to Power of Attorney No. (.....) issued on 15/09/1442 AH, and Law Practice License No. (.....). Also in attendance were / (.....), National ID No. (.....) and / (.....), National ID No. (.....), in their capacity as representatives of the Zakat, Tax and Customs Authority pursuant to an authorization issued by the Deputy Governor of the Zakat, Tax and Customs Authority for Legal Affairs under No. (.....) dated 19/03/1445 AH. Whereas the pleadings and deliberation have been closed and whereas this hearing is designated for pronouncing the decision.

Grounds

Whereas by reviewing the case documents and the appeal brief submitted by the Taxpayer, it became evident to the Circuit that the conditions for considering the appeal procedurally have been met according to the conditions stipulated in the relevant laws, regulations, and decisions. This renders the appeal request acceptable procedurally, as it was submitted by a person with standing and within the statutory period prescribed for its submission.

On the Merits, and regarding the Taxpayer's appeal concerning the item (statute of limitations for the year 2012 AD), and whereas Paragraph No. (8) of Article (Twenty-One) of the Implementing Regulations for Zakat Collection issued by Ministerial Resolution No. (2082) dated 01/06/1438 AH stipulates: "8- The Authority has the right to make or amend the assessment at any time without being restricted to a period in the following cases: a- If the Taxpayer agrees in writing to making or amending the assessment. b- If the Taxpayer does not submit its return. c- If it becomes evident that the return contains incorrect information." And based on Paragraph (10) and Paragraph (11) of the aforementioned Article, which stipulated the following: "10- The Authority may correct an error in applying the Law and instructions within five years from the end of the specified deadline for submitting the Zakat Declaration for the Zakat year based on the Taxpayer's request, or if the error is discovered by the Authority or by supervisory bodies. 11- If the Authority discovers any error relating to the Taxpayer's Zakat after the expiration of the preceding periods, the Taxpayer shall be notified thereof to clear its liability of what it is Sharia-bound to pay." Based on the foregoing, since the dispute lies in the Taxpayer's objection to the Authority's procedure regarding the Zakat assessment for the year 2012 AD, considering that customs data are available to the Authority through the information center and the Authority can review them at any time, therefore the Taxpayer argues that the Authority's waiting for the lapse of five years to review data available to it does not give it the right to reopen the assessment. Meanwhile, the Authority relies in its procedure on the provisions of Paragraph (2) of Article (Twenty), and Paragraph (8) of Article



(Twenty-One) of the Implementing Regulations for Zakat Collection issued by Ministerial Resolution No. (2082) dated 01/06/1438 AH. It also argued that the Taxpayer did not submit the return within the statutory period, rendering it rejected and entitling the Authority to make an assessment at any time. Upon the Circuit's review of the case file, it became evident that the basis for rejecting the Taxpayer's objection traces back to the existence of differences between the customs statement and the imports statement submitted by the Taxpayer. This is not undermined by what the Taxpayer mentioned regarding the availability of customs data with the Authority, as such an unsubstantiated claim does not alter the fact of discovering new information that allows the Authority to reopen the assessment, regardless of its source. Consequently, and since the Taxpayer did not provide the reasons for these differences and did not submit supporting documents, which entails the Authority's right to execute the assessment after the lapse of the prescribed statutory period, the Circuit concludes to reject the Taxpayer's appeal, and affirm the Resolution Circuit's decision regarding the item (statute of limitations for the year 2012 AD).

Regarding the Taxpayer's appeal concerning the item (offers expense for the years from 2012 to 2014 AD), and whereas Paragraph No. (1/a) of Article (Five) of the Implementing Regulations for Zakat Collection issued by Ministerial Resolution No. (2082) dated 01/06/1438 AH stipulates: "All ordinary and necessary expenses required for the activity shall be deducted, whether paid or accrued, to arrive at the net result of the activity, provided the following controls are met: a- It must be an actual expense supported by proving documents or other presumptions enabling the Authority to ascertain its validity, even if related to previous years." And based on Paragraph (3) of Article (Twenty) of the Regulations referred to above, which stipulates: "The burden of proving the validity of the items and any other data stated in the Taxpayer's Zakat Declaration falls on the Taxpayer, and in the event of its inability to prove the validity of what is stated in its return, the Authority may not approve the item whose validity is not proven by the Taxpayer, or perform a presumptive assessment according to the Authority's viewpoint in light of the circumstances and facts related to the case and the information available to it." Based on the foregoing, and since the dispute revolves around the Authority's procedure of not deducting offers expenses from the adjusted profit for the disputed years. Upon the Circuit's review of the case file, it became evident that the Taxpayer submitted two invoices related to the year 2014 AD only, and a detailed statement. Accordingly, since the burden of proof falls on the Taxpayer, and whereas it failed to submit sufficient documents to reverse what the Circuit's decision concluded, as it was impossible to match the submitted invoices with the submitted statement to verify the correctness of what it argues, the Circuit concludes to reject the Taxpayer's appeal, and affirm the Resolution Circuit's decision regarding the item (offers expense for the years from 2012 to 2014 AD).

Regarding the Taxpayer's appeal concerning the item (foreign purchases for the years from 2012 to 2014 AD), and whereas Paragraph No. (1/a) of Article (Five) of the Implementing Regulations for Zakat Collection issued by Ministerial Resolution No. (2082) dated 01/06/1438 AH stipulates: "All ordinary and necessary expenses required for the activity shall be deducted, whether paid or accrued, to arrive at the net result of the activity,



provided the following controls are met: a- It must be an actual expense supported by proving documents or other presumptions enabling the Authority to ascertain its validity, even if related to previous years." And based on Paragraph (3) of Article (Twenty) of the Regulations referred to above, which stipulates: "The burden of proving the validity of the items and any other data stated in the Taxpayer's Zakat Declaration falls on the Taxpayer, and in the event of its inability to prove the validity of what is stated in its return, the Authority may not approve the item whose validity is not proven by the Taxpayer, or perform a presumptive assessment according to the Authority's viewpoint in light of the circumstances and facts related to the case and the information available to it." Based on the foregoing, since the imports statement issued by the General Customs Authority is considered a fundamental presumption from a neutral third party, and whereas the dispute lies in the existence of differences between the foreign purchases stated in the company's return and the foreign purchases according to the Customs Authority's data. Upon the Circuit's review of the case file, it became evident that the Taxpayer failed to submit documents supporting its viewpoint. This is not undermined by the Taxpayer's argument that it bore the costs of the goods' arrival at the company's warehouses, nor what it mentioned regarding recording those purchases in the books; as the Taxpayer failed to submit the supporting documents. Therefore, the Circuit concludes to reject the Taxpayer's appeal, and affirm the Resolution Circuit's decision regarding the item (foreign purchases for the years from 2012 to 2014 AD).

Regarding the Taxpayer's appeal concerning the item (travel expenses for the years from 2012 to 2014 AD), and whereas Paragraph No. (1/a) of Article (Five) of the Implementing Regulations for Zakat Collection issued by Ministerial Resolution No. (2082) dated 01/06/1438 AH stipulates: "All ordinary and necessary expenses required for the activity shall be deducted, whether paid or accrued, to arrive at the net result of the activity, provided the following controls are met: a- It must be an actual expense supported by proving documents or other presumptions enabling the Authority to ascertain its validity, even if related to previous years." And based on Paragraph (3) of Article (Twenty) of the Regulations referred to above, which stipulates: "The burden of proving the validity of the items and any other data stated in the Taxpayer's Zakat Declaration falls on the Taxpayer, and in the event of its inability to prove the validity of what is stated in its return, the Authority may not approve the item whose validity is not proven by the Taxpayer, or perform a presumptive assessment according to the Authority's viewpoint in light of the circumstances and facts related to the case and the information available to it." Based on the foregoing, and since the dispute revolves around the Authority's procedure of adding travel expenses to the Zakat base, due to the Taxpayer's failure to submit documents supporting the payment. Accordingly, those expenses are considered permissible for deduction if it is proven that they are an actual expense supported by proving documents. Upon the Circuit's review of the case file, it became evident that the documents submitted by the Taxpayer are insufficient to accept the deduction of travel expenses, as the Taxpayer only submitted five forms related to travel expenses, and the excel file cannot be taken as sufficient evidence to accept the deduction of these expenses. Accordingly, and whereas the Taxpayer failed to submit sufficient documents to accept the appealed item and satisfy the deduction conditions set forth



in Paragraph (1/a) of Article (Five) mentioned above, the Circuit concludes to reject the Taxpayer's appeal, and affirm the Resolution Circuit's decision regarding the item (travel expenses for the years from 2012 to 2014 AD).

Regarding the Taxpayer's appeal concerning the item (losses on sale of assets for the years from 2012 to 2014 AD), and whereas Paragraph No. (3) of Article (Twenty) of the Implementing Regulations for Zakat Collection issued by Ministerial Resolution No. (2082) dated 01/06/1438 AH stipulates: "The burden of proving the validity of the items and any other data stated in the Taxpayer's Zakat Declaration falls on the Taxpayer, and in the event of its inability to prove the validity of what is stated in its return, the Authority may not approve the item whose validity is not proven by the Taxpayer, or perform a presumptive assessment according to the Authority's viewpoint in light of the circumstances and facts related to the case and the information available to it." Based on the foregoing, and whereas the dispute revolves around the Authority's procedure of not deducting losses on the sale of assets for the disputed years. Upon the Circuit's review of the case file, it became evident that the Taxpayer failed to submit what proves these losses, its method of calculating them, and treating the effect resulting from the disposal of those assets. Accordingly, since the Taxpayer failed to submit what supports its viewpoint, this is not influenced by what the Taxpayer mentioned in its appeal brief as it did not present anything new by which the Circuit's decision could be reversed, but merely repeated what was previously raised. This leads the Circuit to conclude the rejection of the Taxpayer's appeal and affirming the Resolution Circuit's decision regarding the item (losses on sale of assets for the years from 2012 to 2014 AD).

Regarding the Taxpayer's appeal concerning the item (other expenses for the years from 2012 to 2014 AD), and whereas Paragraph No. (1/a) of Article (Five) of the Implementing Regulations for Zakat Collection issued by Ministerial Resolution No. (2082) dated 01/06/1438 AH stipulates: "All ordinary and necessary expenses required for the activity shall be deducted, whether paid or accrued, to arrive at the net result of the activity, provided the following controls are met: a- It must be an actual expense supported by proving documents or other presumptions enabling the Authority to ascertain its validity, even if related to previous years." And based on Paragraph (3) of Article (Twenty) of the Regulations referred to above, which stipulates: "The burden of proving the validity of the items and any other data stated in the Taxpayer's Zakat Declaration falls on the Taxpayer, and in the event of its inability to prove the validity of what is stated in its return, the Authority may not approve the item whose validity is not proven by the Taxpayer, or perform a presumptive assessment according to the Authority's viewpoint in light of the circumstances and facts related to the case and the information available to it." Based on the foregoing, and whereas the dispute revolves around the Authority's procedure of not deducting other miscellaneous expenses. Upon the Circuit's review of the case file, it became evident that the Taxpayer submitted a statement of license invoices related to the year 2014 AD, and seven license invoices. Whereas it became evident to the Circuit that the invoices submitted by the Taxpayer were in US Dollars, which makes it impossible to match the submitted invoices with the statement submitted in the



case file. Accordingly, and whereas the Taxpayer failed to submit what proves that the disputed expenses are actual expenses related to the activity and permissible for deduction, this leads the Circuit to conclude the rejection of the Taxpayer's appeal and affirming the Resolution Circuit's decision regarding the item (other expenses for the years from 2012 to 2014 AD).

Regarding the Taxpayer's appeal concerning the item (damaged goods for the years from 2012 to 2014 AD), and whereas Paragraph No. (1/a) of Article (Five) of the Implementing Regulations for Zakat Collection issued by Ministerial Resolution No. (2082) dated 01/06/1438 AH stipulates: "All ordinary and necessary expenses required for the activity shall be deducted, whether paid or accrued, to arrive at the net result of the activity, provided the following controls are met: a- It must be an actual expense supported by proving documents or other presumptions enabling the Authority to ascertain its validity, even if related to previous years." And based on Paragraph (3) of Article (Twenty) of the Regulations referred to above, which stipulates: "The burden of proving the validity of the items and any other data stated in the Taxpayer's Zakat Declaration falls on the Taxpayer, and in the event of its inability to prove the validity of what is stated in its return, the Authority may not approve the item whose validity is not proven by the Taxpayer, or perform a presumptive assessment according to the Authority's viewpoint in light of the circumstances and facts related to the case and the information available to it." Based on the foregoing, and whereas the dispute revolves around the Authority's procedure of not deducting the above item from the Zakat base. Upon the Circuit's review of the case file, it became evident that the Taxpayer merely submitted an Excel-format statement for the goods damage provision related to the year 2013 AD. Accordingly, and whereas the Taxpayer did not submit documents supporting its viewpoint that could reverse what the Circuit's decision concluded, and did not submit what proves the damage of the goods for the disputed years, this leads the Circuit to conclude the rejection of the Taxpayer's appeal and affirming the Resolution Circuit's decision regarding the item (damaged goods for the years from 2012 to 2014 AD).

Regarding the Taxpayer's appeal concerning the item (cost of goods difference for the years from 2012 to 2014 AD), and whereas Paragraph No. (3) of Article (Twenty) of the Implementing Regulations for Zakat Collection issued by Ministerial Resolution No. (2082) dated 01/06/1438 AH stipulates: "The burden of proving the validity of the items and any other data stated in the Taxpayer's Zakat Declaration falls on the Taxpayer, and in the event of its inability to prove the validity of what is stated in its return, the Authority may not approve the item whose validity is not proven by the Taxpayer, or perform a presumptive assessment according to the Authority's viewpoint in light of the circumstances and facts related to the case and the information available to it." Based on the foregoing, and whereas the dispute lies in the Authority's procedure of not deducting the cost of sales difference for the disputed years. Upon the Circuit's review of the case file, it became evident that the Taxpayer submitted an Excel-format statement for the cost of goods and the financial statements for the disputed years. By matching the amounts clarified in the attached statement with the financial statements, it became evident to the Circuit that there were differences between the beginning-of-period balances in the



financial statements and the attached statement. Accordingly, since the burden of proof falls on the Taxpayer to prove these differences, and whereas what the Taxpayer argued is nothing but an unsubstantiated claim and the documents it submitted do not constitute conclusive evidence for deciding the subject of the dispute, this leads the Circuit to conclude the rejection of the Taxpayer's appeal and affirming the Resolution Circuit's decision regarding the item (cost of goods difference for the years from 2012 to 2014 AD).

Regarding the Taxpayer's appeal concerning the item (Payables for the years from 2012 to 2014 AD), and whereas Paragraph No. (5) of Item (First) of Article (Four) of the Implementing Regulations for Zakat Collection issued by Ministerial Resolution No. (2082) dated 01/06/1438 AH stipulates: "The Zakat base consists of all of the Taxpayer's funds subject to Zakat, including: 5- Government and commercial loans and their equivalents from other financing sources, such as creditors, notes payable, and Bank Overdrafts due from the Taxpayer, in accordance with the following: a- What remains of them in cash and has satisfied the Completion of one Zakat year (Al-Hawl). b- What was used of them to finance assets acquired for use. c- What was used of them in trade goods and has satisfied the Completion of one Zakat year (Al-Hawl)." And based on Paragraph (3) of Article (Twenty) of the Regulations referred to above, which stipulates: "The burden of proving the validity of the items and any other data stated in the Taxpayer's Zakat Declaration falls on the Taxpayer, and in the event of its inability to prove the validity of what is stated in its return, the Authority may not approve the item whose validity is not proven by the Taxpayer, or perform a presumptive assessment according to the Authority's viewpoint in light of the circumstances and facts related to the case and the information available to it." Based on the foregoing, and whereas the dispute lies in adding Payables to the Zakat base, and whereas trade Payables are considered one of the components of the Zakat base provided they satisfy the Completion of one Zakat year (Al-Hawl) or are used to finance Assets acquired for use from the Zakat base. Upon the Circuit's review of the case file, it became evident that the Taxpayer did not submit the detailed movement for the Payables to prove the non-completion of one Zakat year (Al-Hawl). Accordingly, and whereas the Taxpayer did not submit a detailed statement or analytical breakdown clarifying the movement of these balances and proving the non-completion of one Zakat year (Al-Hawl) on them, this is not affected by what the Taxpayer mentioned regarding its lack of knowledge of the reasons for adding the item; as the Authority stated that the Taxpayer did not submit what proves the non-completion of one Zakat year (Al-Hawl) on the item, and the Resolution Circuit's decision concluded to reject the Taxpayer's objection considering that it did not submit the documents proving the non-completion of one Zakat year (Al-Hawl). This leads the Circuit to conclude the rejection of the Taxpayer's appeal and affirming the Resolution Circuit's decision regarding the item (Payables for the years from 2012 to 2014 AD).

Regarding the Taxpayer's appeal concerning the item (carried-forward provisions for the year 2014 AD), and whereas Paragraph No. (9) of Item (First) of Article (Four) of the Implementing Regulations for Zakat Collection issued by Ministerial Resolution No. (2082) dated 01/06/1438 AH stipulates: "The Zakat base consists of all of the Taxpayer's funds subject to Zakat, including: 9- Provisions at the beginning of the year (except for doubtful



collection provisions for banks) after deducting the utilized amount from them during the year." And based on Paragraph (3) of Article (Twenty) of the Regulations referred to above, which stipulates: "The burden of proving the validity of the items and any other data stated in the Taxpayer's Zakat Declaration falls on the Taxpayer, and in the event of its inability to prove the validity of what is stated in its return, the Authority may not approve the item whose validity is not proven by the Taxpayer, or perform a presumptive assessment according to the Authority's viewpoint in light of the circumstances and facts related to the case and the information available to it." And based on Article (70) of the Law of Sharia Procedures issued by Royal Decree No. (M/1) dated 22/01/1435 AH stipulating: "Litigants may request the court, at any stage of the lawsuit, to record what they have agreed upon, whether an acknowledgment, settlement, or otherwise, in the hearing minutes, and the court shall Issue an instrument to that effect." Based on the foregoing, regarding the Taxpayer's appeal concerning the amount of SAR (5,528,923), the Authority's request to record the partial settlement of the dispute has been established to the Circuit, based on its supplementary responsive memorandum (2) dated 31/08/2025 AD, which stated: "... Accordingly, the Authority partially accepts the Taxpayer's objection by adding the amount of (SAR 5,528,923) instead of the amount of (SAR 5,595,237)." This leads the Circuit to conclude recording the settlement of the dispute regarding the Taxpayer's appeal concerning the amount of SAR (5,528,923). As for the amount of SAR (6,051), and upon the Circuit's review of the case file, it became evident that the beginning-of-period balance was entirely closed through the balance utilized during the year; therefore, the Taxpayer's treatment of the item is incorrect. This leads the Circuit to conclude the rejection of the Taxpayer's appeal and affirming the Resolution Circuit's decision regarding the Zakat provision in the amount of SAR (6,051).

Regarding the Taxpayer's appeal concerning the item (partner's current account for the years from 2012 to 2014 AD), and whereas Paragraph (5) of Article (Four) of the Implementing Regulations for Zakat Collection issued by the Minister of Finance's Resolution No. (2082) dated 01/06/1438 AH stipulates: "5- The debit current account for the owner or partner subject to Zakat, not exceeding their share in the carried-forward profits." And based on Article (70) of the Law of Sharia Procedures issued by Royal Decree No. (M/1) dated 22/01/1435 AH stipulating: "Litigants may request the court, at any stage of the lawsuit, to record what they have agreed upon, whether an acknowledgment, settlement, or otherwise, in the hearing minutes, and the court shall Issue an instrument to that effect." Based on the foregoing, regarding the Taxpayer's appeal concerning the amount of SAR (5,528,923), the Authority's request to record the partial settlement of the dispute has been established to the Circuit, based on its supplementary responsive memorandum (2) dated 31/08/2025 AD, which stated: "... Accordingly, the Authority partially accepts the Taxpayer's objection by deducting the item within the limit of its share of the retained earnings in the amount of (SAR 2,001,518) for the year 2013 AD and the amount of (SAR 6,189,056) for the year 2014 AD." This leads the Circuit to conclude recording the settlement of the dispute regarding the Taxpayer's appeal concerning the amount of SAR (2,001,518) and the amount of SAR (6,189,056) for the years 2013 and 2014 AD respectively. As for completely



excluding the debit current account by offsetting it against additional capital in the amount of SAR (30,530,158), and whereas no text exists in the Implementing Regulations for Zakat Collection that permits this, this leads the Circuit to conclude the rejection of the Taxpayer's appeal and affirming the Resolution Circuit's decision regarding completely excluding the debit current account by offsetting it against additional capital.

Regarding the Taxpayer's appeal concerning the item (paid amounts not deducted or deducted by mistake for the years from 2012 to 2014 AD), and whereas Paragraph (3) of Article (Twenty) of the Implementing Regulations for Zakat Collection issued by Ministerial Resolution No. (2082) dated 01/06/1438 AH stipulates: "The burden of proving the validity of the items and any other data stated in the Taxpayer's Zakat Declaration falls on the Taxpayer, and in the event of its inability to prove the validity of what is stated in its return, the Authority may not approve the item whose validity is not proven by the Taxpayer, or perform a presumptive assessment according to the Authority's viewpoint in light of the circumstances and facts related to the case and the information available to it." Based on the foregoing, where the dispute between the parties lies in the Authority's non-deduction of the paid amounts, where the Taxpayer's viewpoint is that the Authority approved the company's objection and deducted the Zakat differences in the amount of SAR (2,144,200) after correcting the payment receipts according to the company's objection. Meanwhile, the Authority stated that the Taxpayer did not submit the payment receipts and supporting documents and what proves the payment of the amounts. Upon the Circuit's review of the case file, it became evident that the Taxpayer submitted a number of deduction invoices, and did not clarify their connection to the disputed amounts. Accordingly, and whereas the burden of proof falls on the Taxpayer, and whereas what it submitted is not considered conclusive evidence for deciding the subject of the dispute, this leads the Circuit to conclude the rejection of the Taxpayer's appeal and affirming the Resolution Circuit's decision regarding the item (paid amounts not deducted or deducted by mistake for the years from 2012 to 2014 AD).

Regarding the Taxpayer's appeal concerning the item (accrued expenses and other payables for the years from 2012 to 2014 AD), and whereas Paragraph No. (5) of Item (First) of Article (Four) of the Implementing Regulations for Zakat Collection issued by Ministerial Resolution No. (2082) dated 01/06/1438 AH stipulates: "The Zakat base consists of all of the Taxpayer's funds subject to Zakat, including: 5- Government and commercial loans and their equivalents from other financing sources, such as creditors, notes payable, and Bank Overdrafts due from the Taxpayer, in accordance with the following: a- What remains of them in cash and has satisfied the Completion of one Zakat year (Al-Hawl). b- What was used of them to finance assets acquired for use. c- What was used of them in trade goods and has satisfied the Completion of one Zakat year (Al-Hawl)." And based on Article (70) of the Law of Sharia Procedures issued by Royal Decree No. (M/1) dated 22/01/1435 AH stipulating: "Litigants may request the court, at any stage of the lawsuit, to record what they have agreed upon, whether an acknowledgment, settlement, or otherwise, in the hearing minutes, and the court shall Issue an instrument to that effect." Based on the foregoing, regarding the Taxpayer's appeal concerning the amount



of SAR (6,610,083), the amount of SAR (4,995,174), and the amount of SAR (3,747,202) for the years from 2012 to 2014 AD, the Authority's request to record the partial settlement of the dispute has been established to the Circuit, based on its supplementary responsive memorandum dated 23/06/2025 AD, which stated: "... Based on the foregoing and based on the submitted analysis, the Authority states partially accepting the Taxpayer's objection by adding the item in the amount of SAR 5,901,125.25, SAR 508,570.45, and SAR 232,851.51 due to satisfying the Completion of one Zakat year (Al-Hawl) instead of the amount of SAR 6,610,083, SAR 4,995,174, and SAR 3,747,202 respectively." This leads the Circuit to conclude recording the settlement of the dispute regarding the amount of SAR (708,957.75), the amount of SAR (4,486,603.55), and the amount of SAR (3,514,350.49) for the years from 2012 to 2014 AD. As for the amount of SAR (5,901,125.25), the amount of SAR (508,570.45), and the amount of SAR (232,851.51) for the years from 2012 to 2014 AD respectively for the accrued expenses and other payables item. Accordingly, and whereas the Taxpayer was initially arguing the non-completion of one Zakat year (Al-Hawl) on any of the accrued expenses and payables balances, and whereas it was proven to the Authority the existence of balances that had satisfied the Completion of one Zakat year (Al-Hawl), this leads the Circuit to reject the Taxpayer's appeal and amend the Resolution Circuit's decision by adding what satisfied the Completion of one Zakat year (Al-Hawl) in the amount of SAR (5,901,125.25), the amount of SAR (508,570.45), and the amount of SAR (232,851.51) for the years from 2012 to 2014 AD respectively for the accrued expenses and other payables item.

Regarding the Taxpayer's appeal concerning the item (unearned revenues for the years from 2012 to 2014 AD), and whereas Paragraph (4) of Item (First) of Article (Four) of the Implementing Regulations for Zakat Collection issued by Ministerial Resolution No. (2082) dated 01/06/1438 AH stipulates that: "The Zakat base consists of all of the Taxpayer's funds subject to Zakat, including: 4- Unearned revenues that have satisfied the Completion of one Zakat year (Al-Hawl)." Based on the foregoing, regarding the Taxpayer's appeal concerning the amount of SAR (2,781,282), the amount of SAR (3,597,189), and the amount of SAR (2,786,010) for the years from 2012 to 2014 AD, the Authority's request to record the partial settlement of the dispute has been established to the Circuit, based on its supplementary responsive memorandum dated 23/06/2025 AD, which stated: "... Based on the foregoing and based on the submitted analysis, the Authority states partially accepting the Taxpayer's objection by adding the item in the amount of SAR 416,256, SAR 426,174, and SAR 406,720 due to satisfying the Completion of one Zakat year (Al-Hawl) instead of the amount of SAR 2,781,282, SAR 3,597,189, and SAR 2,786,010 respectively." This leads the Circuit to conclude recording the settlement of the dispute regarding the Taxpayer's appeal concerning the amount of SAR (2,365,026), the amount of SAR (3,171,015), and the amount of SAR (2,379,290) for the years from 2012 to 2014 AD. As for the amount of SAR (416,256), the amount of SAR (426,174), and the amount of SAR (406,720) for the years from 2012 to 2014 AD respectively for the unearned revenues item. Accordingly, and whereas the Taxpayer was initially arguing the non-completion of one Zakat year (Al-Hawl) on any of the unearned revenues balances, and whereas it was proven to the Authority the existence of balances that had satisfied the Completion of one Zakat year (Al-Hawl),



this leads the Circuit to reject the Taxpayer's appeal and amend the Resolution Circuit's decision by adding what satisfied the Completion of one Zakat year (Al-Hawl) in the amount of SAR (416,256), the amount of SAR (426,174), and the amount of SAR (406,720) for the years from 2012 to 2014 AD respectively for the unearned revenues item.

Based on the foregoing, and adopting the aforementioned grounds, the Circuit unanimously rendered the following decision:

Decision

First: Acceptance of the appeal procedurally submitted by the Taxpayer / (.....) Company, Commercial Registration (.....), TIN (.....) against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Jeddah Governorate No. (IZJ-2025-32061) issued in Case No. (Z-32061-2020) relating to the Zakat assessments for the years from 2012 to 2014 AD.

Second: On the Merits:

- 1- Rejection of the Taxpayer's appeal, and affirming the Resolution Circuit's decision regarding the item (statute of limitations for the year 2012 AD).
- 2- Rejection of the Taxpayer's appeal, and affirming the Resolution Circuit's decision regarding the item (offers expense for the years from 2012 to 2014 AD).
- 3- Rejection of the Taxpayer's appeal, and affirming the Resolution Circuit's decision regarding the item (foreign purchases for the years from 2012 to 2014 AD).
- 4- Rejection of the Taxpayer's appeal, and affirming the Resolution Circuit's decision regarding the item (travel expenses for the years from 2012 to 2014 AD).
- 5- Rejection of the Taxpayer's appeal, and affirming the Resolution Circuit's decision regarding the item (losses on sale of assets for the years from 2012 to 2014 AD).
- 6- Rejection of the Taxpayer's appeal, and affirming the Resolution Circuit's decision regarding the item (other expenses for the years from 2012 to 2014 AD).
- 7- Rejection of the Taxpayer's appeal, and affirming the Resolution Circuit's decision regarding the item (damaged goods for the years from 2012 to 2014 AD).
- 8- Rejection of the Taxpayer's appeal, and affirming the Resolution Circuit's decision regarding the item (cost of goods difference for the years from 2012 to 2014 AD).
- 9- Rejection of the Taxpayer's appeal, and affirming the Resolution Circuit's decision regarding the item (Payables for the years from 2012 to 2014 AD).



10- Regarding the item (carried-forward provisions for the year 2014 AD):

- a) Recording the settlement of the dispute regarding the Taxpayer's appeal concerning the amount of SAR (5,528,923).
- b) Rejection of the Taxpayer's appeal and affirming the Resolution Circuit's decision regarding the Zakat provision in the amount of SAR (6,051).

11- Regarding the item (partner's current account for the years from 2012 to 2014 AD):

- a) Recording the settlement of the dispute regarding the Taxpayer's appeal concerning the amount of SAR (2,001,518) and the amount of SAR (6,189,056) for the years 2013 and 2014 AD respectively.
- b) Rejection of the Taxpayer's appeal and affirming the Resolution Circuit's decision regarding completely excluding the debit current account by offsetting it against additional capital.

12- Rejection of the Taxpayer's appeal, and affirming the Resolution Circuit's decision regarding the item (paid amounts not deducted or deducted by mistake for the years from 2012 to 2014 AD).

13- Regarding the item (accrued expenses and other payables for the years from 2012 to 2014 AD):

- a) Recording the settlement of the dispute regarding the Taxpayer's appeal concerning the amount of SAR (708,957.75), the amount of SAR (4,486,603.55), and the amount of SAR (3,514,350.49) for the years from 2012 to 2014 AD.
- b) Rejection of the Taxpayer's appeal and amending the Resolution Circuit's decision by adding what satisfied the Completion of one Zakat year (Al-Hawl) in the amount of SAR (5,901,125.25), the amount of SAR (508,570.45), and the amount of SAR (232,851.51) for the years from 2012 to 2014 AD respectively for the accrued expenses and other payables item.

14- Regarding the item (unearned revenues for the years from 2012 to 2014 AD):

- a) Recording the settlement of the dispute regarding the appeal concerning the amount of SAR (2,365,026), the amount of SAR (3,171,015), and the amount of SAR (2,379,290) for the years from 2012 to 2014 AD.
- b) Rejection of the Taxpayer's appeal and amending the Resolution Circuit's decision by adding what satisfied the Completion of one Zakat year (Al-Hawl) in the amount of SAR (416,256), the amount of SAR (426,174), and the amount of SAR (406,720) for the years from 2012 to 2014 AD respectively for the unearned revenues item



Appeal Committee for Tax Violations and Disputes
Third Circuit for Adjudicating Income Tax Violations and Disputes
in Riyadh City

Decision No IR-2025-234674

Case No. ZI-2024-234674

Keywords:

Zakat – Additions to the Zakat Base – Losses – Currency translation losses – Partial acceptance of the Taxpayer's appeal.

Summary:

The Taxpayer appealed regarding the late payment penalty and realized currency translation losses for the year 2014 AD, and the items of creditors and related parties for the years 2014 and 2016 AD, in addition to short-term loans and Zakat for the year 2014 AD. The Circuit concluded by accepting the abandonment of litigation regarding the Authority's request for the creditors item for the year 2014 AD, then upheld the Resolution Circuit's decision against the Taxpayer regarding it. It accepted the Authority's appeal regarding the creditors item for the year 2016 AD, annulled the Resolution Circuit's decision regarding it, and rejected the Taxpayer's appeal. It amended the Resolution Circuit's decision regarding the late payment penalty by dropping it from what its principal was dropped and confirming it where the tax was confirmed. It recorded the settlement of the dispute regarding the capital gains item for the year 2016 AD, and accepted the Taxpayer's appeal regarding the realized currency translation losses for the year 2014 AD, while rejecting its appeal regarding short-term loans and Zakat for the year 2014 AD.

Document

- Paragraph (1) of Article (70) of the Implementing Regulations of the Law of Sharia Procedures, issued by the Minister of Justice's Resolution No. (39933) dated 19/05/1435 AH.
- Article 70 of the Law of Sharia Procedures, issued by Royal Decree No. (M/1) dated 22/01/1435 AH.
- Paragraph (1/a) of Article 5 of the Implementing Regulations for Zakat Collection, issued by H.E. the Minister of Finance's Resolution No. (2082) dated 01/06/1438 AH.

Facts:

This is to consider the appeal submitted on 26/01/2022 AD by (.....) Company, Commercial Registration (.....), and the appeal submitted on 02/02/2022 AD by the Zakat, Tax and Customs Authority, against the



decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Dammam City No. (IZD-2024-14683) issued in Case No. (ZI-14683-2020) relating to the Zakat assessment for the years 2014 and 2016 AD, in the lawsuit filed by the Taxpayer against the Zakat, Tax and Customs Authority, wherein the decision of the Resolution Circuit ruled as follows:

1. Rejection of the plaintiff's objection regarding the currency translation losses item for the year 2014 AD.
2. Recording the settlement of the dispute regarding the spare parts item for the year 2014 AD.
3. Amending the defendant's decision regarding the item of trade accounts payable, amounts due to related parties, and other creditors for the years 2014 and 2016 AD.
4. Rejection of the plaintiff's objection regarding the capital gains item for the year 2016 AD.
5. Recording the settlement of the dispute regarding the depreciation variances item for the year 2016 AD.
6. Amending the defendant's decision regarding the late payment penalties item.

Whereas this decision did not meet the acceptance of both parties, they appealed against it, and this Circuit issued its decision No. (IR-2023-92436) in Case No. (ZI-92436-2022) ruling as follows:

First: Acceptance of the appeal procedurally from the Taxpayer / (.....) Company, Commercial Registration (.....), TIN (.....), and the appeal submitted by the Zakat, Tax and Customs Authority, against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Dammam City No. (IZD-2024-14683) issued in Case No. (ZI-14683-2020) relating to the Zakat assessment for the years 2014 and 2016 AD.

Second: On the Merits:

Acceptance of the appeal of both parties and remanding the case to the Resolution Circuit to consider what relates to the item of (short-term loans and due Zakat).

As a result, the First Circuit for the Resolution of Income Tax Violations and Disputes in Dammam City issued its decision No. (IZD-2024-14683) issued in Case No. (ZI-14683-2020), wherein the decision of the Resolution Circuit ruled as follows:

- 1- Rejection of the plaintiff's objection regarding the item of adding short-term loans to the Zakat base for the year 2014 AD.
- 2- Rejection of the plaintiff's objection regarding the item of adding the due Zakat to the Zakat base for the year 2014 AD.
- 3- Non-Acceptance procedurally of the item of adding short-term loans to the Zakat base for the year 2016 AD.
- 4- Non-Acceptance procedurally of the item of adding the due Zakat to the Zakat base for the year 2016 AD.



Whereas the case was returned to the Appellate Circuit on 04/04/2024 AD, and the Circuit reviewed the above Resolution Circuit's decision and decided to remand the case to it to review and restate the decision to encompass all items subject to the lawsuit and return it to the Appellate Circuit encompassing all requests for adjudication; as the Circuit had not exhausted its jurisdiction in deciding all of the Taxpayer's requests. As a result of that request, the First Circuit for the Resolution of Income Tax Violations and Disputes in Dammam City issued its corrective decision No. (ID-2025-14683) issued in Case No. (ZI-14683-2020) on 28/07/2025 AD, which ruled as follows:

1. Rejection of the plaintiff's objection regarding the currency translation losses item for the year 2014 AD.
2. Recording the settlement of the dispute regarding the spare parts item for the year 2014 AD.
3. Amending the defendant's decision regarding the item of trade accounts payable, amounts due to related parties, and other creditors for the years 2014 and 2016 AD.
4. Rejection of the plaintiff's objection regarding the capital gains item for the year 2016 AD.
5. Recording the settlement of the dispute regarding the depreciation variances item for the year 2016 AD.
6. Amending the defendant's decision regarding the late payment penalties item.
7. Rejection of the plaintiff's objection regarding the item of adding short-term loans to the Zakat base for the year 2014 AD.
8. Rejection of the plaintiff's objection regarding the item of adding the due Zakat to the Zakat base for the year 2014 AD.
9. Non-Acceptance procedurally of the item of adding short-term loans to the Zakat base for the year 2016 AD.
10. Non-Acceptance procedurally of the item of adding the due Zakat to the Zakat base for the year 2016 AD.

Whereas this decision did not meet the acceptance of both parties, each of them submitted an appeal brief summarizing the following:

Regarding the Taxpayer's appeal against the Resolution Circuit's decision; concerning the item of (late payment penalty), its appeal lies in that a late payment penalty should not be imposed on the additional income tax imposed due to the existence of a real technical dispute between the Company and the Authority. Concerning the item of (rejecting the approval of realized currency translation losses for the year 2014 AD), its appeal lies in that during the calculation of adjusted profits for the year 2014 AD, the Authority inadvertently did not allow the realized foreign exchange loss declared in the "Direct Expenses Analysis" table in the tax/Zakat Declaration



for the year 2014 AD. Moreover, the appealed decision contained no basis to support the Authority's treatment of not providing supporting documents to prove that the dispute represents realized losses, and it has no substantive relevance; as the Authority never requested nor provided an opportunity for the Company to submit the documents. It also appealed the item of (amounts due to related parties for the year 2014 AD), the item of (trade payables and other creditors for the year 2014 AD), the item of (trade payables and other creditors for the year 2016 AD), the item of (capital gains in the amount of SAR 72,232,601 for the year 2016 AD represented in capital works in progress related to the Zakat side at a rate of 51%), the item of (short-term loans for the year 2014 AD), and the item of (adding the due Zakat to the Zakat base for the year 2014 AD); and the Taxpayer requests the annulment of the Resolution Circuit's decision regarding the appealed items for the aforementioned reasons.

Regarding the Authority's appeal against the Resolution Circuit's decision, concerning the item of (trade payables and other creditors for the year 2016 AD), its appeal lies in that the appealed decision was based on documents the Taxpayer had not previously submitted during the examination and objection stages without an acceptable excuse. Accordingly, the Authority requests the non-acceptance of these documents, and relies on the Appellate Decision No. (1751) for the year 1438 AH, which includes affirming the Authority in not accepting new documents. Concerning the item of (late payment penalty), its appeal lies in that the penalty is linked to the appealed item, so the Authority confirms the correctness and soundness of its procedure. It also appealed the item of (amounts due to related parties for the year 2014 AD) and the item of (trade payables and other creditors for the year 2014 AD); and the Authority requests the annulment of the Resolution Circuit's decision regarding the appealed items for the aforementioned reasons.

On Tuesday, 04/02/1447 AH, corresponding to 29/07/2025 AD, the First Appeal Circuit for Income Tax Violations and Disputes held its hearing at exactly 12:30 PM in the presence of its members whose names are recorded in the minutes, via video conferencing in accordance with the remote litigation procedures; pursuant to the provisions of Paragraph (1) of Article (Fifteen) of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. Upon calling upon the litigants; / (.....), National ID No. (.....) attended in his capacity as an attorney for the Taxpayer pursuant to Power of Attorney No. (.....) issued on 12/02/1444 AH and Law Practice License No. (.....). The Authority's representative / (.....), National ID No. (.....) also attended, pursuant to an authorization issued by the Deputy Governor of the Zakat, Tax and Customs Authority for Legal Affairs under No. (.....) dated 19/03/1445 AH. Upon asking the Taxpayer's attorney what he wished to add, he stated that he reiterates its previous submissions in this lawsuit. Upon presenting this to the Authority's representative, she stated that a supplementary memorandum was submitted yesterday with ticket No. (GSTC-0000016971). Upon presenting this to the Taxpayer's attorney, he requested a grace period to review and respond to it. Accordingly, the Circuit decided to grant the Taxpayer a grace period of (10) days to respond to the Authority's memorandum, ending



on 08/08/2025 AD, and to grant the Authority a grace period to respond to the Taxpayer's memorandum, ending on 18/08/2025 AD, and to adjourn the lawsuit to the hearing on 26/08/2025 AD.

On Tuesday, 03/03/1447 AH, corresponding to 26/08/2025 AD, the First Appeal Circuit for Income Tax Violations and Disputes held its hearing at exactly 11:00 AM in the presence of its members whose names are recorded in the minutes, via video conferencing in accordance with the remote litigation procedures; pursuant to the provisions of Paragraph (1) of Article (Fifteen) of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. Upon calling upon the litigants, / (.....), National ID No. (.....) attended in his capacity as an attorney for the Taxpayer pursuant to Power of Attorney No. (.....) issued on 12/02/1444 AH and Law Practice License No. (.....). The Authority's representative / (.....), National ID No. (.....) also attended, pursuant to an authorization issued by the Deputy Governor of the Zakat, Tax and Customs Authority for Legal Affairs under No. (.....) dated 19/03/1445 AH; and accordingly, the Circuit decided to adjourn the hearing for deliberation in preparation for issuing the decision.

Grounds

Whereas by reviewing the case documents and the appeal briefs submitted by the Taxpayer and the Zakat, Tax and Customs Authority, it became evident to the Circuit that the conditions for considering the appeal procedurally have been met according to the conditions stipulated in the relevant laws, regulations, and decisions. This renders both appeal requests acceptable procedurally, as they were submitted by persons with standing and within the statutory period prescribed for their submission.

On the Merits, and regarding the Authority's appeal concerning the item of (trade payables and other creditors for the year 2014 AD), and whereas Article (70) of the Law of Sharia Procedures issued by Royal Decree No. (M/1) dated 22/01/1435 AH stipulates: "Litigants may request the court, at any stage of the lawsuit, to record what they have agreed upon, whether an acknowledgment, settlement, or otherwise, in the hearing minutes, and the court shall Issue an instrument to that effect," and Paragraph (1) of Article (70) of the Implementing Regulations of the Law of Sharia Procedures issued by the Minister of Justice's Resolution No. (39933) dated 19/05/1435 AH stipulates: "If the agreement is reached before the case is recorded, the content of the lawsuit and the answer must be documented before recording the agreement, taking into consideration that the origin of the lawsuit is within the jurisdiction of the circuit, even if the content of the agreement falls within the jurisdiction of another court or circuit, provided that the subject matter of the lawsuit or part of it is among what is agreed upon." Based on the foregoing, and whereas it has been established to this Circuit the Authority's request to abandon the appeal according to what was stated in the letter issued by it in the supplementary memorandum, which includes: "The Authority would like to inform the esteemed Circuit of abandoning its appeal regarding the year 2014 AD, in accordance with the grounds the Resolution Circuit's decision concluded to, by adding the amount of SAR 1,495,589 from the item, which represents the balances that satisfied the



Completion of one Zakat year (Al-Hawl) ..."; the Circuit concludes accepting the Authority's request to abandon litigation in this item.

Regarding the Authority's appeal concerning the item of (trade payables and other creditors for the year 2016 AD), and whereas Paragraph (5) of Item (First) of Article (4) of the Implementing Regulations for Zakat Collection issued by Ministerial Resolution No. (2082) dated 01/06/1438 AH stipulates: "The Zakat base consists of all of the Taxpayer's funds subject to Zakat, including: 5- Government and commercial loans and their equivalents from other financing sources, such as creditors, notes payable, and Bank Overdrafts due from the Taxpayer, in accordance with the following: a- What remains of them in cash and has satisfied the Completion of one Zakat year (Al-Hawl). b- What was used of them to finance assets acquired for use. c- What was used of them in trade goods and has satisfied the Completion of one Zakat year (Al-Hawl)." Furthermore, Paragraph (3) of Article (20) thereof stipulates: "The burden of proving the validity of the items and any other data stated in the Taxpayer's Zakat Declaration falls on the Taxpayer, and in the event of its inability to prove the validity of what is stated in its return, the Authority may not approve the item whose validity is not proven by the Taxpayer, or perform a presumptive assessment according to the Authority's viewpoint in light of the circumstances and facts related to the case and the information available to it." Based on the foregoing, and whereas upon the Circuit's review of the case file, it became evident that the Taxpayer did not submit the detailed statement for the item; accordingly, the Circuit concludes to accept the Authority's appeal and annul the Resolution Circuit's decision in this item.

Regarding the appeal of the Taxpayer and the Authority concerning the item of (late payment penalty), and whereas Paragraph (a) of Article (77) of the Income Tax Law issued by Royal Decree No. (M/1) dated 15/01/1425 AH stipulates: "In addition to the penalties set forth in Article Seventy-Six of this Law and in Paragraph (b) of this Article, the Taxpayer shall pay a late payment penalty at the rate of one percent (1%) of the unpaid tax for every thirty days of delay, and this includes the delay in paying the tax required to be withheld and advance payments, and it shall be calculated from the due date of the tax until the date of payment." Furthermore, Paragraph (3) of Article (67) of the Implementing Regulations of the Income Tax Law stipulates: "Unpaid tax means the difference between what the Taxpayer paid within the statutory deadline, and the Tax payable under the provisions of the Law. It includes the adjustments made by the Department which have become final as set forth in Paragraph (2) of Article Seventy-One of these Regulations, including disputed cases, where the penalty is calculated from the date of the statutory deadline for submitting the return and payment." Based on the foregoing, and whereas the Authority stated in its appeal brief that the penalty adjustment decision is linked to the appealed items, so it affirms the correctness of its procedure. Upon the Circuit's review of the Authority's appeal brief, it became evident that what it mentioned about the penalty being linked to the appealed items is incorrect, as its appealed items consist of "trade accounts payable, amounts due to related parties, and other creditors," which are Zakat items and no late payment penalty is imposed on them; which requires rejecting the Authority's appeal. As for the Taxpayer's appeal, and whereas the dispute between the



two parties is a documentary dispute, and did not arise from a significant difference in interpreting statutory texts; which requires affirming the Authority's procedure of imposing the late payment penalty from the due date on the items where the Taxpayer's appeal was rejected, and dropping the late payment penalty on the items where the settlement of the dispute was recorded and the Taxpayer's appeal was accepted, due to the dropping of the principal tax imposition. Accordingly, the Circuit concludes amending the Resolution Circuit's decision regarding both parties' appeal on this item.

Regarding the Taxpayer's appeal concerning the item of (capital gains in the amount of SAR 72,232,601 for the year 2016 AD represented in capital works in progress related to the Zakat side at a rate of 51%), and whereas Article (70) of the Law of Sharia Procedures issued by Royal Decree No. (M/1) dated 22/01/1435 AH stipulates: "Litigants may request the court, at any stage of the lawsuit, to record what they have agreed upon, whether an acknowledgment, settlement, or otherwise, in the hearing minutes, and the court shall Issue an instrument to that effect," and Paragraph (1) of Article (70) of the Implementing Regulations of the Law of Sharia Procedures issued by the Minister of Justice's Resolution No. (39933) dated 19/05/1435 AH stipulates: "If the agreement is reached before the case is recorded, the content of the lawsuit and the answer must be documented before recording the agreement, taking into consideration that the origin of the lawsuit is within the jurisdiction of the circuit, even if the content of the agreement falls within the jurisdiction of another court or circuit, provided that the subject matter of the lawsuit or part of it is among what is agreed upon." Based on the foregoing, and whereas it has been established to this Circuit the Authority's partial acceptance of the Taxpayer's objection according to what was stated in the supplementary memorandum, which includes: "... Accordingly, the Authority states partially accepting the Taxpayer's objection, within the limit of deducting capital works in progress regarding the Zakat side (51%) in the amount of SAR 72,232,601...", and it has also been established to the Circuit the Taxpayer's request to record the settlement of the dispute accordingly based on what was stated in its responsive memorandum, which includes: "1. Based on the Authority's notes and acceptance, the Company requests the esteemed Committee to end the dispute and allow the deduction of capital works in progress in the amount of SAR 72,232,601 (i.e., the Zakat share at 51% of SAR 141,632,551) from the Zakat base for the year 2016 AD."; accordingly, the Circuit concludes to record the settlement of the dispute regarding the Taxpayer's appeal on this item.

Regarding the Taxpayer's appeal concerning the item of (rejecting the approval of realized currency translation losses for the year 2014 AD), and whereas Paragraph (1) of Article (9) of the Implementing Regulations of the Income Tax Law issued by the Minister of Finance's Resolution No. (1535) dated 11/06/1425 AH stipulates: "The expenses that may be deducted to determine the taxable income are: 1- All ordinary and necessary expenses to achieve taxable income, whether paid or accrued, provided the following controls are met: a- It must be an actual expense supported by proving documents or other evidence presumptions enabling the Authority to ascertain its validity. b- It must be related to achieving taxable income. c- It must be related to the tax year. d- It must not be of a capital nature." Furthermore, Article (12) of the same Regulations stipulates:



"Taking into consideration the special controls for currency translation stated in Article Thirty of the Law, currency translation profits or losses resulting from revaluation are not considered for tax purposes." And based on Paragraph (1/a) of Article (5) of the Implementing Regulations for Zakat Collection issued by the Minister of Finance's Resolution No. (2082) dated 01/06/1438 AH, which stipulates: "All ordinary and necessary expenses required for the activity shall be deducted, whether paid or accrued, to arrive at the net result of the activity, provided the following controls are met: a- It must be an actual expense supported by proving documents or other presumptions enabling the Authority to ascertain its validity, even if related to previous years." Based on the foregoing, and whereas the expenses that may be deducted are those proven documentarily, and upon the Circuit's review of what was submitted; it became evident that the Taxpayer submitted the audited financial statements for the disputed year, which showed that losses from foreign currency translation in the amount of SAR (3,073,632) were reported in the income statement for the disputed year. This consists of a realized currency translation loss - subject of the dispute - in the amount of SAR (1,905,052) and an unrealized currency translation loss in the amount of SAR (1,168,580), which were added to the profits according to the return. This was also declared in the return, which was certified by an approved certified public accountant based on the information recorded and extracted from the company's books and records. Accordingly, since the Taxpayer provided sufficient evidence to support its viewpoint and claim, the Circuit concludes accepting the Taxpayer's appeal and annulling the Resolution Circuit's decision regarding this item.

Regarding the appeal of the Taxpayer and the Authority on the remaining items subject of the lawsuit, and whereas The Circuit is not precluded from adopting the reasons of the appealed decision without adding to it whenever it deems that those reasons suffice without citing any new ones, because by endorsing it with what those reasons carried, it is confirmed that it found nothing in the challenges directed at the decision that deserves a response beyond what those reasons included. And since it is established that the appealed decision regarding the dispute concerning the appealed items was consistent with the sound reasons upon which it was based and which are sufficient to carry its ruling, as the issuing Circuit undertook the examination of the merits of the dispute therein and concluded regarding it to the result reached in its operative part. And whereas this Circuit has not noticed anything requiring correction or comment regarding it in light of the defenses raised before it. This leads the Circuit to conclude the Rejection of the Taxpayer's appeal and affirming the appealed Resolution Circuit's decision regarding the result it reached in the remaining items subject of the lawsuit, based on its reasons.

Based on the foregoing, and adopting the aforementioned grounds, the Circuit unanimously rendered the following decision:



Decision

First: Acceptance of the appeal procedurally submitted by the Taxpayer / (.....) Company, Commercial Registration No. (.....), TIN (.....), and the appeal submitted by the Zakat, Tax and Customs Authority, against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Dammam City No. (IZD-2024-14683) issued in Case No. (ZI-14683-2020) relating to the Zakat assessment for the years 2014 and 2016 AD.

Second: On the Merits:

- 1- Regarding the appeal of both parties concerning the item of (adding trade accounts payable, amounts due to related parties, and other creditors for the years 2014 and 2016 AD): a- Rejection of the appeal of both parties and affirming the Resolution Circuit's decision regarding the item of (amounts due to related parties for the year 2014 AD). b- Regarding the appeal of both parties concerning the item of (trade payables and other creditors for the years 2014 and 2016 AD): b/1- Acceptance of the abandonment of litigation regarding the Authority's appeal concerning (the year 2014 AD). b/2- Rejection of the Taxpayer's appeal and affirming the Resolution Circuit's decision regarding (the year 2014 AD). b/3- Acceptance of the Authority's appeal, annulment of the Resolution Circuit's decision, and rejection of the Taxpayer's appeal regarding (the year 2016 AD).
- 2- Amending the Resolution Circuit's decision regarding the appeal of both parties concerning the item of (late payment penalty).
- 3- Recording the settlement of the dispute regarding the Taxpayer's appeal concerning the item of (capital gains in the amount of SAR (72,232,601) for the year 2016 AD represented in capital works in progress related to the Zakat side at a rate of 51%).
- 4- Acceptance of the Taxpayer's appeal and annulment of the Resolution Circuit's decision regarding the item of (rejecting the approval of realized currency translation losses for the year 2014 AD).
- 5- Rejection of the Taxpayer's appeal and affirming the Resolution Circuit's decision regarding the item of (short-term loans for the year 2014 AD).
- 6- Rejection of the Taxpayer's appeal and affirming the Resolution Circuit's decision regarding the item of (adding the due Zakat to the Zakat base for the year 2014 AD).



Appeal Committee for Tax Violations and Disputes First Appeal Circuit for Income Tax Violations and Disputes in Riyadh City

Decision No. IR-2025-235830
Case No. ZI-2024-235830

Keywords:

Zakat – Items Added Back to the Zakat Base – Debts – Bad Debts – Acceptance of the Taxpayer's Appeal

Summary:

The Taxpayer appealed against several items relating to surplus invoices, related parties, loans, salaries, accounts payable, advance payments, social insurance variances, and Late Payment Penalties. Concurrently, the Authority appealed against certain items, invoking the burden of proof and the insufficiency of documentation. Subsequently, the Taxpayer submitted a request to abandon the appeal with respect to the Zakat aspect, which was accepted by the Authority, linking the matter to the application of a relevant Ministerial Resolution. Accordingly, the Circuit decided to record the settlement of the dispute regarding the aforementioned bundle of Zakat items. Furthermore, the Circuit rejected the Taxpayer's appeal regarding portions of the salaries and social insurance variances due to insufficiency of proof, while recording the settlement of the dispute regarding portions subsequently accepted by the Authority. Finally, the Circuit concluded to amend the treatment of the Late Payment Penalty by linking it to the outcomes of acceptance and rejection of the items subject to dispute.

Document:

- Paragraph (3) of Article (9) of the Executive Regulations of the Income Tax Law, issued by Ministerial Resolution No. (1535) dated 11/06/1425 AH
- Paragraph (1) of Article (9) of the Executive Regulations of the Income Tax Law, issued by Ministerial Resolution No. (1535) dated 11/06/1425 AH

Facts:

That is to consider the appeal submitted on 05/05/2024 AD by the Zakat, Tax and Customs Authority, and the appeal submitted on 21/09/2022 AD by (.....), National ID No. (.....), in his capacity as the attorney for the appellant company pursuant to Power of Attorney No. (.....) dated 17/11/1441 AH, and Law Practice License No. (.....), against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Jeddah Governorate, No. (IZJ-2024-36766), issued in Case No. (ZI-36766-2021) relating to the Zakat and tax assessment for the periods ending on September 30, 2015, September 30, 2016, and September 30, 2017,



in the lawsuit filed by the Taxpayer against the Zakat, Tax and Customs Authority, wherein the decision of the Resolution Circuit ruled the following:

Acceptance of the plaintiff's objection regarding the foreign taxes - companies item in the amount of (2,603,421.83) Riyals for the financial year ending on September 30.

Whereas the Resolution Circuit issued its aforementioned decision and reconsidered the case as a result of this Circuit's decision No. (IR-2023-144698); on Thursday, dated 05/12/2024 AD, the Circuit reviewed the Resolution Circuit's decision No. (IZJ-2024-36766) and decided to remand the case to the Resolution Circuit to review and restate the decision to include all items subject to the lawsuit, and to return it to the Appellate Circuit including all of the plaintiff's requests for adjudication, given that the Circuit has not exhausted its jurisdiction in adjudicating all of the plaintiff's requests.

As a result of that request, the First Circuit for the Resolution of Income Tax Violations and Disputes in Jeddah Governorate issued its decision No. (IZJ-2025-36766) in Case No. (ZI-36766-2021), which ruled the following:

First: Acceptance of the plaintiff's objection to the foreign taxes - companies item for the year 2016 AD.

Second: Rejection of the plaintiff's objection to the direct salaries and wages variance item for the years 2015 AD and 2016 AD.

Third: Rejection of the plaintiff's objection to the social insurance variance item for Saudis and non-Saudis for the years 2015 AD and 2016 AD.

Fourth: Acceptance of the plaintiff's objection to the item of deducting bad debts from the tax base.

Fifth: Amending the defendant's decision by adding the balances of surplus invoices exceeding the value of executed works upon which one Zakat year (Al-Hawl) has passed, after deducting the related accounts receivable for the years 2015 AD and 2016 AD, in accordance with the merits of the decision.

Sixth: Amending the defendant's decision by adding the balances of amounts due to related parties upon which one Zakat year (Al-Hawl) has passed, after deducting the related debit balances for the years 2015 AD and 2016 AD, in accordance with the merits of the decision.

Seventh: Acceptance of the plaintiff's objection to the item of a loan received from a related party to repay a loan for the year 2015 AD.

Eighth: Rejection of the plaintiff's objection to the accrued salaries, wages, and employee benefits item for the years 2015 AD and 2016 AD.

Ninth: Rejection of the plaintiff's objection to the accounts payable item for the years 2015 AD and 2016 AD.

Tenth: Amending the defendant's decision regarding the Late Payment Penalty item, in accordance with the conclusions of this decision.



Eleventh: Acceptance of the plaintiff's objection regarding the foreign taxes - companies item in the amount of (2,603,421.83) Riyals for the financial year ending on September 30.

Whereas this decision did not meet the acceptance by either party, each of them submitted an appeal brief, the summary of which is as follows:

Regarding the Taxpayer's appeal against the decision of the Resolution Circuit, and with respect to the item of (surplus invoices received and advanced for the periods ending on September 30, 2015, September 30, 2016, and September 30, 2017), the Taxpayer appeals the Circuit's decision on this item, invoking that the company still maintains that even the net amount upon which one Zakat year (Al-Hawl) has passed should not be subject to Zakat in all years, as the estimation of surplus invoices that have completed 12 months does not mean that the funds remained in the business during this period when there are accounts receivable directly associated with the same project.

With respect to the item of (due to related parties for the periods ending on September 30, 2016, and September 30, 2017), the Taxpayer appeals the decision of the Resolution Circuit, and requests the approval of the amounts upon which Al-Hawl has passed and which are shown in the schedule attached to the appeal brief.

With respect to the item of (a loan received from a related party to repay a loan for the period ending on September 30, 2016), the Taxpayer appeals the decision of the Resolution Circuit, invoking that all the legal merits of its viewpoint for the year 2016 AD, on which the Resolution Circuit issued its decision accepting the company's viewpoint, are identical to the merits of the company's viewpoint relating to the year 2015 AD; accordingly, the Taxpayer requests the acceptance of its appeal regarding the year 2015 AD.

With respect to the item of (accrued salaries, wages, and employee benefits for the periods ending on September 30, 2015, September 30, 2016, and September 30, 2017), the Taxpayer appeals the decision of the Resolution Circuit, invoking that the company does not agree with the Authority's procedure in adding back this item, as they constitute accrued expenses and not provisions, given that the Zakat accounting of the company is based on the accrual basis; therefore, the company invokes that such balances should not be added back to its Zakat base because they do not bear the nature of provisions or loans, which were explicitly stated to be among the components of the Zakat base pursuant to the Executive Regulations for Zakat Collection.

With respect to the item of (accounts payable for the periods ending on September 30, 2015, September 30, 2016, and September 30, 2017), the Taxpayer appeals the decision of the Resolution Circuit, invoking that the company does not agree with the Authority's procedure in adding back this item, since it arises from the purchase of services and materials in the ordinary course of business and is paid to its owners during the same ordinary course of business, and did not arise from funds utilized for financing purposes so as to be equated in the Authority's judgment with short-term loans; furthermore, subjecting it to Zakat has no basis or reference.



With respect to the item of (advance payments from customers for the period ending on September 30, 2015), the Taxpayer appeals the decision of the Resolution Circuit, invoking that it does not agree with the Authority's procedure in adding back advance payments from customers, since the amount is immaterial and was settled in the following year.

With respect to the item of (salaries and wages for the tax periods ending on September 30, 2016, and the period ending on September 30, 2017), the Taxpayer appeals the decision of the Resolution Circuit and stated that it had submitted an analysis of the variances for the tax period subject to dispute, and a breakdown by employee of the elements contributing to the variances.

With respect to the item of (social insurance variance for Saudis and non-Saudis for the periods ending on September 30, 2015, September 30, 2016, and September 30, 2017), the Taxpayer appeals the decision of the Resolution Circuit, stating that the variances were updated in the tax declarations by inadvertence, as the following expenses were included along with the social insurance amounts in the declarations; the company also provided a detailed analysis of certain elements mentioned in the appeal brief, and asserts that the social insurance expense was recorded in the company's books; the Taxpayer further asserts that the amounts declared by the company as social insurance expenses in its declarations for the years subject to dispute are necessary commercial expenses and are deductible.

With respect to the item of (Late Payment Penalty), the Taxpayer appeals the decision of the Resolution Circuit, invoking that Paragraph (A) of Article (68) of the Executive Regulations of the Income Tax Law does not apply to the Taxpayer's case as it paid the tax due pursuant to the tax declaration; Paragraph (B) also does not apply, as the Taxpayer objects to the Authority's claim, which represents the basis for imposing the Late Payment Penalty.

Concurrently, as this decision was not accepted by the Zakat, Tax and Customs Authority, it submitted its appeal against the contested decision pursuant to an appeal brief, the summary of which is as follows:

Regarding the Authority's appeal against the decision of the Resolution Circuit, its appeal with respect to the item of (surplus invoices received and advanced for the periods ending on September 30, 2015, September 30, 2016, and September 30, 2017) lies in that the Authority clarifies that it had added back the amounts upon which one Zakat year (Al-Hawl) has passed to the Zakat base, in accordance with the transaction history submitted by the Taxpayer during the field audit phase. This was done after reviewing the related parties' transaction history submitted by the Taxpayer, which details the opening balance, debit transactions, credit transactions, and the closing balance, whereby it became evident that Al-Hawl had passed upon such amounts. During the objection phase, the Taxpayer submitted a different transaction history from what was previously provided; accordingly, that item was rejected pursuant to Article (4) of the Executive Regulations for Zakat Collection.



With respect to the item of (due to related parties for the periods ending on September 30, 2016, and September 30, 2017), the Authority appeals the decision of the Resolution Circuit, clarifying that it added back the amounts upon which Al-Hawl has passed from the related parties in accordance with the transaction history submitted by the Taxpayer. The Authority compared the opening and closing balances with the financial statements, through which the completion of Al-Hawl on these balances was established; the Authority bases its procedure on Article (4) of the Executive Regulations for Zakat Collection.

With respect to the item of (a loan received from a related party to repay a loan for the period ending on September 30, 2015), the Authority appeals the decision of the Resolution Circuit, clarifying that it added back the collected portion of the loans, as shown in the cash flows, to the Zakat base, based on Note No. (15) in the company's financial statements stating that the loan was collected for the purpose of refinancing its outstanding liabilities. It appears in the statement of cash flows that the loan added back by the Authority for the year 2015 AD was collected from a related party, and the Taxpayer did not clarify the utilization of the loan; the Authority invokes Article (4) of the Executive Regulations for Zakat Collection.

With respect to the item of (bad debts for the periods ending on September 30, 2016, and September 30, 2017), the Authority clarifies that during the assessment it added back the utilized portion of doubtful debts for both years due to the non-fulfillment of the debt write-off conditions stipulated in Paragraph (3) of Article (9) of the Executive Regulations of the Income Tax Law.

With respect to the item of (foreign taxes – companies for the periods ending on September 30, 2015, and September 30, 2017), the Authority clarifies that it added back the item to the net profit based on the documentation submitted by the Taxpayer (the trial balance). The Authority had previously requested the Taxpayer to provide a clarification and analysis of those amounts; however, the Taxpayer did not initiate proof to substantiate its claim, given that the burden of proof rests upon the Taxpayer as stipulated in Paragraph (3) of Article (57) of the Executive Regulations of the Income Tax Law.

With respect to the item of (Late Payment Penalty), the Circuit accepted the fine regarding the items for which the Taxpayer's objection was accepted; and since the Taxpayer has appealed against all of them, the Authority requests the re-imposition of the fine on all items in accordance with the Authority's Response Memorandum submitted to the decision-issuing Circuit. Accordingly, the Authority requests the acceptance of its appeal and the annulment of the Resolution Circuit's decision, and reserves its right to submit further responses and clarifications prior to closing the pleading phase.

On Sunday, dated 24/08/2025 AD, the First Appeal Circuit for Income Tax Violations and Disputes held its hearing at 10:30 AM in the presence of its members whose names are recorded in the minutes, via video conferencing in accordance with the procedures for remote litigation; pursuant to the provisions of Clause No. (1) of Article (15) of the Rules of Operation for Zakat, Tax, and Customs Committees, issued by Royal Order No. (25711) dated 08/04/1445 AH. Upon calling upon the litigants, there appeared / (.....), National ID No.



(.....), in his capacity as the attorney for the Taxpayer pursuant to Power of Attorney No. (.....), issued on 29/02/1444 AH, and Law Practice License No. (.....). Concurrently appeared the Authority's representative / (.....), National ID No. (.....), pursuant to an authorization issued by the Deputy Governor of the Zakat, Tax and Customs Authority for Legal Affairs under No. (.....), dated 19/03/1445 AH. Upon questioning the Taxpayer's attorney as to what he wished to add, he stated that he reiterates its previous submissions in this case, and indicated that a supplemental memorandum had been filed. Upon presenting this to the Authority's representative, she responded by maintaining what was previously submitted in this case and requested a grace period to submit her response to the Taxpayer's supplemental memorandum. Accordingly, the Circuit decided to grant the Authority a grace period of (10) days ending on 03/09/2025 AD to submit what it has, provided that the next hearing shall be on 09/09/2025 AD.

On Tuesday, dated 09/09/2025 AD, the First Appeal Circuit for Income Tax Violations and Disputes held its hearing at 09:00 AM in the presence of its members whose names are recorded in the minutes, via video conferencing in accordance with the procedures for remote litigation; pursuant to the provisions of Clause No. (1) of Article (15) of the Rules of Operation for Zakat, Tax, and Customs Committees, issued by Royal Order No. (25711) dated 08/04/1445 AH. Upon calling upon the litigants, there appeared / (.....), National ID No. (.....), in his capacity as the attorney for the Taxpayer pursuant to Power of Attorney No. (.....), issued on 29/02/1444 AH, and Law Practice License No. (.....). Concurrently appeared the Authority's representative / (.....), National ID No. (.....), pursuant to an authorization issued by the Deputy Governor of the Zakat, Tax and Customs Authority for Legal Affairs under No. (.....), dated 19/03/1445 AH. Following discussion and deliberation, the Circuit decided to adjourn the case to the hearing session of 16/09/2025 AD for further study.

On Tuesday, dated 16/09/2025 AD, the First Appeal Circuit for Income Tax Violations and Disputes held its hearing at 10:00 AM in the presence of its members whose names are recorded in the minutes, via video conferencing in accordance with the procedures for remote litigation; pursuant to the provisions of Clause No. (1) of Article (15) of the Rules of Operation for Zakat, Tax, and Customs Committees, issued by Royal Order No. (25711) dated 08/04/1445 AH. Upon calling upon the litigants, there appeared / (.....), National ID No. (.....), in his capacity as the attorney for the Taxpayer pursuant to Power of Attorney No. (.....), issued on 29/02/1444 AH, and Law Practice License No. (.....). Concurrently appeared the Authority's representative / (.....), National ID No. (.....), pursuant to an authorization issued by the Deputy Governor of the Zakat, Tax and Customs Authority for Legal Affairs under No. (.....), dated 19/03/1445 AH. Following the closing of the pleading phase and deliberation:

Grounds:

Upon reviewing the case documentation and the appeal briefs submitted by both the Taxpayer and the Zakat, Tax and Customs Authority, it became evident to the Circuit that the conditions for considering the appeal procedurally have been satisfied, in accordance with the conditions stipulated in the relevant laws, regulations,



and resolutions. Accordingly, both appeal requests are accepted procedurally, as they were submitted by qualified parties and within the prescribed statutory period.

On the Merits, and with respect to the appeal of both parties regarding the following items: (surplus invoices received and advanced for the periods ending on September 30, 2015, September 30, 2016, and September 30, 2017), (due to related parties for the periods ending on September 30, 2016, and September 30, 2017), (a loan received from a related party to repay a loan for the periods ending on September 30, 2015, and September 30, 2016), (accrued salaries, wages, and employee benefits for the periods ending on September 30, 2015, September 30, 2016, and September 30, 2017), (accounts payable for the periods ending on September 30, 2015, September 30, 2016, and September 30, 2017), and (advance payments from customers for the period ending on September 30, 2015);

Whereas Article (70) of the Law of Sharia Procedures, issued by Royal Decree No. (M/1) dated 22/01/1435 AH, stipulates that: 'The litigants may request the court, at any stage of the lawsuit, to record whatever acknowledgement, settlement, or otherwise they have agreed upon in the case minutes, and the court shall issue an instrument to that effect.' Furthermore, Paragraph (1) of Article (70) of the Executive Regulations of the Law of Sharia Procedures, issued by the Minister of Justice's Resolution No. (39933) dated 19/05/1435 AH, stipulates that: 'If the agreement is reached prior to recording the lawsuit, the substance of the lawsuit and the answer must be recorded before documenting the agreement, provided that the original lawsuit falls within the jurisdiction of the circuit, even if the substance of the agreement falls within the jurisdiction of another court or circuit, on the condition that the subject matter of the lawsuit, or part thereof, is among the agreed-upon matters.'

Based on the foregoing, and whereas it has been established to this Circuit that the Taxpayer requested to abandon the appeal pursuant to its submitted memorandum dated 08/07/2024 AD, which stated the following: 'We kindly request your Honors to confirm that the current lawsuit for the financial years ending from September 30, 2015, to 2017, registered under No. ZI-2024-235830, is a lawsuit concerning the tax items only, excluding the Zakat items...'. This request to abandon the appeal was accepted by the Authority pursuant to its appeal brief (2) dated 15/07/2024 AD, which stated: 'Accordingly, the Authority wishes to inform the esteemed Circuit of its approval regarding the Taxpayer abandoning its appeal, and the Authority concurrently abandons its appeal specifically with respect to the Zakat aspect, while continuing the consideration of the items from the tax aspect, in view of the Taxpayer's request to apply Ministerial Resolution No. 13957 dated 23/03/1444 AH; where the Authority states the Taxpayer's approval to apply the Ministerial Resolution, as the provisions of the Ministerial Resolution shall be applied to the Taxpayer's financial years (subject of the appeal).'

Consequently, the Circuit concludes to record the settlement of the dispute regarding the following items: (surplus invoices received and advanced for the periods ending on September 30, 2015, September 30, 2016,



and September 30, 2017), (due to related parties for the periods ending on September 30, 2016, and September 30, 2017), (a loan received from a related party to repay a loan for the periods ending on September 30, 2015, and September 30, 2016), (accrued salaries, wages, and employee benefits for the periods ending on September 30, 2015, September 30, 2016, and September 30, 2017), (accounts payable for the periods ending on September 30, 2015, September 30, 2016, and September 30, 2017), and (advance payments from customers for the period ending on September 30, 2015).

With respect to the Authority's appeal regarding the item of (bad debts for the periods ending on September 30, 2015, and September 30, 2017), whereas Paragraph (3) of Article (9) of the Executive Regulations of the Income Tax Law, issued by Ministerial Resolution No. (1535) dated 11/06/1425 AH, stipulates that: 'Bad debts shall be deducted in accordance with the following criteria: A- The bad debts must have been previously declared in the tax declaration within the Taxpayer's revenues in the year the revenue accrued. B- The bad debts must arise from the sale of goods or the provision of services. C- The Taxpayer must submit a certificate from its licensed auditor testifying to the write-off of such debts from the books pursuant to a decision by the competent authority. D- All legal measures must have been taken to collect the debts, and the inability to collect them must be proven by convincing evidence, such as the issuance of a judicial judgment or the established bankruptcy of the debtor. E- The debts must not be due from parties related to the Taxpayer. F- The Taxpayer must commit to declaring the debts within its income upon being collected.'

Based on the foregoing, and whereas the dispute lies in the deduction of the bad debts provision for the periods ending on September 30, 2016, and September 30, 2017; upon the Circuit's review of the case file, it became evident that the contested decision of the Resolution Circuit ruled that the Taxpayer had satisfied the conditions for deducting bad debts stipulated in Paragraph (3) of Article (9) of the aforementioned Executive Regulations of the Income Tax Law. This was based on the ground that the Taxpayer had declared them within its revenues in the year the revenue accrued, that the bad debts resulted from the conduct of business, and that all written-off accounts receivable resulted from the company's commercial operations, and that the company exerted its best efforts to collect the funds but failed. Furthermore, pursuant to Paragraph (3) of Article (5), which specified the conditions for accepting the write-off of debts, it did not stipulate obtaining a judicial judgment prior to writing off debts from the company's books that are not due from related parties. In this regard, the only company that owns more than (50%) of the company's capital is Company, and the Taxpayer submitted an analytical statement of the written-off debts, which showed no written-off amounts attributable to Company. The company further asserts that it will declare those written-off debts within its income upon being collected.

Accordingly, and whereas the grounds provided by the Taxpayer are deemed insufficient to substantiate its viewpoint, as it did not submit a certificate from its licensed auditor testifying to the write-off of such debts from the books pursuant to a decision by the competent authority, nor were all legal measures taken to collect the debts, and the inability to collect them was not proven by convincing evidence such as the issuance of a



judicial judgment or the established bankruptcy of the debtor; therefore, the Circuit concludes to accept the Authority's appeal and annul the decision of the Resolution Circuit regarding the item of (bad debts for the periods ending on September 30, 2016, and September 30, 2017).

With respect to the Authority's appeal regarding the item of (foreign taxes – companies for the periods ending on September 30, 2015, and September 30, 2017), whereas Paragraph (1) of Article (9) of the Executive Regulations of the Income Tax Law, issued by Ministerial Resolution No. (1535) dated 11/06/1425 AH, stipulates that: 'Expenses that may be deducted to determine the taxable income are: 1- All ordinary and necessary expenses incurred to realize taxable income, whether paid or accrued, provided that the following criteria are satisfied: A- The expense must be an actual expense substantiated by supporting documents or other corroborating evidence enabling the Authority to verify its validity. B- It must be related to the realization of taxable income. C- It must relate to the tax year. D- It must not be of a capital nature.'

Furthermore, whereas Article (70) of the Law of Sharia Procedures, issued by Royal Decree No. (M/1) dated 22/01/1435 AH, stipulates that: 'The litigants may request the court, at any stage of the lawsuit, to record whatever acknowledgement, settlement, or otherwise they have agreed upon in the case minutes, and the court shall issue an instrument to that effect.' In addition, Paragraph (1) of Article (70) of the Executive Regulations of the Law of Sharia Procedures, issued by the Minister of Justice's Resolution No. (39933) dated 19/05/1435 AH, stipulates that: 'If the agreement is reached prior to recording the lawsuit, the substance of the lawsuit and the answer must be recorded before documenting the agreement, provided that the original lawsuit falls within the jurisdiction of the circuit, even if the substance of the agreement falls within the jurisdiction of another court or circuit, on the condition that the subject matter of the lawsuit, or part thereof, is among the agreed-upon matters.'

Based on the foregoing, and with respect to the item of foreign taxes – companies in the amount of (2,603,421.83) Riyals for the period ending on September 30, 2015, whereas the dispute lies in adding back the foreign taxes for the period ending on September 30, 2015, in the amount of (2,603,421.83) Riyals to the net profit, on the ground that it constitutes a non-deductible expense for tax purposes; where the Authority indicated adding back the item to the net profit based on the trial balance submitted by the Taxpayer, and whereas the Taxpayer stated that the amount represents an adjustment to the provision for previous years and that the impact of this adjustment appears on the retained earnings balance in the statement of changes in partners' equity;

Upon the Circuit's review of the company's audited financial statements and their notes, it became evident that the amount deducted from retained earnings was (854,875) Riyals only, which represents the expense formed during the year, and it was not established that the adjusted foreign taxes expense amount of (2,603,421.83) Riyals was reflected as a reduction on the retained earnings in the statement of changes in partners' equity as asserted by the Taxpayer. Furthermore, the Taxpayer did not submit a complete trial balance extracted from



the accounting system to verify the non-existence of the account that the Authority indicated in its responsive memorandum as appearing within the expense accounts. This is not prejudiced by the Taxpayer's invocation in its responsive memorandum (Fourth) that the trial balance does not contain any account related to the disputed item based on a trial balance not extracted from the accounting system; given that the Taxpayer submitted in the same memorandum an image representing the balance of corporate taxes – foreign according to a trial balance extracted from the company's statutory books, for the purpose of matching the account balance with the amount appearing in the financial statements, whereby the existence and validity of account No. (532203) foreign tax – companies was established, which is the account referred to by the Authority in its supplemental responsive memorandum dated 09/10/2023 AD. Therefore, the Circuit concludes to accept the Authority's appeal and annul the decision of the Resolution Circuit regarding the item of foreign taxes – companies in the amount of (2,603,421.83) Riyals for the period ending on September 30, 2015.

Moreover, whereas it has been established to this Circuit that the Authority requested to abandon the appeal pursuant to its submitted supplemental responsive memorandum dated 09/10/2023 AD, which stated the following: 'The Authority wishes to inform the esteemed Circuit of withdrawing its appeal specifically with respect to the aforementioned item, and the procedures resulting from the Authority's appeal for this item, in accordance with the merits concluded in the Resolution Circuit's decision...'; consequently, the Circuit concludes to accept the abandonment of litigation regarding the Authority's appeal on the item of (foreign taxes – companies in the amount of (2,269,794) for the period ending on September 30, 2017).

With respect to the Taxpayer's appeal regarding the item of (salaries and wages for the periods ending on September 30, 2016, and September 30, 2017), whereas Paragraph (1) of Article (9) of the Executive Regulations of the Income Tax Law, issued by Ministerial Resolution No. (1535) dated 11/06/1425 AH, stipulates that: 'Expenses that may be deducted to determine the taxable income are: 1- All ordinary and necessary expenses incurred to realize taxable income, whether paid or accrued, provided that the following criteria are satisfied: B- It must be related to the realization of taxable income.' Furthermore, invoking Paragraph (3) of Article (57) of the same Regulations, which stipulates that: 'The burden of proof to substantiate the validity of the revenues, expenses, and any other data stated in the Taxpayer's declaration rests upon the Taxpayer. In the event that the Taxpayer is unable to prove the validity of what is stated in its declaration, the Authority may, in addition to applying any other statutory penalties, disallow the expense that is not substantiated by the Taxpayer, or conduct an Presumptive Assessment in accordance with the Authority's viewpoint in light of the circumstances and facts associated with the case and the information available to the Authority.' In addition, whereas Article (70) of the Law of Sharia Procedures, issued by Royal Decree No. (M/1) dated 22/01/1435 AH, stipulates that: 'The litigants may request the court, at any stage of the lawsuit, to record whatever acknowledgement, settlement, or otherwise they have agreed upon in the case minutes, and the court shall issue an instrument to that effect.'



Based on the foregoing, and with respect to the item of salaries and wages for the period ending on September 30, 2017, in the amount of (6,525,397) Riyals; upon the Circuit's review of the case file, it became evident that the Taxpayer failed to submit sufficient documentation to verify the variances between the total salaries pursuant to the certificate and the salaries pursuant to the company's accounts. Therefore, the Circuit concludes to reject the Taxpayer's appeal and uphold the decision of the Resolution Circuit regarding the item of (salaries and wages for the period ending on September 30, 2017, in the amount of 6,525,397 Riyals).

With respect to the item of salaries and wages for the period ending on September 30, 2016, regarding the amount of (15,763,657) Riyals; upon the Circuit's review of the case file and the documentation submitted by both parties, it became evident that the Authority submitted a supplemental memorandum dated 03/09/2025 AD stating the following: 'Accordingly, the Authority clarifies that it accepts the Taxpayer's objection partially by adjusting what is added back to the net profit for the year 2015 AD to be (371,901.52) Riyals, representing the share of the tax aspect ($371,901.52 \times 49\% = 182,231.74$ Riyals), due to the Taxpayer's failure to submit supporting documents for the variances.' Consequently, the Circuit concludes to record the settlement of the dispute regarding the Taxpayer's appeal with respect to the amount of (15,763,657 Riyals). As for the amount of (371,901) Riyals, and whereas it has become evident to the Circuit upon reviewing the case file that the Taxpayer failed to submit sufficient documentation to reach this variance; therefore, the Circuit concludes to reject the Taxpayer's appeal and uphold the decision of the Resolution Circuit regarding the amount of (371,901 Riyals).

With respect to the Taxpayer's appeal regarding the item of (social insurance variance for Saudis and non-Saudis for the periods ending on September 30, 2015, September 30, 2016, and September 30, 2017), whereas Paragraph (1) of Article (9) of the Executive Regulations of the Income Tax Law, issued by Ministerial Resolution No. (1535) dated 11/06/1425 AH, stipulates that: 'Expenses that may be deducted to determine the taxable income are: 1- All ordinary and necessary expenses incurred to realize taxable income, whether paid or accrued, provided that the following criteria are satisfied: B- It must be related to the realization of taxable income.' Furthermore, invoking Paragraph (3) of Article (57) of the same Regulations, which stipulates that: 'The burden of proof to substantiate the validity of the revenues, expenses, and any other data stated in the Taxpayer's declaration rests upon the Taxpayer. In the event that the Taxpayer is unable to prove the validity of what is stated in its declaration, the Authority may, in addition to applying any other statutory penalties, disallow the expense that is not substantiated by the Taxpayer, or conduct an Presumptive Assessment in accordance with the Authority's viewpoint in light of the circumstances and facts associated with the case and the information available to the Authority.' In addition, Article (58) of the Income Tax Law, issued by Royal Decree No. (M/1) dated 15/01/1425 AH, relating to expenses associated with books and records, stipulates the following: 'The Authority has the right to disallow the deduction of any expense if the Taxpayer fails, without a reasonable cause, to submit the document specific to the expense or the corroborating evidence supporting the validity of claiming it.' Moreover, whereas Article (70) of the Law of Sharia Procedures, issued by Royal Decree No. (M/1)



dated 22/01/1435 AH, stipulates that: 'The litigants may request the court, at any stage of the lawsuit, to record whatever acknowledgement, settlement, or otherwise they have agreed upon in the case minutes, and the court shall issue an instrument to that effect.'

Based on the foregoing, and with respect to the item of social insurance variance for Saudis and non-Saudis for the period ending on September 30, 2015; whereas it has become evident to the Circuit upon reviewing the case file that the Taxpayer failed to submit sufficient and supporting documentation to substantiate its viewpoint, the Circuit therefore concludes to reject the Taxpayer's appeal and uphold the decision of the Resolution Circuit regarding the (social insurance variance for Saudis and non-Saudis for the period ending on September 30, 2015).

With respect to the item of social insurance variance for Saudis and non-Saudis for the period ending on September 30, 2016, in the amount of (3,739,965) Riyals; whereas it has become evident to the Circuit upon reviewing the case file that the Taxpayer failed to submit sufficient and supporting documentation for the variances, the Circuit therefore concludes to reject the Taxpayer's appeal and uphold the decision of the Resolution Circuit regarding the (social insurance variance for Saudis and non-Saudis for the period ending on September 30, 2016, in the amount of (3,739,965) Riyals).

With respect to the item of social insurance variance for Saudis and non-Saudis for the period ending on September 30, 2017, regarding the amount of (128,733) Riyals; upon the Circuit's review of the case file and the documentation submitted by both parties, it became evident that the Authority submitted a supplemental memorandum dated 03/09/2025 AD stating the following: 'Based on the foregoing, and upon reviewing the analysis submitted by the Taxpayer, the Authority clarifies that it accepts the Taxpayer's objection partially, exclusively with respect to the tax aspect, by adding back the variances to the non-deductible expense in accordance with the adjusted calculation above by its share of 49%, due to the Taxpayer's failure to submit documentation...'. Consequently, the Circuit concludes to record the settlement of the dispute regarding the Taxpayer's appeal on the item of social insurance variance for Saudis and non-Saudis for the period ending on September 30, 2017, regarding the (amount of 128,733 Riyals). As for the amount of (193,880) Riyals, and whereas it has become evident to the Circuit upon reviewing the case file that the Taxpayer failed to submit sufficient and supporting documentation for the variances, the Circuit therefore concludes to reject the Taxpayer's appeal and uphold the decision of the Resolution Circuit regarding the item of social insurance variance for Saudis and non-Saudis for the period ending on September 30, 2017, regarding the amount of (193,880) Riyals.

With respect to the appeal of both parties regarding the item of (Late Payment Penalty), whereas Paragraph (A) of Article (77) of the Income Tax Law, issued by Royal Decree No. (M/1) dated 15/01/1425 AH, stipulates that: 'In addition to the fines stipulated in Article 76 of this Law and in Paragraph (B) of this Article, the Taxpayer shall pay a Late Payment Penalty at the rate of one percent (1%) of the unpaid tax for every thirty days of delay.



This includes delay in paying the tax required to be withheld and accelerated payments, and shall be calculated from the due date of the tax until the date of payment.'

Based on the foregoing, and upon the Circuit's review of the case file and the defenses and documentation contained therein; and whereas the Late Payment Penalty is calculated from the date of the expiration of the deadline prescribed for submitting the declaration until the date of paying the due tax arising pursuant to the application of the provisions of the Law and the adjustments conducted by the Authority; accordingly, the validity of the Authority's procedure in imposing the Late Payment Penalty on the items for which the Taxpayer's appeal was rejected is established, and the Late Payment Penalty lapses on the items for which the Authority's appeal was rejected and the Taxpayer's appeal was accepted, due to the lapse of the principal tax imposition. Therefore, the Circuit concludes to amend the decision of the Resolution Circuit with respect to the appeal of both parties regarding the item of (Late Payment Penalty).

Based on the foregoing, and incorporating the aforementioned grounds, the Circuit has decided by unanimous vote the following:

Decision:

First: Acceptance of the appeal procedurally, submitted by the Appellant Taxpayer / [...] Company, Commercial Registration No. [...], TIN [...], and the appeal submitted by the Zakat, Tax and Customs Authority, against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Jeddah Governorate, No. (IZJ-2024-36766), issued in Lawsuit No. (ZI-36766-2021) relating to the Zakat and tax assessment for the years from 2015 AD to 2017 AD.

Second: On the Merits:

- 1- Recording the settlement of the dispute regarding the appeal of both parties on the item of (surplus invoices received and advanced for the periods ending on September 30, 2015, September 30, 2016, and September 30, 2017).
- 2- Recording the settlement of the dispute regarding the appeal of both parties on the item of (due to related parties for the periods ending on September 30, 2016, and September 30, 2017).
- 3- With respect to the appeal of both parties on the item of (a loan received from a related party to repay a loan for the periods ending on September 30, 2015, and September 30, 2016):
 - a. Recording the settlement of the dispute regarding the Authority's appeal on the item of (a loan received from a related party to repay a loan for the period ending on September 30, 2015).
 - b. Recording the settlement of the dispute regarding the Taxpayer's appeal on the item of (a loan received from a related party to repay a loan for the period ending on September 30, 2016).



- 4- Recording the settlement of the dispute regarding the Taxpayer's appeal on the item of (accrued salaries, wages, and employee benefits for the periods ending on September 30, 2015, September 30, 2016, and September 30, 2017).
- 5- Recording the settlement of the dispute regarding the Taxpayer's appeal on the item of (accounts payable for the periods ending on September 30, 2015, September 30, 2016, and September 30, 2017).
- 6- Recording the settlement of the dispute regarding the Taxpayer's appeal on the item of (advance payments from customers for the period ending on September 30, 2015).
- 7- Accepting the Authority's appeal and annulling the decision of the Resolution Circuit regarding the item of (bad debts for the periods ending on September 30, 2016, and September 30, 2017).
- 8- With respect to the Authority's appeal on the item of (foreign taxes – companies for the periods ending on September 30, 2015, and September 30, 2017):
 - a. Accepting the Authority's appeal and annulling the decision of the Resolution Circuit regarding the item of (foreign taxes – companies in the amount of (2,603,421.83) Riyals for the period ending on September 30, 2015).
 - b. Accepting the abandonment of litigation regarding the Authority's appeal on the item of (foreign taxes – companies in the amount of (2,269,794) Riyals for the period ending on September 30, 2017).
- 9- With respect to the Taxpayer's appeal on the item of (salaries and wages for the periods ending on September 30, 2016, and September 30, 2017 (the tax aspect)):
 - a. Rejecting the Taxpayer's appeal and affirming the decision of the Resolution Circuit regarding the item of (salaries and wages for the period ending on September 30, 2017, in the amount of 6,525,397 Riyals).
 - b. With respect to the Taxpayer's appeal on the item of (salaries and wages for the period ending on September 30, 2016):
- B/1 Recording the settlement of the dispute regarding the Taxpayer's appeal with respect to the (amount of 15,763,657 Riyals).
- B/2 Rejecting the Taxpayer's appeal and affirming the decision of the Resolution Circuit regarding the (amount of 371,901 Riyals).
- 10- With respect to the Taxpayer's appeal on the item of (social insurance variance for Saudis and non-Saudis for the periods ending on September 30, 2015, September 30, 2016, and September 30, 2017):
 - a. Rejecting the Taxpayer's appeal and affirming the decision of the Resolution Circuit regarding the (social insurance variance for Saudis and non-Saudis for the period ending on September 30, 2015).
 - b. Rejecting the Taxpayer's appeal and affirming the decision of the Resolution Circuit regarding the (social insurance variance for Saudis and non-Saudis for the period ending on September 30, 2016, in the amount of 3,739,965 Riyals).



- c. With respect to the Taxpayer's appeal on the item of (social insurance variance for Saudis and non-Saudis for the period ending on September 30, 2017):
 - a) Recording the settlement of the dispute regarding the Taxpayer's appeal with respect to the (amount of 128,733 Riyals).
 - b) Rejecting the Taxpayer's appeal and affirming the decision of the Resolution Circuit regarding the (amount of 193,880 Riyals).
- 11- Amending the decision of the Resolution Circuit with respect to the appeal of both parties regarding the item of (Late Payment Penalty).



Appeal Committee for Tax Violations and Disputes
First Appeal Circuit for Income Tax Violations and Disputes
in Riyadh City

Decision No. IR-2025-237794
Case No. Z-2024-237794

Keywords:

Zakat – Items Added Back to the Zakat Base – Debts – Overdue Government Debts – Acceptance of the Authority's Appeal

Summary:

Both the Taxpayer and the Authority appealed the decision of the Resolution Circuit regarding the Zakat assessment for the year 2016 AD. The Taxpayer contested the disallowance of deducting spare parts, lease contract debtors, and loans from [...] Bank, whereas the Authority requested the re-addition of loans from several banks to the Zakat base on the ground that they constitute revolving loans. The Circuit concluded to accept the Authority's appeal regarding the loan items of [...] Group and [...] Bank, due to the established renewal of the financing and the Taxpayer's failure to submit documentation negating the revolving nature thereof. Concurrently, the Circuit accepted the Authority's appeal to annul the deduction of amounts due from affiliate entities, owing to the failure to submit evidence proving the names of such entities in order to verify their status as Zakat-paying partners. With respect to the accounts receivable exceeding a period of 180 days, the Circuit accepted the Authority's appeal due to the Taxpayer's failure to prove that the collection default was due to a cause beyond its control and not a result of its negligence. Accordingly, the Circuit concluded to accept the Authority's appeal and annul the decision of the Resolution Circuit regarding those items, while rejecting the Taxpayer's appeal and affirming the decision with respect to the remaining disputed matters.

Document:

- Paragraph (3) of Article (20) of the Executive Regulations for Zakat Collection, issued by His Excellency the Minister of Finance's Resolution No. (2082) dated 01/06/1438 AH
- Paragraph (5) of Clause (First) of Article (4) of the Executive Regulations for Zakat Collection, issued by His Excellency the Minister of Finance's Resolution No. (2082) dated 01/06/1438 AH

Facts:

This is to consider the appeal submitted on 28/05/2024 AD, by / (.....), National ID No. (.....), in his capacity as the attorney for the Appellant Company, pursuant to Power of Attorney No. (.....) and Law



Practice License No. (.....), and the appeal submitted by the Zakat, Tax and Customs Authority on 30/05/2024 AD, against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Riyadh City, No. (IFR-2024-216309), issued in Lawsuit No. (Z-216309-2023) relating to the Zakat assessment for the year 2016 AD, in the lawsuit filed by the Taxpayer against the Zakat, Tax and Customs Authority, wherein the decision of the Resolution Circuit ruled as follows:

First: Rejecting the objection of the Plaintiff / [...] Company, TIN [...], against the decision of the Defendant / the Zakat, Tax and Customs Authority, relating to loans from [...] Bank in the amount of (6,285,982) six million, two hundred and eighty-five thousand, nine hundred and eighty-two Riyals.

Second: Annulling the decision of the Defendant / the Zakat, Tax and Customs Authority, against the Plaintiff / [...] Company, TIN [...], relating to loans from [...] Group in the amount of (5,000,000) five million Riyals.

Third: Annulling the decision of the Defendant / the Zakat, Tax and Customs Authority, against the Plaintiff / [...] Company, TIN [...], relating to loans from [...] Bank in the amount of (10,118,361) ten million, one hundred and eighteen thousand, three hundred and sixty-one Riyals.

Fourth: Rejecting the objection of the Plaintiff / [...] Company, TIN [...], against the decision of the Defendant / the Zakat, Tax and Customs Authority, relating to the item of adding back amounts due to affiliate entities in the amount of (5,026,147) five million, twenty-six thousand, one hundred and forty-seven Riyals for the year 2016 AD.

Fifth: Annulling the decision of the Defendant / the Zakat, Tax and Customs Authority, against the Plaintiff / [...] Company, TIN [...], relating to the item of deducting amounts due from affiliate entities in the amount of (56,186,527) fifty-six million, one hundred and eighty-six thousand, five hundred and twenty-seven Riyals for the year 2016 AD.

Sixth: Rejecting the objection of the Plaintiff / [...] Company, TIN [...], against the decision of the Defendant / the Zakat, Tax and Customs Authority, relating to the item of long-term lease contract debtors in the amount of (8,021,838) eight million, twenty-one thousand, eight hundred and thirty-eight Riyals.

Seventh: Amending the procedure of the Defendant / the Zakat, Tax and Customs Authority, against the Plaintiff / [...] Company, TIN [...], relating to the item of debtors over 180 days, and accepting the Plaintiff's claim to deduct an amount of (39,169,359) thirty-nine million, one hundred and sixty-nine thousand, three hundred and fifty-nine Riyals from the Zakat base, as detailed in the grounds.

Eighth: Amending the procedure of the Defendant / the Zakat, Tax and Customs Authority, against the Plaintiff / [...] Company, TIN [...], relating to the item of un-invoiced accounts receivable over 180 days, by deducting an amount of (6,086,809) six million, eighty-six thousand, eight hundred and nine Riyals from the Zakat base, as detailed in the grounds.



Ninth: Rejecting the objection of the Plaintiff / [...] Company, TIN [...], against the decision of the Defendant / the Zakat, Tax and Customs Authority, relating to the item of deducting spare parts in the amount of (30,456,258) thirty million, four hundred and fifty-six thousand, two hundred and fifty-eight Riyals for the year 2016 AD.

Whereas this decision did not meet the acceptance by either party, each of them submitted an appeal brief, the summary of which is as follows:

Regarding the Taxpayer's appeal against the decision of the Resolution Circuit, its appeal lies with respect to the item of (loans from [...] Bank), the item of (long-term lease contract debtors), the item of (deducting spare parts), the item of (debtors over 180 days), and the item of (un-invoiced accounts receivable over 180 days), against which the Taxpayer submitted an appeal brief. The Circuit reviewed the brief, which included the Taxpayer's request to accept its appeal regarding these items and to reverse the decision of the Resolution Circuit with respect to the outcome concluded therein; accordingly, the Taxpayer requests to reverse the decision of the Resolution Circuit regarding the items subject of the appeal for the aforementioned grounds.

Concurrently, as the decision was not accepted by the Zakat, Tax and Customs Authority, it submitted its appeal against the contested decision pursuant to an appeal brief, the summary of which is as follows:

Regarding the Authority's appeal against the decision of the Resolution Circuit, its appeal with respect to the item of (loans from [...] Group in the amount of (5,000,000) Riyals) lies in that it requests the annulment of the Circuit's decision concerning this item. This is on the ground that the Authority added back several short-term loans, including a loan from [...] Bank in the amount of (5,000,000) Riyals, to the Zakat base on the basis that they constitute revolving loans, pursuant to the Taxpayer's data and in accordance with Paragraph (5) of Article (4)/First of the Zakat Regulations. The Circuit had annulled the Authority's procedure due to the Authority's failure to submit the transaction history proving that they are revolving loans; however, the Authority clarifies that the decision was erroneous, as the burden of proof rests upon the Taxpayer to substantiate its viewpoint. In this regard, the Taxpayer merely attached a bank statement history, including [...] Bank, and asserted that the loan is non-revolving and Al-Hawl (one Zakat year) had not passed upon it, which is a transaction statement prepared by the Taxpayer as shown in Attachment No. (1). Furthermore, the Authority had previously requested the Taxpayer to provide the banking agreement for [...] Bank and the bank statements, along with attaching a detailed account transaction history during the year showing the date of addition and loan repayment, which the Taxpayer failed to submit. Consequently, the Authority added back the disputed loans in accordance with the documentation submitted by the Taxpayer itself. It became evident through the statement submitted by the Taxpayer that the loan from [...] Bank amounting to (5,000,000) Riyals involves debt rescheduling and obtaining new financing from the same creditor entity and for the same amount, which constitutes evidence that it is a revolving loan; accordingly, the Authority maintains the validity of its procedure.



With respect to the item of (loans from [...] Bank in the amount of (10,118,361) Riyals), the Authority requests the annulment of the Circuit's decision concerning this item. This is on the ground that the Circuit annulled the Authority's procedure because the loans were for multi-purposes and not for the same purpose, even if their dates were close, which the Circuit deemed as an indication that they are not revolving loans. The Authority responds that it reviewed the account statement previously submitted during the field audit phase, which details the loan particulars and its repayment date, whereby it became evident that the loan was repaid and another loan was obtained within the same period. This establishes that the loans are revolving as shown in the analytical statement, where the debt is rescheduled, a new loan is acquired, and the old loan is repaid within the same period. Accordingly, the Authority treated the revolving loan by adding back the opening balance, from which any repayment made during the year is deducted, unless such repayment was preceded by an addition made within 10 days prior to it. In the event that the repayment was preceded by an addition made within 10 days prior to it and the repayment was greater than the addition, the excess (the variance) in repayment is deducted from the opening balance. Consequently, the loan is continuous, remains outstanding in the Taxpayer's liability, Al-Hawl has passed upon it, and it is subject to the Zakat base, pursuant to Paragraph (5) of Clause (First) of Article (4) of the Zakat Regulations; therefore, the Authority maintains the validity of its procedure. With respect to the item of (amounts due from affiliate entities in the amount of (56,186,527) Riyals), the Authority requests the annulment of the Circuit's decision concerning this item. This is on the ground that the Authority did not deduct the item of amounts due from affiliate entities in the amount of (56,186,527) Riyals from the Zakat base due to the lack of clarity regarding the nature of the related entity as to whether it is a partner or not. Note No. (5) of the financial statements did not include further details to deduct the partner's share and match it against its share in the retained earnings, nor did it establish the existence of direct ownership for certain affiliate companies. Moreover, the Taxpayer did not submit the financial statements, the assessment, or proof of the amounts being subject to Zakat in the affiliate companies. Regarding what was stated in the contested decision—that the companies whose debit balances are requested to be deducted are owned by the same company, and thus the company has the right to deduct the debit balances of related parties not exceeding the partners' share of retained earnings—the Authority asserts the invalidity of the conclusion reached by the Circuit's decision. The Authority clarifies that Article (4) (Second – Paragraph 5) of the Executive Regulations stipulates that: 'The following shall be deducted from the Zakat base: 5- The debit current account of the owner or the partner subject to Zakat, not exceeding their share in the retained earnings.' Pursuant to the text of the aforementioned Article, the term 'partner' expressed in the Article is not a general term under which any person acquiring the description of partnership falls; rather, the context of the Article requires restricting the application of its provision strictly to the partner in the same company subject to Zakat. Therefore, if the capacities of this partner multiply such that he is a partner in the same company subject to Zakat and holds the same capacity in another subsidiary company, the provision of the Article applies to him in his capacity as a partner in the company subject to Zakat, not in his capacity as a partner in the other subsidiary companies. Accordingly, it is evident that the provision of the referenced Article does



not apply to the partners' shares in subsidiary companies, and consequently, their shares in subsidiary companies shall not be treated in the same manner as their shares in the company subject to Zakat. Based on this, it is clear that the Circuit's decision was erroneous in applying the above Article to the case, and the Circuit's independent legal interpretation (Ijtihad) came in violation of the express statutory text mentioned above. It is evident that this path may lead to a failure to govern the concept of a 'partner' and an overextension in applying this description to anyone described as a partner in related companies, thereby emptying the statutory text of the legislator's intent, which explicitly defined the persons intended for the deduction. As it is established that there is no independent legal interpretation (Ijtihad) where an express text exists, the Authority affirms the validity of the procedure it concluded. With respect to the Authority's appeal regarding the item of (debtors over 180 days, and the item of un-invoiced accounts receivable over 180 days), it requests the annulment of the Circuit's decision concerning these items. This is on the ground that it did not accept the deduction of the accounts receivable and debit balances from the Zakat base, as they were not among the deductible items according to the provisions of the Executive Regulations for Zakat Collection issued by Ministerial Resolution No. (2082) for the year 1438 AH. Furthermore, certain debts due from government entities constitute receivables from a solvent person who is not in default (non-procrastinating), and the Taxpayer did not provide documentary proof represented in the accounts receivable transaction history for each customer. The details of these amounts were as follows: debtors over 180 days in the amount of (107,707,298) Riyals, and accounts receivable over 180 days (un-invoiced) in the amount of (49,567,795) Riyals. The Circuit had accepted the amounts due from government entities in accordance with the merits contained therein; accordingly, the Authority reviewed the notes to the financial statements, and it became evident through the account balance in the financial statements that the Taxpayer collects from government entities, and the collection process did not cease during the previous and subsequent years, as a decrease in the balance was established. Additionally, the Taxpayer did not submit any documents clarifying the reasons for the non-disbursement of the dues, or whether a judicial judgment was obtained for the unreceived dues, nor did it submit any proof of supply without any remarks or reservations from the consultant of the government entities; therefore, the Authority maintains the validity and soundness of its procedure.

On Tuesday, dated 26/11/2024 AD, First Appeal Circuit for Income Tax Violations and Disputes held its hearing in the presence of its members whose names are recorded in the minutes, via video conferencing in accordance with the remote litigation procedures; pursuant to the provisions of Paragraph (1) of Article (15) of the Rules of Operation for Zakat, Tax, and Customs Committees, issued by Royal Decree No. (25711) dated 08/04/1445 AH. Upon calling upon the litigants, Mr. [...], National ID No. [...], appeared in his capacity as the attorney for the Taxpayer, pursuant to Power of Attorney No. [...] issued on 11/03/1445 AH, and Law Practice License No. [...]. Concurrently, Mr. [...], National ID No. [...], appeared in his capacity as the Authority's representative, pursuant to an authorization issued by the Authority's Deputy Governor for Legal Affairs under No. [...] dated 19/03/1445 AH.



Grounds:

Upon reviewing the case documentation and the appeal briefs submitted by both the Taxpayer and the Zakat, Tax and Customs Authority, it became evident to the Circuit that the requirements for considering the appeals procedurally have been satisfied in accordance with the conditions stipulated in the relevant laws, regulations, and resolutions. Accordingly, both appeal requests are accepted procedurally, as they were submitted by qualified capacities and within the prescribed statutory deadline.

On the Merits, With respect to the Authority's appeal regarding the item of (loans from [...] Group in the amount of (5,000,000) Riyals), whereas Paragraph (First/5) of Article (4) of the Executive Regulations for Zakat Collection, issued by Ministerial Resolution No. (2082) dated 01/06/1438 AH, stipulates that: 'The Zakat base shall consist of all the Taxpayer's assets subject to Zakat, including: 5- Government and commercial loans and their equivalents from other financing sources, such as creditors, notes payable, and bank overdrafts outstanding in the Taxpayer's liability, in accordance with the following: A- Whatever remains thereof in cash and Al-Hawl (one Zakat year) has passed upon it. B- Whatever is used thereof to finance assets acquired for acquisition (fixed assets). C- Whatever is used thereof in trade goods and Al-Hawl has passed upon it.'

Based on the foregoing, loans constitute one of the components of the Zakat base regardless of their type, source, or classification, provided that Al-Hawl has passed upon them or that they have been utilized to finance assets deducted from the Zakat base without requiring the passage of Al-Hawl upon them. Whereas the dispute between both parties lies in the Authority considering the loan as part of the revolving loans, pursuant to Attachment No. (1) submitted by the Taxpayer, through which it is evident that the loan from [...] amounting to (5,000,000) Riyals was repaid (the debit transaction) and a new financing was obtained for the same amount (the credit transaction); and whereas the Authority—according to its responsive memorandum No. (2) submitted before the Resolution Circuit—indicated that it had requested the Taxpayer to submit the banking agreement and bank statements, along with attaching an Excel sheet detailing the account transactions during the year specifically regarding [...] Bank which clarifies the date of addition and loan repayment, but they were not submitted by the Taxpayer; it therefore becomes evident that the dispute is documentary, given that the Taxpayer failed to submit the documentation substantiating its viewpoint. Consequently, the Circuit concludes to accept the Authority's appeal and annul the decision of the Resolution Circuit regarding the item of (loans from [...] Group in the amount of (5,000,000) Riyals).

With respect to the Authority's appeal regarding the item of (loans from [...] Bank in the amount of (10,118,361) Riyals), whereas Paragraph (First/5) of Article (4) of the Executive Regulations for Zakat Collection, issued by Ministerial Resolution No. (2082) dated 01/06/1438 AH, stipulates that: 'The Zakat base shall consist of all the Taxpayer's assets subject to Zakat, including: 5- Government and commercial loans and their equivalents from other financing sources, such as creditors, notes payable, and bank overdrafts outstanding in the Taxpayer's liability, in accordance with the following: A- Whatever remains thereof in cash and Al-Hawl has passed upon



it. B- Whatever is used thereof to finance assets acquired for acquisition. C- Whatever is used thereof in trade goods and Al-Hawl has passed upon it.' Based on the foregoing, loans constitute one of the components of the Zakat base regardless of their type, source, or classification, provided that Al-Hawl has passed upon them or that they have been utilized to finance assets deducted from the Zakat base without requiring the passage of Al-Hawl upon them. Whereas the Authority added back the short-term loans on the ground that they constitute revolving loans, given that the Taxpayer submitted a detailed transaction history statement of the loan balances in an Excel file format, through which it is evident that the loan is repaid and another loan is obtained within the same period; and whereas the Taxpayer failed to submit proof of the purpose of these loans, the Circuit therefore concludes to accept the Authority's appeal and annul the decision of the Resolution Circuit regarding the item of (loans from [...] Bank in the amount of (10,118,361) Riyals).

With respect to the Authority's appeal regarding the item of (amounts due from affiliate entities in the amount of (56,186,527) Riyals), whereas Paragraph (A) of Article (4) of the Executive Regulations for Zakat Collection, issued by Ministerial Resolution No. (2082) dated 01/06/1438 AH, stipulates that: 'In the event that the Taxpayer's declaration includes a credit current account and another debit current account, the net variance between them shall be taken. If a credit current account appears for one of the partners and a debit current account appears for another partner, no offset shall be conducted between them.' Based on the foregoing, whereas the Taxpayer is entitled to deduct the debit balance of the exact same credit partner up to its share of retained earnings; and upon reviewing the documentation attached to the case file, it becomes evident that the Taxpayer failed to submit documentation clarifying the names of these affiliate entities to verify that they represent amounts due from partners, as Note No. (5) in the Taxpayer's financial statements did not mention any details regarding the names of these affiliate entities to verify their status as partners in the company; it therefore becomes evident that there is no statutory justification for their deduction. Accordingly, the Circuit concludes to accept the Authority's appeal and annul the decision of the Resolution Circuit regarding the item of (amounts due from affiliate entities in the amount of (56,186,527) Riyals).

With respect to the Authority's appeal regarding the item of (debtors over 180 days), whereas Paragraph (3) of Article (20) of the Executive Regulations for Zakat Collection, issued by Ministerial Resolution No. (2082) dated 01/06/1438 AH, stipulates that: 'The burden of proof to substantiate the validity of the items and any other data stated in the Taxpayer's Zakat declaration rests upon the Taxpayer. In the event that the Taxpayer is unable to prove the validity of what is stated in its declaration, the Authority may disallow the item that is not substantiated by the Taxpayer, or conduct an Presumptive Assessment in accordance with the Authority's viewpoint in light of the circumstances and facts associated with the case and the information available to it.' Based on the foregoing, and with respect to the Authority's appeal regarding the amount of (39,169,359) Saudi Riyals; upon reviewing the case file and the submitted documentation, it becomes evident that the Taxpayer submitted the detailed transaction history for those disputed accounts receivable in an Excel file format under Attachment No. (12), showing the opening balance, the transaction history during the year, and the closing



balance. However, by reference to the detailed statement submitted by the Taxpayer, it was not possible to quantify the total amount related to government entities, as the Taxpayer failed to provide an inventory of those government entities. Furthermore, the Taxpayer did not submit any documentation proving that its inability to collect the amounts was due to a cause beyond its control and not a result of its negligence. Therefore, the Circuit concludes to accept the Authority's appeal and annul the decision of the Circuit (by adding back the amount of (39,169,359) Saudi Riyals).

With respect to the Authority's appeal regarding the item of (un-invoiced accounts receivable over 180 days), whereas Paragraph (3) of Article (20) of the Executive Regulations for Zakat Collection, issued by Ministerial Resolution No. (2082) dated 01/06/1438 AH, stipulates that: 'The burden of proof to substantiate the validity of the items and any other data stated in the Taxpayer's Zakat declaration rests upon the Taxpayer. In the event that the Taxpayer is unable to prove the validity of what is stated in its declaration, the Authority may disallow the item that is not substantiated by the Taxpayer, or conduct an Presumptive Assessment in accordance with the Authority's viewpoint in light of the circumstances and facts associated with the case and the information available to it.' Based on the foregoing, and with respect to the Authority's appeal regarding the amount of (6,086,809) Saudi Riyals; upon reviewing the submitted documentation, it becomes evident that the Taxpayer submitted the detailed transaction history for those disputed accounts receivable in an Excel file format under Attachment No. (12), showing the opening balance, the transaction history during the year, and the closing balance. However, by reference to the detailed statement submitted by the Taxpayer, it was not possible to quantify the total amount related to government entities, as it failed to provide an inventory of those government entities. Furthermore, the Taxpayer did not submit any documentation proving that its inability to collect the amounts was due to a cause beyond its control and not a result of its negligence. Therefore, the Circuit concludes to accept the Authority's appeal and annul the decision of the Circuit (by adding back the amount of (6,086,809) Saudi Riyals).

Regarding the Taxpayer's appeal with respect to the remaining items subject of the lawsuit; and whereas The Circuit is not precluded from adopting the reasons of the appealed decision without adding to it whenever it deems that those reasons suffice without citing any new ones, because by endorsing it with what those reasons carried, it is confirmed that it found nothing in the challenges directed at the decision that deserves a response beyond what those reasons included. And since it is established that the appealed decision regarding the dispute concerning the appealed items was consistent with the sound reasons upon which it was based and which are sufficient to carry its ruling, as the issuing Circuit undertook the examination of the merits of the dispute therein and concluded regarding it to the result reached in its operative part. And whereas this Circuit has not noticed anything requiring correction or comment regarding it in light of the defenses raised before it. This leads the Circuit to conclude the Rejection of the Taxpayer's appeal and affirming the appealed Resolution Circuit's decision regarding the result it reached in the remaining items subject of the lawsuit, based on its reasons.



Based on the foregoing, and adopting the aforementioned grounds, the Circuit unanimously rendered the following decision:

Decision:

First: Acceptance of the appeal procedurally, submitted by the Appellant Taxpayer / [...] Company, Commercial Registration No. [...], TIN [...], and the appeal submitted by the Zakat, Tax and Customs Authority, against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Riyadh City, No. (IFR-2024-216309), issued in Lawsuit No. (Z-216309-2023) relating to the Zakat assessment for the year 2016 AD.

Second: On the Merits:

- 1- Accepting the Authority's appeal and annulling the decision of the Resolution Circuit regarding the item of (loans from [...] Group in the amount of (5,000,000) Riyals).
- 2- Accepting the Authority's appeal and annulling the decision of the Resolution Circuit regarding the item of (loans from [...] Bank in the amount of (10,118,361) Riyals).
- 3- Accepting the Authority's appeal and annulling the decision of the Resolution Circuit regarding the item of (amounts due from affiliate entities in the amount of (56,186,527) Riyals).
- 4- Rejecting the Taxpayer's appeal and affirming the decision of the Resolution Circuit regarding the item of (loans from [...] Bank in the amount of (6,285,982) Riyals).
- 5- Rejecting the Taxpayer's appeal and affirming the decision of the Resolution Circuit regarding the item of (long-term lease contract debtors in the amount of (8,021,838) Riyals).
- 6- Rejecting the Taxpayer's appeal and affirming the decision of the Resolution Circuit regarding the item of (deducting spare parts in the amount of (30,456,258) Riyals).
- 7- With respect to the appeal of both parties regarding the item of (debtors over 180 days, and the item of un-invoiced accounts receivable over 180 days):
 - a. With respect to debtors over 180 days in the amount of (107,707,299) Saudi Riyals:
 - a) Accepting the Authority's appeal and annulling the decision of the Circuit (by adding back the amount of (39,169,359) Saudi Riyals).
 - b) Rejecting the Taxpayer's appeal and affirming the decision of the Circuit (by deducting the amount of (68,537,940) Saudi Riyals).
 - b. With respect to un-invoiced accounts receivable over 180 days in the amount of (49,567,795) Riyals:
 - a) Accepting the Authority's appeal and annulling the decision of the Circuit (by adding back the amount of (6,086,809) Saudi Riyals).
 - b) Rejecting the Taxpayer's appeal and affirming the decision of the Circuit (by deducting the amount of (43,480,986) Saudi Riyals).



Appeal Committee for Tax Violations and Disputes

First Appeal Circuit for Income Tax Violations and Disputes

in Riyadh City

Decision No.

IR-2025-238560

Case No.

Z-2024-238560

Keywords:

Zakat – Items Added Back to the Zakat Base – Assets – Fixed Assets – Acceptance of the Taxpayer's Appeal

Summary:

The Taxpayer appealed against the items of (Murabaha and Taysfeer letters of credit, accounts payable, and withdrawn profits) for the years 2014 AD and 2015 AD, citing a discrepancy between the Authority's generated outputs. Concurrently, the Authority maintained its position in its supplemental memorandum along with its partial acceptance of certain objections. The Circuit concluded to accept the Taxpayer's appeal and annul the decision of the Resolution Circuit regarding the item of (accounts payable for the year 2015 AD), due to the established fact that Al-Hawl (one Zakat year) had not passed upon the opening balances in accordance with the general ledger. Furthermore, the Circuit recorded the settlement of the dispute regarding (accounts payable for the year 2014 AD) and (withdrawn profits for the years 2014 AD and 2015 AD) following the Authority's acceptance of the Taxpayer's objection thereto. Conversely, the Circuit rejected the Taxpayer's appeal regarding (Murabaha and Taysfeer letters of credit for the years 2014 AD and 2015 AD) and amended the decision of the Resolution Circuit by establishing the passage of Al-Hawl upon the amounts of (3,929,694) Riyals for the year 2014 AD and (2,404,028) Riyals for the year 2015 AD with upholding the decision of the Resolution Circuit with respect to the remaining items.

Document:

- Paragraph (1) of Article (5) of the Executive Regulations for Zakat Collection, issued by Ministerial Resolution No. (2216) dated 07/07/1440 AH

Facts:

This is to consider the appeal submitted on 10/06/2024 AD, by / (.....), National ID No. (.....), in his capacity as the legal representative for the Appellant Company, pursuant to the Commercial Registration attached to the case file, against the decision of the Third Circuit for the Resolution of Income Tax Violations and Disputes in Riyadh City, No. (ITR-2024-204684), issued in Lawsuit No. (Z-204684-2023) relating to the



Zakat assessment for the year 2018 AD, in the lawsuit filed by the Appellant against the Zakat, Tax and Customs Authority, wherein the decision of the Resolution Circuit ruled as follows:

First: Accepting the objection of the Plaintiff / [...] Company, Commercial Registration No. [...], against the decision of the Defendant / the Zakat, Tax and Customs Authority, from a procedural aspect.

Second: on the merits:

- 1- Rejecting the Plaintiff's objection relating to the item of the complement for calculating the 2018 AD Zakat under the new regulations, in the amount of 6,599,594 Riyals.
- 2- Recording the settlement of the dispute relating to the item of advance payments from customers for the year 2018 AD.
- 3- Rejecting the Plaintiff's objection relating to the item of additional contribution from partners for the year 2018 AD, in the amount of 172,935,188 Riyals.
- 4- Rejecting the Plaintiff's objection relating to the item of bank facilities (a loan from a real estate company) for the year 2018 AD, in the amount of 76,948,766 Riyals, by adding it back within the limits of the deductions.
- 5- .
 - (A) Rejecting the Plaintiff's objection relating to the item of fixed assets for the year 2018 AD (lands of [...] and [...]), in the amount of 243,550,085 Riyals.
 - (B) Amending the decision of the Defendant by accepting the deduction of a group of buildings under construction, in the amount of 78,361,718 Saudi Riyals.
 - (C) Recording the settlement of the dispute relating to the item of lands for constructing buildings for lease, in a total amount of 10,361,036 Riyals.
 - (D) Recording the settlement of the dispute relating to the item of land No. [...] used in the activity, in the amount of 8,000,000 Riyals.
 - (E) Rejecting the Plaintiff's objection relating to the item of fixed assets for the year 2018 AD (a villa for lease, in the amount of 2,862,437 Riyals).
 - (F) Recording the settlement of the dispute relating to the item of the manager's residential villa used in the activity, in the amount of 1,150,000 Riyals.
 - (G) Rejecting the Plaintiff's objection relating to the item of fixed assets for the year 2018 AD (a group of apartments for lease, in a total amount of 11,914,936 Riyals).

Whereas this decision did not meet the acceptance by the Taxpayer, it submitted an appeal brief, which was reviewed by the Circuit and included a summary as follows:

Regarding the Taxpayer's appeal against the decision of the Resolution Circuit, and with respect to the item of (fixed assets for the year 2018 AD), its appeal lies with respect to a group of buildings under construction in the amount of (85,316,218) Riyals, on the ground that five years have elapsed since the end of the financial year



for the assessment year, and that the real estate asset remained within its assets throughout that period, which supports its viewpoint that it is long-term and not for the purpose of sale. This is because the intention to sell differs from the intention to trade, and sale and trade cannot be correlated at all times. Furthermore, the Zakat standard issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) states that the intention to trade means intending to trade in the goods at the time of acquiring ownership thereof, and the legally recognized intention is that which accompanies the entry of the trade goods into ownership; thus, what is owned for the purpose of personal use—i.e., operations for the enterprise—is not subject to Zakat on trade goods, even if the intention changes to trading, unless it is actually sold and the Zakat conditions of Nisab and Al-Hawl (one Zakat year) are met. Conversely, what is purchased for the purpose of trade, if designated for use, loses its trading nature.

With respect to the villa for lease in the amount of 2,862,437 Riyals, the Taxpayer attached a copy of the title deed, demonstrating proof of leasing the villa and utilizing it in its commercial activity. With respect to the group of apartments for lease in the amount of 11,914,936 Riyals, the Taxpayer attached documentation illustrating the lease of the apartments and their use in its commercial activity. Concurrently, with respect to the item of (the complement for calculating the 2018 AD Zakat under the new regulations), the item of (additional contribution from partners in the amount of 172,935,188 Riyals), and the item of (bank facilities - a loan from a real estate company for the year 2018 AD), the Taxpayer requests the acceptance of its appeal regarding these items. Accordingly, the Taxpayer requests to reverse the decision of the Resolution Circuit regarding the items subject of the appeal for the aforementioned grounds.

On Wednesday, dated 08/01/2025 AD, the First Appeal Circuit for Income Tax Violations and Disputes convened its meeting via video conferencing in accordance with the remote litigation procedures; pursuant to the provisions of Paragraph (1) of Article (15) of the Rules of Operation for Zakat, Tax, and Customs Committees, issued by Royal Decree No. (25711) dated 08/04/1445 AH. Upon reviewing the appeal request, the submitted memoranda, and the papers and documentation contained in the case file, and after due deliberation, whereas the lawsuit is ripe for adjudication in its current state, the Circuit decided to close the pleading stage and reserve the case for adjudication.

Grounds:

Upon reviewing the case documentation and the appeal brief submitted by the Taxpayer, it became evident to the Circuit that the requirements for considering the appeal procedurally have been satisfied in accordance with the conditions stipulated in the relevant laws, regulations, and resolutions. Accordingly, the appeal request is accepted procedurally, as it was submitted by a qualified capacity and within the prescribed statutory deadline.

On the Merits: With respect to the Taxpayer's appeal regarding the item of (fixed assets for the year 2018 AD), whereas Paragraph (1) of Article (5) of the Executive Regulations for Zakat Collection, issued by Ministerial



Resolution No. (2216) dated 07/07/1440 AH, stipulates that: 'Net fixed assets and their equivalents, including—but not limited to—the following: A- Fixed assets acquired for the purpose of use in the Taxpayer's activity, at the book value shown in the financial statements. B- Payments for purchasing fixed assets. C- Spare parts and materials not intended for sale. D- Assets financed for the lessee in financial lease contracts under Build-Operate-Transfer (BOT) projects, Build-Own-Operate (BOO) projects, Build-Own-Operate-Transfer (BOOT) projects, and other similar forms...' Pursuant to Article (18) of the Executive Regulations for Zakat Collection, issued by Ministerial Resolution No. (2216) dated 07/07/1440 AH, which stipulates that: 'Without prejudice to the provisions of Article (10) of the Regulations, every Taxpayer shall maintain—within the Kingdom and in the Arabic language—the commercial books necessary to accurately determine the Zakat base, along with retaining the documentation proving their validity and the data and notes supporting them. The burden of proof to substantiate the validity of the items and any other data stated in the declaration rests upon the Taxpayer. In the event that the Taxpayer is unable to prove the validity of what is stated in its declaration, the Authority may disallow the item that is not substantiated by the Taxpayer, or conduct an Presumptive Assessment in accordance with the Authority's viewpoint in light of the circumstances and facts associated with the case and the information available to it.' Based on the foregoing, and with respect to a group of buildings under construction with a total value of 6,954,500 Riyals, a villa for lease in the amount of 2,862,437 Riyals, and a group of apartments for lease in the amount of 11,914,936 Riyals; whereas two essential conditions must be satisfied to deem them allowable for deduction from the Zakat base, namely: a documented intention from the competent authority clarifying the intent, and the absence of any sale transactions conducted during the year. Upon reviewing the case file and its contents, it becomes evident that the Authority's disallowance of deducting this item is attributed to the existence of a sale transaction conducted in the year following the dispute year, as the Authority considers that the subsequent year reveals the Taxpayer's intention in the year subject of the dispute, and that the Taxpayer's execution of the sale confirms that intention. Accordingly, it is evident that the Authority's viewpoint lacks any supporting basis in the Regulations, because the sale transaction must occur within the dispute year itself; since, according to what was submitted by the Taxpayer, there was no disposal (derecognition) transaction during the dispute year 2018 AD. Furthermore, the Authority indicated in the Simplified Guide for Zakat Treatment of the Prominent Items Subject to Objection that: 'The Authority shall disallow the deduction of investments in the following cases: ... Investments held for trading, even if classified under long-term assets, if it is verified that buying and selling transactions occurred on the investment during the year.' Consequently, this constitutes an affirmation by the Authority that sale transactions must occur during the dispute year itself. Therefore, the Circuit concludes to accept the Taxpayer's appeal and annul the decision of the Resolution Circuit regarding (the group of buildings under construction with a total value of 6,954,500 Riyals, the villa for lease in the amount of 2,862,437 Riyals, and the group of apartments for lease in the amount of 11,914,936 Riyals).



Regarding the remaining items subject of the lawsuit; and whereas The Circuit is not precluded from adopting the reasons of the appealed decision without adding to it whenever it deems that those reasons suffice without citing any new ones, because by endorsing it with what those reasons carried, it is confirmed that it found nothing in the challenges directed at the decision that deserves a response beyond what those reasons included. And since it is established that the appealed decision regarding the dispute concerning the appealed items was consistent with the sound reasons upon which it was based and which are sufficient to carry its ruling, as the issuing Circuit undertook the examination of the merits of the dispute therein and concluded regarding it to the result reached in its operative part. And whereas this Circuit has not noticed anything requiring correction or comment regarding it in light of the defenses raised before it. This leads the Circuit to conclude the Rejection of the Taxpayer's appeal and affirming the appealed Resolution Circuit's decision regarding the result it reached in the remaining items subject of the lawsuit, based on its reasons.

Based on the foregoing, and adopting the aforementioned grounds, the Circuit unanimously rendered the following decision:

Decision:

First: Acceptance of the appeal procedurally, submitted by the Appellant Taxpayer / [...] Company, Commercial Registration No. [...], TIN [...], against the decision of the Third Circuit for the Resolution of Income Tax Violations and Disputes in Riyadh City, No. (ITR-2024-204684), issued in Lawsuit No. (Z-204684-2023) relating to the Zakat assessment for the year 2018 AD.

Second: On the Merits:

- 1- Rejecting the Taxpayer's appeal and affirming the decision of the Resolution Circuit regarding the item of (the complement for calculating the 2018 AD Zakat under the new regulations).
- 2- Rejecting the Taxpayer's appeal and affirming the decision of the Resolution Circuit regarding the item of (additional contribution from partners).
- 3- Rejecting the Taxpayer's appeal and affirming the decision of the Resolution Circuit regarding the item of (bank facilities - a loan from a real estate company for the year 2018 AD).
- 4- With respect to the Taxpayer's appeal regarding the item of (fixed assets for the year 2018 AD):
 - a. Rejecting the Taxpayer's appeal and affirming the decision of the Resolution Circuit regarding the lands of [...] and [...].
 - b. Accepting the Taxpayer's appeal and annulling the decision of the Resolution Circuit regarding (the group of buildings under construction with a total value of 6,954,500 Riyals, the villa for lease in the amount of 2,862,437 Riyals, and the group of apartments for lease in the amount of 11,914,936 Riyals).



Appeal Committee for Tax Violations and Disputes
First Appeal Circuit for Income Tax Violations and Disputes
in Riyadh City

Decision No. IR-2025-238774
Case No. Z-2024-238774

Keywords:

Zakat – Items Added Back to the Zakat Base – Investments – Partner's Current Account – Acceptance of the Taxpayer's Appeal

Summary:

The Taxpayer appealed against the Zakat assessment for the year 2017 AD regarding the items of (partners' current account, debts and their equivalents, cost of investments in associate companies, and additional capital), arguing that the partners' current account is part of the current liabilities and did not finance a deducted asset, and that adding back the debts at the closing balance of (48,343,451) Riyals duplicated the addition and must be calculated according to the inception date. The Circuit concluded to reject the appeal and uphold the decision regarding the two items of (associate companies) and (additional capital). With respect to (partners' current account), the Circuit recorded the settlement of the dispute by adding back (386,694) Riyals up to the limit of the deducted assets, and accepted the appeal regarding the remaining amount of (10,963,246) Riyals by adding it back within the limits of the deducted assets. Furthermore, and taking into consideration the aforementioned grounds, the Circuit amended the decision of the Resolution Circuit regarding the item of (debts and their equivalents for the year 2017 AD) in accordance with its established process.

Document:

- Paragraph (3-10) of Article (4) of the Executive Regulations for Zakat Collection, issued by Ministerial Resolution No. (2216) dated 07/07/1440 AH

Facts:

This is to consider the appeal submitted on 19/06/2024 AD, by / (.....), National ID No. (.....), in his capacity as the legal representative for the Appellant Company pursuant to the Articles of Association, against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Dammam City, No. (IZD-2024-228125), issued in Lawsuit No. (Z-228125-2023) relating to the Zakat assessment for the year 2017 AD, in the lawsuit filed by the Appellant against the Zakat, Tax and Customs Authority, wherein the decision of the Resolution Circuit ruled as follows:



Rejecting the Plaintiff's objection relating to the item of the cost of investments in an associate company for the year 2017 AD.

- 1- Rejecting the Plaintiff's objection relating to the item of the partners' current account for the year 2017 AD.
- 2- Rejecting the Plaintiff's objection relating to the item of additional capital for the year 2017 AD.
- 3- Recording the settlement of the dispute relating to the item of advance payments for the year 2017 AD.
- 4- Rejecting the Plaintiff's objection relating to the item of debts and their equivalents for the year 2017 AD.

Whereas this decision did not meet the acceptance by the Taxpayer, it submitted an appeal brief, which was reviewed by the Circuit and included a summary as follows:

Regarding the Taxpayer's appeal against the decision of the Resolution Circuit, and with respect to the item of (partners' current account), it requests the annulment of the Circuit's decision concerning this item. This is on the ground that the amounts due to partners are classified in the statement of financial position under current liabilities items and did not participate in financing a deducted asset; thus, they do not constitute an internal financing source and are not calculated as an equity item. Furthermore, the Authority added back the balance of current accounts—amounts due to partners amounting to (11,349,940) Riyals—as a standalone item within 'other additions' to the base, and it was not matched against the deductions from the base. The amount was not classified under equity items or other liabilities that financed assets deducted from the base, but was rather classified under 'other additions'. Accordingly, the Taxpayer requests to include the balance of current accounts under the item of debts and their equivalents, which are added back within the limits of deductions from the Zakat base because they constitute an external financing source.

With respect to the item of (debts and their equivalents for the year 2017 AD), the Taxpayer requests the annulment of the Circuit's decision concerning this item. This is on the ground that the Authority added back the debts and their equivalents at the closing balance appearing in the statement of financial position, in the amount of (48,343,451) Riyals, without considering the inception date of the debt, which led to the inflation of the amounts added back to the Zakat base and treating their duration entirely as 365 days. Consequently, the analytical schedule for debts demonstrating the transaction history of the debts matching the financial statements was provided. Accordingly, the Taxpayer requests to add back the debts and their equivalents to the Zakat base according to the inception date of the debts, in the amount of (35,063,594) Riyals. With respect to the item of (the cost of investments in associate companies for the year 2017 AD) and the item of (additional capital for the year 2017 AD), the Taxpayer requests the acceptance of its appeal and the annulment of the Circuit's decision regarding these items. Accordingly, the Taxpayer requests to reverse the decision of the Resolution Circuit regarding the items subject of the appeal for the aforementioned grounds.



On Wednesday, dated 15/01/2025 AD, at 12:00 PM, the First Appeal Circuit for Income Tax Violations and Disputes held its hearing in the presence of its members whose names are recorded in the minutes, via video conferencing in accordance with the remote litigation procedures; pursuant to the provisions of Paragraph (1) of Article (15) of the Rules of Operation for Zakat, Tax, and Customs Committees, issued by Royal Decree No. (25711) dated 08/04/1445 AH. Upon reviewing the appeal request, the submitted memoranda, and the papers and documentation contained in the case file, and after due deliberation, whereas the lawsuit is ripe for adjudication in its current state, the Circuit decides to close the pleading stage and reserve the case for adjudication.

Grounds:

Upon reviewing the case documentation and the appeal brief submitted by the Taxpayer, it became evident to the Circuit that the requirements for considering the appeal procedurally have been satisfied in accordance with the conditions stipulated in the relevant laws, regulations, and resolutions. Accordingly, the appeal request is accepted procedurally, as it was submitted by a qualified capacity and within the prescribed statutory deadline.

On the Merits: With respect to the Taxpayer's appeal regarding the item of (partner's current account), whereas Paragraph (3) of Article (4) of the Executive Regulations for Zakat Collection, issued by Ministerial Resolution No. (2216) dated 07/07/1440 AH, stipulates that: 'The Zakat base for a Taxpayer maintaining commercial books shall consist of all its assets subject to Zakat, including the following: 3- Debts outstanding in the Taxpayer's liability classified as long-term and their equivalents from other components of the base, such as: government financing, commercial financing, creditors, notes payable, bank overdrafts, and loans from owners or partners (including current accounts belonging to them), provided that the following is taken into consideration: A- If the debts outstanding in the Taxpayer's liability or other financing sources have a duration of three hundred and fifty-four (354) days or more overlapping during the Zakat year and the year subsequent to it, they shall be added back to the Zakat base pro rata to each year based on the number of days of each Zakat year. B- The Zakat year for debts shall not be interrupted by renewing them, rescheduling them with the same creditor, or replacing such debts with other debts or financing sources that finance what these debts used to finance. C- Whatever is added back of what is mentioned in this paragraph shall not exceed the total of what is deducted from the base in accordance with Article (5) of the Regulations.'

Based on the foregoing, and with respect to the amount of (10,963,246) Riyals from this item; whereas the core of the dispute and the Taxpayer's demand is to add back the disputed amount within the limits of the deducted assets, on the ground that the item is classified under current liabilities; and upon reviewing the case file and the defenses and documentation contained therein, whereas it becomes evident that the Authority indicated in its responsive memorandum that the item is classified under current liabilities; accordingly, whereas the Zakat treatment for the disputed item is governed by the classification of the item itself—which is evidently



classified under current liabilities—it shall be added back to the Zakat base within the limits of the deducted assets. Therefore, the Circuit concludes to accept the Taxpayer's appeal and annul the decision of the Resolution Circuit regarding the remaining amount of (10,963,246) Riyals, by adding it back to the Zakat base within the limits of the deducted assets.

With respect to the amount of (386,694) Riyals from this item; whereas the Authority stated its partial acceptance of the Taxpayer's objection and adding back to the Zakat base up to the limit of the deducted assets an amount of (386,694) Riyals, resulting from subtracting the amount of 10,963,246 Riyals of distributions from the amount of 11,349,940 Riyals, and the Authority requests to record the settlement of the dispute; therefore, and taking into consideration the aforementioned grounds, the Circuit concludes to record the settlement of the dispute by adding back an amount of (386,694) Riyals to the Zakat base up to the limit of the deducted assets.

With respect to the Taxpayer's appeal regarding the item of (debts and their equivalents for the year 2017 AD), whereas Paragraph (3) of Article (4) of the Executive Regulations for Zakat Collection, issued by Ministerial Resolution No. (2216) dated 07/07/1440 AH, stipulates that: 'The Zakat base for a Taxpayer maintaining commercial books shall consist of all its assets subject to Zakat, including the following: 3- Debts outstanding in the Taxpayer's liability classified as long-term and their equivalents from other components of the base, such as: government financing, commercial financing, creditors, notes payable, bank overdrafts, and loans from owners or partners (including current accounts belonging to them), provided that the following is taken into consideration: A- If the debts outstanding in the Taxpayer's liability or other financing sources have a duration of three hundred and fifty-four (354) days or more overlapping during the Zakat year and the year subsequent to it, they shall be added back to the Zakat base pro rata to each year based on the number of days of each Zakat year. B- The Zakat year for debts shall not be interrupted by renewing them, rescheduling them with the same creditor, or replacing such debts with other debts or financing sources that finance what these debts used to finance. C- Whatever is added back of what is mentioned in this paragraph shall not exceed the total of what is deducted from the base in accordance with Article (5) of the Regulations.' Concurrently, Paragraph (10) of Article (4) of the Executive Regulations for Zakat Collection, issued by Ministerial Resolution No. (2216) dated 07/07/1440 AH, stipulates that: 'The Zakat base for a Taxpayer maintaining commercial books shall consist of all its assets subject to Zakat, including the following: 10- Any item of liabilities and equity that financed an item deducted from the Zakat base.' Based on the foregoing, whereas the core of the dispute lies in the Taxpayer's demand to add back the debts and their equivalents to the Zakat base according to the inception date of the debt during the year, in the amount of (35,063,594) Riyals, while the Authority argues for adding back the item in the amount of (48,343,451) Riyals on the ground that it financed a deducted asset. By reference to the analysis of the item, it is evident that it represents items of (trade payables, partnership creditors, and investment creditors). The Authority clarifies that all these items consist of investors in the company's activity, and further states that the company collects amounts from individuals for entering into partnerships for the



sale of lands and real estate; accordingly, it states that these amounts outstanding in the Taxpayer's liability financed assets deducted from the base, including the lands and investments that were deducted from the Taxpayer's base. Upon reviewing the case file and the defenses and documentation contained therein, and by reference to the Authority's memorandum, it becomes evident that it clarifies that the disputed item financed a deducted asset, and therefore it shall be added back according to the deducted asset. Consequently, the Circuit concludes to amend the decision of the Resolution Circuit by adding back the item according to the deducted asset.

Regarding the remaining items subject of the lawsuit; and whereas The Circuit is not precluded from adopting the reasons of the appealed decision without adding to it whenever it deems that those reasons suffice without citing any new ones, because by endorsing it with what those reasons carried, it is confirmed that it found nothing in the challenges directed at the decision that deserves a response beyond what those reasons included. And since it is established that the appealed decision regarding the dispute concerning the appealed items was consistent with the sound reasons upon which it was based and which are sufficient to carry its ruling, as the issuing Circuit undertook the examination of the merits of the dispute therein and concluded regarding it to the result reached in its operative part. And whereas this Circuit has not noticed anything requiring correction or comment regarding it in light of the defenses raised before it. This leads the Circuit to conclude the Rejection of the Taxpayer's appeal and affirming the appealed Resolution Circuit's decision regarding the result it reached in the remaining items subject of the lawsuit, based on its reasons.

Based on the foregoing, and adopting the aforementioned grounds, the Circuit unanimously rendered the following decision:

Decision:

First: Acceptance of the appeal procedurally, submitted by the Appellant Taxpayer / [...] Company, Commercial Registration No. [...], TIN [...], against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Dammam City, No. (IZD-2024-228125), issued in Lawsuit No. (Z-228125-2023) relating to the Zakat assessment for the year 2017 AD.

Second: On the Merits:

- 1- Rejecting the Taxpayer's appeal and affirming the decision of the Resolution Circuit regarding the item of (cost of investments in associate companies for the year 2017 AD).
- 2- With respect to the item of (partners' current account for the year 2017 AD):
 - a. Recording the settlement of the dispute by adding back an amount of (386,694) Riyals to the Zakat base up to the limit of the deducted assets.



- b. Accepting the Taxpayer's appeal and annulling the decision of the Resolution Circuit regarding the remaining amount of (10,963,246) Riyals, by adding it back to the Zakat base within the limits of the deducted assets.
- 3- Rejecting the Taxpayer's appeal and affirming the decision of the Resolution Circuit regarding the item of (additional capital for the year 2017 AD).
- 4- Amending the decision of the Resolution Circuit regarding the item of (debts and their equivalents for the year 2017 AD).



Appeal Committee for Tax Violations and Disputes
First Appeal Circuit for Income Tax Violations and Disputes
in Riyadh City

Decision No. IR-2025-239067
Case No. Z-2024-239067

Keywords:

Zakat – Items Added Back to the Zakat Base – Debts – Accounts Payable – Acceptance of the Taxpayer's Appeal

Summary:

The Taxpayer appealed against the decision of the Resolution Circuit relating to the Zakat assessment for the years 2014 AD and 2015 AD, contesting the items of foreign import discrepancies, bank letters of credit, accounts payable, and withdrawn profits. Regarding the item of accounts payable for the year 2015 AD, the Taxpayer submitted the general ledgers, which proved that Al-Hawl (one Zakat year) had not passed upon the opening balances, as the amounts paid during the year exceeded those balances; therefore, the Circuit accepted its appeal and annulled the decision of the Resolution Circuit regarding this item. With respect to the item of accounts payable for the year 2014 AD and the item of withdrawn profits, the Circuit recorded the settlement of the dispute concerning them based on the Authority's acknowledgment of the validity of the defenses in its supplemental memorandum, following the review of the bank documentation and the detailed transaction history. Conversely, regarding the item of Murabaha and Taysfeer letters of credit, the Circuit concluded to reject the Taxpayer's appeal due to the established fact that Al-Hawl had passed upon parts of the loan balances. Accordingly, the Circuit amended the decision of the Resolution Circuit with respect thereto, whereby the ruling text of the decision decreed the acceptance of the appeal regarding one item and recorded the settlement of the dispute regarding other items, while rejecting it and affirming the decision of the Resolution Circuit regarding the remaining matters subject of the dispute.

Document:

- Article (70) of the Law of Sharia Procedures, issued by Royal Decree No. (M/1) dated 22/01/1435 AH.
- Paragraph (1) of Article (70) of the Executive Regulations of the Law of Sharia Procedures.
- Paragraph (5-8) of Clause (First) of Article (4) of the Executive Regulations for Zakat Collection, issued by Resolution of His Excellency the Minister of Finance No. (2082) dated 01/06/1438 AH.



Facts:



This is to consider the appeal submitted on 30/06/2024 AD, by / (.....), National ID No. (.....), against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Jeddah Governorate, No. (IZJ-2024-231700), issued in Lawsuit No. (Z-231700-2024) relating to the Zakat assessment for the years 2014 AD and 2015 AD, in the lawsuit filed by the Appellant against the Zakat, Tax and Customs Authority, wherein the decision of the Resolution Circuit ruled as follows:

First: Rejecting the Plaintiff's objection relating to foreign import discrepancies for the years 2014 AD and 2015 AD.

Second: Rejecting the Plaintiff's objection relating to the following items:

- a) Rejecting the Plaintiff's objection relating to Murabaha and Taysfeer letters of credit for the years 2014 AD and 2015 AD.
- b) Rejecting the Plaintiff's objection relating to the item of accounts payable for the years 2014 AD and 2015 AD.
- c) Rejecting the Plaintiff's objection relating to the item of withdrawn profits for the years 2014 AD and 2015 AD.

Whereas this decision did not meet the acceptance by the Taxpayer, it submitted an appeal brief, which was reviewed by the Circuit, and the substance of which included that the Taxpayer requests the acceptance of its appeal and the reversal of the Resolution Circuit's decision regarding the items subject of the appeal for the aforementioned grounds.

On Tuesday, dated 25/02/2025 AD, at 11:30 AM, the First Appeal Circuit for Income Tax Violations and Disputes held its hearing in the presence of its members whose names are recorded in the minutes, via video conferencing in accordance with the remote litigation procedures; pursuant to the provisions of Paragraph (1) of Article (15) of the Rules of Operation for Zakat, Tax, and Customs Committees, issued by Royal Decree No. (25711) dated 08/04/1445 AH. Upon calling upon the litigants, (.....), National ID No. (.....), attended in his capacity as the Appellant. Concurrently, the representative of the Appellee, (.....), National ID No. (.....), attended pursuant to an authorization issued by the Deputy Governor of the Zakat, Tax and Customs Authority for Legal Affairs, No. (.....), dated 19/03/1445 AH. Upon questioning the Appellant as to what he wished to add, he stated that he possesses an electronic printout issued by the Authority that differs in amount from the electronic printout attached by the Authority, and that he is unaware of the reason for such discrepancy. By presenting this to the representative of the Appellee, she replied that she maintains her position and reinforces the supplemental memorandum she submitted, which states the partial acceptance of the Taxpayer's objection. Accordingly, the Circuit deemed it appropriate to adjourn the consideration of the lawsuit for further study and



contemplation, provided that the next hearing, dated 18/03/2025 AD, shall be designated for pronouncing the decision.

On Tuesday, dated 18/03/2025 AD, at 01:55 PM, the First Appeal Circuit for Income Tax Violations and Disputes held its hearing in the presence of its members whose names are recorded in the minutes, via video conferencing in accordance with the remote litigation procedures; pursuant to the provisions of Paragraph (1) of Article (15) of the Rules of Operation for Zakat, Tax, and Customs Committees, issued by Royal Decree No. (25711) dated 08/04/1445 AH. Upon calling upon the litigants, the Appellant attended in person, (.....), National ID No. (.....), and the representative of the Appellee, (.....), National ID No. (.....), also attended pursuant to an authorization issued by the Deputy Governor of the Zakat, Tax and Customs Authority for Legal Affairs and Compliance, No. (.....), dated 19/03/1445 AH. Whereas the pleading stage and due deliberation have been closed, and whereas this hearing is designated for pronouncing the decision.

Grounds:

Upon reviewing the case documentation and the appeal brief submitted by the Taxpayer, it became evident to the Circuit that the requirements for considering the appeal procedurally have been satisfied in accordance with the conditions stipulated in the relevant laws, regulations, and resolutions. Accordingly, the appeal request is accepted procedurally, as it was submitted by a qualified capacity and within the prescribed statutory deadline.

On the Merits: With respect to the Taxpayer's appeal regarding the item of (Murabaha and Tayseer letters of credit, accounts payable, and withdrawn profits: A- Accounts payable for the year 2015 AD), whereas Paragraph No. (5) of Clause (First) of Article (4) of the Executive Regulations for Zakat Collection, issued by Ministerial Resolution No. (2082) dated 01/06/1438 AH, stipulates that: 'The Zakat base shall consist of all the Taxpayer's assets subject to Zakat, including: 5- Government and commercial loans and their equivalents from other financing sources, such as creditors, notes payable, and bank overdrafts outstanding in the Taxpayer's liability, in accordance with the following: A- Whatever remains thereof in cash and upon which Al-Hawl (one Zakat year) has passed. B- Whatever is used thereof to finance assets acquired for ownership. C- Whatever is used thereof in trade goods and upon which Al-Hawl has passed.' Concurrently, Paragraph (8) of Clause (First) of Article (4) of the same Regulations stipulates that: 'The Zakat base shall consist of all the Taxpayer's assets subject to Zakat, including: 8- The balance of retained earnings from previous years at the end of the year.'

Based on the foregoing, whereas accounts payable constitute one of the components of the Zakat base regardless of their type, source, or classification, provided that Al-Hawl has passed upon them or that they were utilized in financing assets deducted from the Zakat base without requiring Al-Hawl to pass upon them; and upon reviewing the documentation attached to the case file, it becomes evident that the Taxpayer attached (the general ledger for accounts payable for the year 2015 AD extracted from the system). Upon reviewing the submitted transaction history, it was revealed that the opening and closing balances are identical to the



balances stated in the Authority's Response Memorandum. By analyzing the submitted transaction history, it demonstrated the validity of the Taxpayer's defenses regarding the non-passage of Al-Hawl upon the opening balances of accounts payable for the year 2015 AD, as the transactions conducted during the year exceeded the opening balance. This conclusion is not undermined by what the Authority stated in its supplemental memorandum that it did not find Attachment No. (6) referenced by the Taxpayer, since the transaction history is attached within the document containing the Taxpayer's appeal brief. Therefore, the Circuit concludes to accept the Taxpayer's appeal and annul the decision of the Resolution Circuit regarding the item of (accounts payable for the year 2015 AD).

With respect to the Taxpayer's appeal regarding the item of (Murabaha and Tayseer letters of credit, accounts payable, and withdrawn profits: B- Accounts payable for the year 2014 AD / D- Withdrawn profits for the years 2014 AD and 2015 AD); Whereas Article (70) of the Law of Sharia Procedures, issued by Royal Decree No. (M/1) dated 22/01/1435 AH, stipulates that: 'The litigants may request the court, at any stage of the lawsuit, to record what they have agreed upon by way of acknowledgment, settlement, or otherwise in the case minutes, and the court shall Issue an instrument to that effect.' Concurrently, Paragraph (1) of Article (70) of the Executive Regulations of the Law of Sharia Procedures, issued by Resolution of the Minister of Justice No. (39933) dated 19/05/1435 AH, stipulates that: 'If the agreement is reached before entering the lawsuit into the record, the substance of the lawsuit and the response must be recorded before entering the agreement, taking into consideration that the original lawsuit must fall within the jurisdiction of the Circuit, even if the substance of the agreement falls within the jurisdiction of another court or circuit, provided that the subject matter of the lawsuit or part thereof is included within what has been agreed upon.' Based on the foregoing, whereas it has been established to this Circuit that the dispute has settled by virtue of the Authority's acceptance of the Taxpayer's requests, as set forth in the statement issued by it in the supplemental memorandum, which included—with respect to the item of (Murabaha and Tayseer letters of credit, accounts payable, and withdrawn profits: B- Accounts payable for the year 2014 AD)—the following: 'The Authority clarifies to the esteemed Circuit that, upon reviewing the detailed transaction history for the item for the year 2014 AD only, as submitted in the case file, it became evident that the balances are identical to the financial statements, and that Al-Hawl had not passed upon the opening balances since the amounts paid during the year exceed the opening balance. Accordingly, the Authority states that in the event the aforementioned procedural defense is bypassed, it accepts the Taxpayer's objection for the year 2014 AD exclusively.' It also included—with respect to the item of (Murabaha and Tayseer letters of credit, accounts payable, and withdrawn profits: D- Withdrawn profits for the years 2014 AD and 2015 AD)—the following: 'The Authority clarifies to the esteemed Circuit that, upon reviewing the documentation submitted in the case file, consisting of a bank statement extracted from the bank and copies of remittance receipts, and in the event the aforementioned procedural defense is bypassed, it accepts the Taxpayer's objection regarding this item, whereby the dispute between the Authority and the Taxpayer is deemed settled in this regard.' Therefore, it is incumbent upon the Circuit to record the



settlement of the dispute regarding the item of (Murabaha and Tayseer letters of credit, accounts payable, and withdrawn profits: B- Accounts payable for the year 2014 AD / D- Withdrawn profits for the years 2014 AD and 2015 AD).

With respect to the Taxpayer's appeal regarding the item of (Murabaha and Tayseer letters of credit for the years 2014 AD and 2015 AD), whereas Paragraph No. (5) of Clause (First) of Article (4) of the Executive Regulations for Zakat Collection, issued by Ministerial Resolution No. (2082) dated 01/06/1438 AH, stipulates that: 'The Zakat base shall consist of all the Taxpayer's assets subject to Zakat, including: 5- Government and commercial loans and their equivalents from other financing sources, such as creditors, notes payable, and bank overdrafts outstanding in the Taxpayer's liability, in accordance with the following: A- Whatever remains thereof in cash and upon which Al-Hawl (one Zakat year) has passed. B- Whatever is used thereof to finance assets acquired for ownership. C- Whatever is used thereof in trade goods and upon which Al-Hawl has passed.' Concurrently, Paragraph (8) of Clause (First) of Article (4) of the same Regulations stipulates that: 'The Zakat base shall consist of all the Taxpayer's assets subject to Zakat, including: 8- The balance of retained earnings from previous years at the end of the year.'

Based on the foregoing, it is worth noting at the outset that the opening balance for the year 2014 AD mentioned in the Authority's Response Memorandum, amounting to (13,727,805) Riyals, belongs to Tayseer and Murabaha letters of credit from [...] Bank and not [...] Bank. Whereas loans constitute one of the components of the Zakat base regardless of their type, source, or classification, provided that Al-Hawl has passed upon them or that they were utilized in financing assets deducted from the Zakat base without requiring Al-Hawl to pass upon them; upon reviewing the documentation attached to the case file, it becomes evident that the Taxpayer attached (the account statement for letters of credit and Murabaha facilities containing the opening balance, transaction history during the year, and closing balance for the years 2014 AD and 2015 AD, extracted from the system). Upon reviewing the submitted transaction history, it was revealed that the opening and closing balances are identical to the balances stated in the Authority's Response Memorandum. By analyzing the transaction history, it demonstrated the passage of Al-Hawl upon a portion of the opening balances of the loans for the year 2014 AD with a total value of (3,929,694) Riyals. As for the year 2015 AD, by studying and analyzing the statement attached by the Taxpayer, it revealed the passage of Al-Hawl upon an amount of (2,404,028) Riyals. Consequently, there is no validity to what was stated in the Taxpayer's appeal brief regarding the non-existence of amounts upon which Al-Hawl has passed, as examining the attached transaction history revealed the opposite to the Circuit. Therefore, the Circuit concludes to reject the Taxpayer's appeal and amend the decision of the Resolution Circuit regarding the item of (Murabaha and Tayseer letters of credit for the years 2014 AD and 2015 AD).

Regarding the Taxpayer's appeal concerning the remaining items subject of the lawsuit; and whereas The Circuit is not precluded from adopting the reasons of the appealed decision without adding to it whenever it deems that those reasons suffice without citing any new ones, because by endorsing it with what those reasons



carried, it is confirmed that it found nothing in the challenges directed at the decision that deserves a response beyond what those reasons included. And since it is established that the appealed decision regarding the dispute concerning the appealed items was consistent with the sound reasons upon which it was based and which are sufficient to carry its ruling, as the issuing Circuit undertook the examination of the merits of the dispute therein and concluded regarding it to the result reached in its operative part. And whereas this Circuit has not noticed anything requiring correction or comment regarding it in light of the defenses raised before it. This leads the Circuit to conclude the Rejection of the Taxpayer's appeal and affirming the appealed Resolution Circuit's decision regarding the result it reached in the remaining items subject of the lawsuit, based on its reasons.

Based on the foregoing, and adopting the aforementioned grounds, the Circuit unanimously rendered the following decision:

Decision:

First: Acceptance of the appeal procedurally, submitted by the Appellant Taxpayer / (.....), National ID No. (.....), TIN (.....), against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Jeddah Governorate, No. (IZJ-2024-231700), issued in Lawsuit No. (Z-231700-2024) relating to the Zakat assessment for the years 2014 AD and 2015 AD.

Second: On the Merits:

- 1- Rejecting the Taxpayer's appeal and affirming the decision of the Resolution Circuit regarding the item of (foreign import discrepancies in the amount of 25,908 Riyals for the year 2014 AD and the amount of 1,846,832.30 Riyals for the year 2015 AD).
- 2- With respect to the Taxpayer's appeal regarding the item of (Murabaha and Tayseer letters of credit, accounts payable, and withdrawn profits for the years 2014 AD and 2015 AD):
 - a. Rejecting the Taxpayer's appeal and amending the decision of the Resolution Circuit regarding the item of (Murabaha and Tayseer letters of credit for the years 2014 AD and 2015 AD).
 - b. Recording the settlement of the dispute regarding the Taxpayer's appeal on the item of (accounts payable for the year 2014 AD).
 - c. Accepting the Taxpayer's appeal and annulling the decision of the Resolution Circuit regarding the item of (accounts payable for the year 2015 AD).
 - d. Recording the settlement of the dispute regarding the Taxpayer's appeal on the item of (withdrawn profits for the years 2014 AD and 2015 AD).



Appeal Committee for Tax Violations and Disputes
First Appeal Circuit for Income Tax Violations and Disputes
in Riyadh City

Decision No. IR-2025-239341
Case No. Z-2024-239341

Keywords:

Zakat – Items Added Back to the Zakat Base – Investments – Additional Financing in Investee Companies – Acceptance of the Authority's Appeal

Summary:

The Authority submitted its appeal regarding the item of (additional financing in investee companies for the year 2017 AD), maintaining that the deduction of additional financing must be in accordance with the Taxpayer's share of equity in the investee company and based on the ownership percentage, rather than a full deduction.

The Circuit concluded to accept the Authority's appeal and annul the decision of the Resolution Circuit, ruling that the deduction shall be within the limits of the ownership percentage in order to prevent the duplication of Zakat.

Document:

- Paragraph (4/A) of Clause (Second) of Article (4) of the Executive Regulations for Zakat Collection, issued by Resolution of His Excellency the Minister of Finance No. (2082) dated 01/06/1438 AH.

Facts:

This is to consider the appeal submitted on 07/07/2024 AD, by the Zakat, Tax and Customs Authority, against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Riyadh City, No. (IFR-2024-204555), issued in Lawsuit No. (Z-204555-2023) relating to the Zakat assessment for the year 2017 AD, in the lawsuit filed by the Taxpayer against the Zakat, Tax and Customs Authority, wherein the decision of the Resolution Circuit ruled as follows:

Annul the decision of the Defendant / Zakat, Tax and Customs Authority, against the Plaintiff / (.....) Company, TIN (.....), relating to the assessment subject of the lawsuit.

Whereas this decision did not meet the acceptance by the Appellant (the Zakat, Tax and Customs Authority), it submitted an appeal brief, which was reviewed by the Circuit, and which included that, with respect to the item



of (additional financing in investee companies [(.....) Company] for the year 2017 AD), the Authority requests the annulment of the Circuit's decision concerning this item. This is on the ground that it deducted the value of the investments according to their value appearing in the financial statements pursuant to Paragraph (4) Clause (A) of Article (4) Clause (Second) of the Executive Regulations for Zakat Collection, following the acceptance of deducting the additional financing provided to the investee companies based on the ownership percentage, pursuant to the transaction history submitted by the Taxpayer. The Authority states that by reviewing the financial statements of (.....) Company (the investee company), it became evident that the amount the Taxpayer requests to deduct is classified as additional capital contributions within equity, and there is no disclosure regarding the purpose of the contribution. Furthermore, in subsequent years, this contribution was reduced without providing any clarification or disclosure for the reasons of such reduction. Accordingly, the Authority's procedure in treating it as additional financing and deducting it pro rata to the ownership percentage means deducting the share subject to double taxation, which was performed based on the transaction history submitted by the Taxpayer. It was revealed that the ownership of (.....) Company belongs 90% to (.....) Company and 10% to (.....) Project Company. It was previously clarified to the Taxpayer that even if this financing was provided in its entirety by (.....) Company, the company receiving the financing constitutes a separate legal entity and has two partners (two distinct financial liabilities); therefore, the financing is deducted pro rata to the ownership percentage. This is because the lender and the borrower constitute a single financial liability to the extent of 90%, and it is designated to avoid double taxation (the duplication of Zakat) for the financial liability of (.....) Company. With respect to the Taxpayer's defense in its statement of claim submitted before the Circuit that issued the decision—stating that (.....) Company did not recognize the investment or additional financing in its financial statements since its incorporation in 2012 AD until its liquidation in 2020 AD—the Authority responds that upon reviewing the statements of the investee company, (.....), the investment of (.....) Company is disclosed in the capital disclosure. The non-recognition by (.....) Company of the investment in its financial statements for the year 2017 AD does not mean that the Taxpayer, (.....) Company, is entitled to deduct the full additional financing. Furthermore, through the financial statements of (.....) Company, it was observed that losses are covered from the additional capital contributions. Through Disclosure No. (11) in the financial statements of (.....) Company, it is evident that losses are covered according to the partners' resolution, which contradicts the Taxpayer's statement that the financing amount was provided 100% by (.....) Company, as the coverage of losses is borne by all partners and not by one partner exclusively. Regarding the Taxpayer's reference to the acquisition of (.....) Company and that it became owned by (.....) Company for the year 2019 AD, the Authority clarifies that the adjustment was made in a year subsequent to the year under dispute, and this adjustment does not affect or alter the issued assessment. Regarding the Taxpayer's reference to the additional cost amounting to 10,592,226 Riyals, which represents the variance in the purchase value of a 45% share of (.....) Company from (.....) Company, the Authority clarifies that upon reviewing the financial statements of (.....) Company, it was revealed that this amount was not recorded in (.....) Company under any possible



item. In addition, the Taxpayer did not submit any document supporting the addition of this value to the investment value, except that it attached the minutes of the General Assembly of (.....) Company and the partners' resolution in (.....) Company regarding the exit of a partner and the amendment of the Articles of Association, and this value does not appear in any of them. Accordingly, the Authority confirms the validity of its procedure in refusing to accept its deduction due to the lack of supporting documentary evidence. Therefore, the Authority requests the acceptance of its appeal and the reversal of the Resolution Circuit's decision.

On Sunday, dated 02/02/2025 AD, at exactly 12:01 PM, the First Appeal Circuit for Income Tax Violations and Disputes held its hearing in the presence of its members whose names are recorded in the minutes, via video conferencing in accordance with the remote litigation procedures; pursuant to the provisions of Paragraph (1) of Article (15) of the Rules of Operation for Zakat, Tax, and Customs Committees, issued by Royal Decree No. (25711) dated 08/04/1445 AH. Upon reviewing the appeal request, the submitted memoranda, and the papers and documentation contained in the case file, and after due deliberation, whereas the lawsuit is ripe for adjudication in its current state, the Circuit decides to close the pleading stage and reserve the case for adjudication.

Grounds:

Upon reviewing the case documentation and the appeal brief submitted by the Authority, it became evident to the Circuit that the requirements for considering the appeal procedurally have been satisfied in accordance with the conditions stipulated in the relevant laws, regulations, and resolutions. Accordingly, the appeal request is accepted procedurally, as it was submitted by a qualified capacity and within the prescribed statutory deadline.

On the Merits, With respect to the Authority's appeal regarding the item of (additional financing in investee companies [(.....) Company] for the year 2017 AD), whereas Paragraph (4/A) of Clause (Second) of Article (4) of the Executive Regulations for Zakat Collection, issued by Ministerial Resolution No. (2082) dated 01/06/1438 AH, stipulates that: 'The following shall be deducted from the Zakat base: 4- (A): Investments in entities within the Kingdom—in partnership with others—if such investments are subject to Zakat pursuant to these Regulations; however, if the investment in such entities is not subject to Zakat, it shall not be deducted from the base.' Based on the foregoing, it is evident that the decision of the Resolution Circuit concluded to annul the Authority's procedure on the ground that the additional investment is classified within equity at the investee company and the Taxpayer is entitled to deduct it in full. Conversely, the Authority appeals the Resolution Circuit's decision, stating that it deducted the additional investment based on the Taxpayer's share of the total equity in the investee company, treating it as financing to avoid double taxation (the duplication of Zakat). By reference to the case file, it becomes evident that the variance subject of the dispute represents an additional contribution by the partner 'the Appellee' in excess of its ownership percentage which stands at (90%). Whereas the Authority based its procedure on calculating the additional investment in accordance with



the total equity appearing in the financial statements of the investee company; accordingly, it is evident that what the Taxpayer is entitled to deduct is the 90% portion, as performed by the Authority, while any amount exceeding its share represents a loan to the other partner whose share stands at 10%. This is further supported by what is stated in Disclosure No. (11) of the financial statements of the investee company, [(.....) Company], which included: 'The partners resolved to contribute to covering the loss of the year 2017 AD in the amount of 41,827,935 Saudi Riyals, to be deducted from the additional capital contributions (25,212,121 Saudi Riyals in the year 2016 AD).' Consequently, the Authority's procedure in refusing to deduct the variance subject of the dispute does not result in double taxation. This conclusion is not undermined by the Taxpayer's defense that the additional financing was paid entirely by it, since the investee company constitutes a separate legal entity that has two partners, and what was subject to Zakat in the investee company by 10% represents the assessment of the other partner's share [(.....)]. Therefore, the Circuit concludes to accept the Authority's appeal and annul the decision of the Resolution Circuit.

Based on the foregoing, and adopting the aforementioned grounds, the Circuit unanimously rendered the following decision:

Decision:

First: Acceptance of the appeal procedurally, submitted by the Appellant / Zakat, Tax and Customs Authority, against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Riyadh City, No. (IFR-2024-204555), issued in Lawsuit No. (Z-204555-2023) relating to the Zakat assessment for the year 2017 AD.

Second: On the Merits:

Accepting the Authority's appeal and annulling the decision of the Resolution Circuit.



Appeal Committee for Tax Violations and Disputes
First Appeal Circuit for Income Tax Violations and Disputes
in Riyadh City

Decision No. IR-2025-239345
Case No. Z-2024-239345

Keywords:

Zakat – Items Added Back to the Zakat Base – Investments – Investment in Local Companies – Acceptance of the Authority's Appeal

Summary:

The Authority appealed against the refusal to deduct the internal investment in a company amounting to (31,525,050) Riyals, maintaining that the amount constitutes additional financing/a loan rather than an investment, as it was classified by the investee company within current liabilities instead of equity, and due to the applicability of the provision of Paragraph (4) of Article (5) which excludes subordinated/additional financing from deductions. Consequently, the Circuit accepted the Authority's appeal and annulled the decision of the Resolution Circuit regarding this item. Furthermore, the Authority appealed against the item of real estate investments, arguing that the sale of a portion valued at (17,214,300) Riyals in the year 2020 AD serves as a presumption of trading intent. However, the Circuit rejected the Authority's appeal and upheld the decision of the Resolution Circuit regarding this item, incorporated on its grounds without additions.

Document:

- Paragraph (4) of Article (5) of the Executive Regulations for Zakat Collection, issued by Ministerial Resolution No. (2216) dated 07/07/1440 AH.

Facts:

This is to consider the appeal submitted on 07/07/2024 AD, by the Zakat, Tax and Customs Authority, against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Riyadh City, No. (IFR-2024-226570), issued in Lawsuit No. (Z-226570-2023) relating to the Zakat assessment for the year 2019 AD, in the lawsuit filed by the Taxpayer against the Zakat, Tax and Customs Authority, wherein the decision of the Resolution Circuit ruled as follows:

'Annul the decision of the Defendant / Zakat, Tax and Customs Authority, against the Plaintiff / (.....) Company, TIN (.....), relating to the assessment subject of the lawsuit.'



Whereas this decision did not meet the acceptance by the Appellant (the Zakat, Tax and Customs Authority), it submitted an appeal brief, which was reviewed by the Circuit, and which included that, with respect to the item of (non-deduction of the internal investment in [.....] Company), the Authority requests the annulment of the Circuit's decision concerning this item. This is on the ground that it excluded the deduction of the investment in (.....) Company, amounting to 31,525,050 Riyals, as it constitutes additional financing rather than investments, and consequently, it is not deducted from the base. The Authority's procedure is compliant with the provisions of Paragraph (4) of Article (5) of the Executive Regulations for Zakat Collection, issued by Ministerial Resolution No. (2216) dated 07/07/1440 AH. Upon reviewing the Taxpayer's financial statements, it became evident that the Taxpayer accounts for the investment under the equity method. Furthermore, upon reviewing the financial statements of the investee company, it revealed that the net equity consists of losses, as the accumulated losses exceed the capital value. Accordingly, it is apparent that the investment value appearing in the Taxpayer's statements constitutes additional financing provided to the investee company rather than additional capital as claimed by the Taxpayer. This is further confirmed by the investee company's classification of this financing within current liabilities instead of equity. Moreover, upon reviewing the Zakat Declaration of the investee company, it is evident that the portion upon which Al-Hawl has passed was added back to the Zakat base under other additions rather than internal financing, which confirms that the substance of this transaction is a loan provided to the subsidiary company and not additional capital. Therefore, the Authority's aforementioned procedure came in conformity with the provisions of Paragraph (4) of Article (5) of the Executive Regulations for Zakat Collection, issued by Ministerial Resolution No. (2216) dated 07/07/1440 AH referenced above. Based on the foregoing, the Authority maintains the validity and soundness of its procedure in rejecting the Taxpayer's objection, based on the aforementioned facts and statutory grounds that confirm the validity and soundness of the Authority's procedure. With respect to the item of (non-deduction of real estate investments in full and excluding them from the Zakat base), the Authority requests the annulment of the Circuit's decision concerning this item. This is on the ground that it did not deduct the investment properties in full and excluded the portion sold thereof in the year 2020 AD, and the objection was rejected given that the properties valued at 17,214,300 Riyals, which were excluded in the year 2020 AD, were held for sale and trading and not acquired for ownership (Al-Qunyah), pursuant to Paragraph (1) of Article (5) of the Executive Regulations for Zakat Collection issued by Ministerial Resolution No. (2216). Whereas the Taxpayer requests the deduction of the full value of the investment regardless of the sales realized in the subsequent year; the Authority excluded what was sold in the year 2020 AD from the value of the real estate investments pursuant to Disclosure No. (9) of the Taxpayer's statements for the following year. Whereas the subsequent year serves as a revealing factor of the Taxpayer's intent in the year under dispute, the Taxpayer's act of selling these investments confirms that the intent behind them was investments held for trading. This is supported by the analysis submitted by the Taxpayer in the case file, which confirms the absence of any rental income from these investments, as illustrated in Attachment No. (1). The Authority also clarifies that according to the financial statements, investment properties represent land, a building, or both, held to earn rentals or for capital



appreciation, and not for use in production, as illustrated in Attachment No. (2), noting that the sale transaction in the year 2020 AD was executed with a related party and resulted in a loss according to the statement of cash flows, as illustrated in Attachment No. (3). Accordingly, the Authority's procedure is compliant with the provisions of Paragraph (1) of Article (5) of the Executive Regulations for Zakat Collection, issued by Ministerial Resolution No. (2216); therefore, the Authority requests the acceptance of its appeal and the reversal of the Resolution Circuit's decision.

On Sunday, dated 02/02/2025 AD, at exactly 12:01 PM, the First Appeal Circuit for Income Tax Violations and Disputes held its hearing in the presence of its members whose names are recorded in the minutes, via video conferencing in accordance with the remote litigation procedures; pursuant to the provisions of Paragraph (1) of Article (15) of the Rules of Operation for Zakat, Tax, and Customs Committees, issued by Royal Decree No. (25711) dated 08/04/1445 AH. Upon reviewing the appeal request, the submitted memoranda, and the papers and documentation contained in the case file, and after due deliberation, whereas the lawsuit is ripe for adjudication in its current state, the Circuit decides to close the pleading stage and reserve the case for adjudication.

Grounds:

Upon reviewing the case documentation and the appeal brief submitted by the Authority, it became evident to the Circuit that the requirements for considering the appeal procedurally have been satisfied in accordance with the conditions stipulated in the relevant laws, regulations, and resolutions. Accordingly, the appeal request is accepted procedurally, as it was submitted by a qualified capacity and within the prescribed statutory deadline.

On the Merits, With respect to the Authority's appeal regarding the item of (non-deduction of the internal investment in [.....] Company), whereas Paragraph (4) of Article (5) of the Executive Regulations for Zakat Collection, issued by Ministerial Resolution No. (2216) dated 07/07/1440 AH, stipulates that: 'The following items shall be deducted from the Zakat base of a Taxpayer who maintains commercial books: investments in an entity within the Kingdom not held for trading, if such an entity is registered with the Authority and is subject to Zakat pursuant to the Regulations. Finance-leased assets in the lessor's commercial books shall not be deemed an investment to be deducted from the Zakat base, regardless of their classification in the financial statements. Likewise, debit loans, subordinated or additional financing, and their equivalents granted to the investee entity shall not be deemed an investment to be deducted from the Zakat base.' Based on the foregoing, whereas the core of the dispute rests upon the Authority's non-acceptance of deducting the investment in (.....) Company amounting to (31,525,050) Riyals on the ground that it constitutes additional financing rather than investments, while the decision of the Resolution Circuit concluded to accept the Taxpayer's objection to prevent double taxation (the duplication of Zakat) since it was established to that Circuit that the investment was recorded in the return of the investee company; by reference to the case file and its contents, it



becomes evident that the investment value appearing in the Taxpayer's books constitutes additional financing, as indicated by the Authority. This is further confirmed by the fact that the investee company classified the financing within current liabilities instead of equity. Whereas Paragraph (4) of Article (5) of the Executive Regulations for Zakat Collection, issued by Ministerial Resolution No. (2216) dated 07/07/1440 AH, affirmed that debit loans, subordinated or additional financing, and their equivalents granted to the investee entity shall not be deemed an investment to be deducted from the Zakat base, the Authority's point of view stands corrected. As for the double taxation referenced by the Resolution Circuit, the Taxpayer did not provide evidence proving the existence of double taxation upon the non-deduction of the investment from its base and its recording in the investee company's return, particularly since the Executive Regulations for Zakat Collection, issued by Ministerial Resolution No. (2216) dated 07/07/1440 AH, affirmed under Article (4) thereof that additions shall be within the limits of what is deducted, whereby double taxation is negated. Therefore, the Circuit concludes to accept the Authority's appeal and annul the decision of the Resolution Circuit regarding the item of (non-deduction of the internal investment in [.....] Company).

With respect to the Authority's appeal regarding the item of (non-deduction of real estate investments in full and excluding them from the Zakat base); following the Circuit's review of the appeal, and whereas The Circuit is not precluded from adopting the reasons of the appealed decision without adding to it whenever it deems that those reasons suffice without citing any new ones, because by endorsing it with what those reasons carried, it is confirmed that it found nothing in the challenges directed at the decision that deserves a response beyond what those reasons included. And since it is established that the appealed decision regarding the dispute concerning the appealed items was consistent with the sound reasons upon which it was based and which are sufficient to carry its ruling, as the issuing Circuit undertook the examination of the merits of the dispute therein and concluded regarding it to the result reached in its operative part. And whereas this Circuit has not noticed anything requiring correction or comment regarding it in light of the defenses raised before it. This leads the Circuit to conclude the Rejection of the Taxpayer's appeal and affirming the appealed Resolution Circuit's decision regarding the result it reached in the remaining items subject of the lawsuit, based on its reasons.

Based on the foregoing, and adopting the aforementioned grounds, the Circuit unanimously rendered the following decision:

Decision:

First: Acceptance of the appeal procedurally, submitted by the Appellant / Zakat, Tax and Customs Authority, against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Riyadh City, No. (IFR-2024-226570), issued in Lawsuit No. (Z-226570-2023) relating to the Zakat assessment for the year 2019 AD.



Second: On the Merits:

- 1- Accepting the Authority's appeal and annulling the decision of the Resolution Circuit regarding the item of (non-deduction of the internal investment in [.....] Company).
- 2- Rejecting the Authority's appeal and affirming the decision of the Resolution Circuit regarding the item of (non-deduction of real estate investments in full and excluding them from the Zakat base).



Appeal Committee for Tax Violations and Disputes
First Appeal Circuit for Income Tax Violations and Disputes
in Riyadh City

Decision No. IR-2025-239483
Case No. Z-2024-239483

Keywords:

Zakat – Items Added Back to the Zakat Base – The Zakat Base – Advance Payments – Acceptance of the Authority's Appeal

Summary:

The Authority appealed against the item of advance payments associated with the Ministry of Housing contract, maintaining that the portion upon which Al-Hawl (one Zakat year) has passed must be added back to the Zakat base without offsetting it against debit balances or letters of guarantee, due to the absence of a statutory basis, and because guarantees do not constitute collectible debts but rather amounts to ensure performance that are recovered after the completion of works. Concurrently, the Taxpayer appealed against the items subject to objection. Upon the Circuit's review of the detailed transaction history, it was revealed that the credit balance during the year (9,027,998 Riyals) was greater than the opening balance (8,431,358 Riyals), which negates the existence of any debit balance upon which Al-Hawl has passed that could reduce the advance payments. It was also revealed that the letters of guarantee do not represent amounts claimed by the Ministry of Housing, but rather guarantees to be recovered subsequently, making them ineligible for offsetting or deduction. Therefore, the Circuit decided to accept the Authority's appeal and annul the decision of the Resolution Circuit regarding the item of advance payments, while rejecting the Taxpayer's appeal with respect to the remaining challenged items in accordance with the conclusion of the decision.

Document:

- Paragraph (5) of Clause (First) of Article (4) of the Executive Regulations for Zakat Collection, issued by Resolution of His Excellency the Minister of Finance No. (2082) dated 01/06/1438 AH.

Facts:

This is to consider the appeal submitted on 11/07/2024 AD, by (.....), National ID No. (.....), in his capacity as the attorney for the Appellant Company pursuant to the foreign power of attorney issued on 21/09/2023 AD, authenticated by the official authorities in the Kingdom of Saudi Arabia, and under Attorney License No. (.....), and the appeal submitted by the Zakat, Tax and Customs Authority on 10/07/2024 AD, against the



decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Riyadh City, No. (IFR-2024-216301), issued in Lawsuit No. (Z-216301-2023) relating to the tax assessment for the year 2017 AD, in the lawsuit filed by the Taxpayer against the Zakat, Tax and Customs Authority, wherein the decision of the Resolution Circuit ruled as follows:

First: Annul the decision of the Defendant / Zakat, Tax and Customs Authority, against the Plaintiff / (.....) Company, No. (.....), relating to the item of advance payments on the contract subject of the lawsuit.

Second: Reject the remaining objections of the Plaintiff / (.....) Company, TIN (.....), against the decision of the Defendant / Zakat, Tax and Customs Authority, relating to the assessment subject of the lawsuit.

Whereas this decision did not meet the acceptance by both parties, each of them submitted an appeal brief, which contained the summary below:

Regarding the Taxpayer's appeal against the decision of the Resolution Circuit: The Taxpayer submitted an appeal brief which was reviewed by the Circuit, containing the Taxpayer's request to accept its appeal and reverse the decision of the Resolution Circuit regarding the challenged items for the reasons set forth above.

Similarly, the decision was not accepted by the Zakat, Tax and Customs Authority; hence, it submitted its appeal against the contested decision pursuant to an appeal brief containing the summary below:

Regarding the Authority's appeal against the decision of the Resolution Circuit: Its appeal concerning the item of (Advance Payments) rests upon requesting the annulment of the Circuit's decision regarding this item. The Authority clarifies that it added back the amounts upon which Al-Hawl (one Zakat year) has passed from the item of advance payments on the Ministry of Housing contract. By reference to the statement submitted by the Taxpayer during the objection stage relating to debtors and guarantees, it is evident that the Ministry of Housing has a debit balance as debtors and guarantees, and it is clear that there is no outstanding debit balance upon which Al-Hawl has passed belonging to the Ministry of Housing to be deducted from the credit advance payments upon which Al-Hawl has passed. This is because guarantees do not represent amounts claimed by the Ministry of Housing like debtors, but rather they are amounts to ensure performance that are recovered and the guarantee is withdrawn upon the completion of works. Accordingly, the Taxpayer's request cannot be executed since the Authority added back the advance payments on a contract upon which Al-Hawl has passed in accordance with the submitted transaction history, whose balances match the financial statements, pursuant to Paragraph (4) of Clause (First) of Article (4) of the Executive Regulations for Zakat Collection issued by Ministerial Resolution No. (2082) dated 01/06/1438 AH. Furthermore, the Circuit that issued the decision deducted the closing debit balance of the Ministry of Housing amounting to 5,298,305 Riyals according to the statement, as well as deducted the guarantee for the Ministry of Housing amounting to 14,261,182 Riyals from the amounts upon which Al-Hawl has passed; consequently, there is no balance upon which Al-Hawl has passed to be added back to the Zakat base. Accordingly, the Authority clarifies that, in principle, what the Taxpayer requests—and was supported by the issuing Circuit—to execute an offset between the debit



balance and letters of guarantee of the Ministry of Housing against the balances of advance payments from customers has no support in Sharia or the regulations, as there is no statutory text permitting such an offset. On the other hand, the Authority clarifies that the offset requested by the Taxpayer can only be executed against debts that share the same maturities as the advance payments from customers. The offset requested by the Taxpayer leads to the assumption that the debit balance and letters of guarantee that it requests to deduct with the Ministry of Housing have fallen due and it was unable to collect them, which does not appear from the disclosures submitted by the Taxpayer. Consequently, the Taxpayer cannot request an offset for debts whose maturities have not fallen due and whose collection dates have not matured against advance payments received for the purpose of completing future works. The Authority further clarifies that an offset is a negative means that results in the expiration of two reciprocal debts, where 'reciprocal' means mutual to the same person and sharing the same maturity, and it leads to a discharge of liability. Thus, the Taxpayer is requesting a discharge of liability from a debt whose maturity date has not fallen due upon the customer. Therefore, the two debts must be identical in type, description, maturity, strength, and weakness, which does not apply to the Taxpayer's case, since the maturities of the debit balance and the letter of guarantee have not fallen due to justify requesting an offset against advance payments from customers. Furthermore, it was fundamentally not proven that this debt is difficult to collect; on the contrary, the opening balance was collected in full during the year, in addition to collecting a portion of the dues that arose during the year, which confirms that they are debts owed by a solvent and willing debtor that are collected once they fall due. Accordingly, the Authority maintains the invalidity of the Taxpayer's claim to execute the offset. The Authority also clarifies that the debit balances required to be offset arose during the year and are not subject to the provisions of long-term debts or those whose maturities have fallen due and were not collected. Moreover, the Authority had previously approved all costs and expenses corresponding to these revenues; therefore, deducting them through offsetting from the base, while concurrently deducting their costs and expenses within the income statement, constitutes a double procedure and a deduction of a taxable source of income. Regarding the action taken by the Circuit that issued the decision—in annulling the Authority's decision, deducting the letters of guarantee, and executing an offset against them, which implies their deduction from the Taxpayer's Zakat base—the Authority responds that the conclusion reached by the Circuit is incorrect and misdirected, as there is no statutory text permitting such an action. Pursuant to the provisions of Article (4) of the Executive Regulations for Zakat Collection, issued by Ministerial Resolution No. (2082) for the year 1438 AH, statutory deposits of banks and insurance companies held with the Saudi Arabian Monetary Authority (SAMA), as well as any statutory deposits required by other activities, are not deducted from the Zakat base; hence, letters of guarantee may not be deducted since they constitute an operational requirement of the activity. Furthermore, comparing the closing debit balance against the credit balance upon which Al-Hawl (one Zakat year) has passed is incorrect. This is because the Authority executed the offset between the credit balance upon which Al-Hawl has passed against the debit balance, and this resulted in the non-existence of any outstanding debit balance upon which Al-Hawl has passed to be compared with the credit balance upon which Al-Hawl has passed as



follows (as referenced in the Authority's appeal). In addition, the guarantee does not represent amounts claimed by the Ministry of Housing like debtors, but rather they are amounts to ensure performance that are recovered and the guarantee is withdrawn upon the completion of works. Accounting-wise, it represents a percentage withheld by the customer from the contractor out of the total project value for the purpose of ensuring commitment and delivery in accordance with what is agreed upon; consequently, the contractor recovers this percentage subsequently provided that it does not breach the agreement. Conversely, the withholding of work performance guarantees is deemed an eligible compensation to the customer in the event that the contractor breaches the agreement. Accordingly, the Authority maintains the validity and soundness of its procedure.

On Monday, dated 03/02/2025 AD, at 02:01 PM, the First Appeal Circuit for Income Tax Violations and Disputes held its hearing in the presence of its members whose names are recorded in the minutes, via video conferencing in accordance with the remote litigation procedures; pursuant to the provisions of Paragraph (1) of Article (15) of the Rules of Operation for Zakat, Tax, and Customs Committees, issued by Royal Decree No. (25711) dated 08/04/1445 AH. Upon reviewing the appeal request, the submitted memoranda, and the papers and documentation contained in the case file, and after due deliberation, whereas the lawsuit is ripe for adjudication in its current state, the Circuit decides to close the pleading stage and reserve the case for adjudication.

Grounds:

Upon reviewing the case documentation and the appeal briefs submitted by the Taxpayer and the Zakat, Tax and Customs Authority, it became evident to the Circuit that the requirements for considering the appeals procedurally have been satisfied in accordance with the conditions stipulated in the relevant laws, regulations, and resolutions. Accordingly, both appeal requests are accepted procedurally, as they were submitted by qualified capacities and within the prescribed statutory deadline.

On the Merits, With respect to the Authority's appeal regarding the item of (Advance Payments), whereas Paragraph (5) of Clause (First) of Article (4) of the Executive Regulations for Zakat Collection, issued by Ministerial Resolution No. (2082) dated 01/06/1438 AH, stipulates that: 'The Zakat base shall consist of all the Taxpayer's funds subject to Zakat, including: 5- Government and commercial loans and their equivalents from other sources of financing, such as creditors, notes payable, and bank overdrafts outstanding against the Taxpayer, in accordance with the following: A- The remaining cash portion thereof upon which Al-Hawl (one Zakat year) has passed. B- The portion thereof used to finance assets acquired for ownership (Al-Qunyah). C- The portion thereof used in goods held for trading upon which Al-Hawl has passed.' Based on the foregoing, whereas the dispute between the two parties is confined to advance payments, where the Authority requests the addition of the advance payments on the Ministry of Housing contract as it constitutes one of the components of the Zakat base, and without executing an offset against its debit balance (debtors from contracts



and guarantees); and it is clear that there is no outstanding debit balance upon which Al-Hawl has passed belonging to the Ministry of Housing to be deducted from the amounts upon which Al-Hawl has passed from the advance payments, and that the conclusion reached by the Circuit has no support in Sharia or the regulations to execute the offset. Conversely, the Taxpayer indicates that the advance payments from the Ministry of Housing are matched by corresponding debit accounts exceeding the credit amount, which represent outstanding invoices and guarantees, and that the debit and credit balances were separated in accordance with accounting considerations.

By reference to the case file and the defenses and documentation contained therein, whereas advance payments constitute one of the components of the Zakat base on the condition that Al-Hawl passes over them or that they are used in financing assets deducted from the Zakat base; and since the dispute rests upon the offset between the debit and credit balances; and by reference to the documentation and the detailed transaction history with respect to debtors from contracts, it becomes evident that there is no debit balance to reduce the advance payments therewith, given that the opening balance of customers = 8,431,358 Riyals and the credit balance during the year = 9,027,998 Riyals. Whereas the credit balance during the year is greater than the opening balance, there is no debit balance to be reduced by the advance payments. With respect to the letters of guarantee (other debit balances), they do not represent amounts claimed by the Ministry of Housing, but rather they are amounts to ensure performance that are recovered and the guarantee is withdrawn upon the completion of works. Therefore, the Circuit concludes to accept the Authority's appeal and annul the decision of the Resolution Circuit regarding the item of (Advance Payments).

With respect to the Taxpayer's appeal regarding the remaining items subject of the lawsuit; and whereas The Circuit is not precluded from adopting the reasons of the appealed decision without adding to it whenever it deems that those reasons suffice without citing any new ones, because by endorsing it with what those reasons carried, it is confirmed that it found nothing in the challenges directed at the decision that deserves a response beyond what those reasons included. And since it is established that the appealed decision regarding the dispute concerning the appealed items was consistent with the sound reasons upon which it was based and which are sufficient to carry its ruling, as the issuing Circuit undertook the examination of the merits of the dispute therein and concluded regarding it to the result reached in its operative part. And whereas this Circuit has not noticed anything requiring correction or comment regarding it in light of the defenses raised before it. This leads the Circuit to conclude the Rejection of the Taxpayer's appeal and affirming the appealed Resolution Circuit's decision regarding the result it reached in the remaining items subject of the lawsuit, based on its reasons.

Based on the foregoing, and adopting the aforementioned grounds, the Circuit unanimously rendered the following decision:



Decision:

First: Acceptance of the appeals procedurally, submitted by the Taxpayer / (.....) Company, Commercial Registration No. (.....), TIN (.....), and the appeal submitted by the Zakat, Tax and Customs Authority, against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Riyadh City, No. (IFR-2024-216301), issued in Lawsuit No. (Z-216301-2023) relating to the tax assessment for the year 2017 AD.

Second: On the Merits:

- 1- Rejecting the Taxpayer's appeal and affirming the decision of the Resolution Circuit regarding the item of (accounts payable).
- 2- Rejecting the Taxpayer's appeal and affirming the decision of the Resolution Circuit regarding the item of (current portion of due to related parties and non-current portion of due to related parties).
- 3- Accepting the Authority's appeal and annulling the decision of the Resolution Circuit regarding the item of (advance payments).



Appeal Committee for Tax Violations and Disputes
First Appeal Circuit for Income Tax Violations and Disputes
in Riyadh City

Decision No. IR-2025-239623
Case No. Z-2024-239623

Keywords:

Zakat – Items Added Back to the Zakat Base – Assessment – Assessment Issuance Procedures – Zakat Adjustment – Acceptance of the Authority's Appeal

Summary:

The Authority objected to the Resolution Circuit's conclusion to annul the assessment for the year 2015 AD due to a procedural defect, maintaining that the Taxpayer was aware of the adjustments and their underlying reasons through the adjustment letter and its submitted objection brief, and that the assessment was notified via recognized statutory means. Furthermore, the Authority asserted that the conclusion reached by the Resolution Circuit does not conform to the provisions of the Executive Regulations for Zakat Collection. Consequently, the Circuit decided to accept the Authority's challenge, annul the decision of the Resolution Circuit, and remand the lawsuit back to it for consideration on the merits, following the establishment of the soundness of the notification of the adjustment reasons and the validity of the Authority's procedure from a statutory perspective, thereby ensuring the enabling of the parties' right to litigation on two levels.

Document:

- Paragraph (7) of Article (21) of the Executive Regulations for Zakat Collection, issued by Resolution of His Excellency the Minister of Finance No. (2082) dated 01/06/1438 AH.

Facts:

This is to consider the appeal submitted on 14/07/2024 AD, by the Zakat, Tax and Customs Authority, against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Dammam City, No. (IZD-2024-28810), issued in Lawsuit No. (Z-28810-2020) relating to the Zakat assessment for the years from 2012 AD to 2015 AD, in the lawsuit filed by the Taxpayer against the Zakat, Tax and Customs Authority, wherein the decision of the Resolution Circuit ruled as follows:

'Annul the Defendant's decision relating to the Zakat assessment for the year 2015 AD.'



Whereas the Resolution Circuit issued its aforementioned decision and considered the lawsuit as a result of the decision of this Circuit No. (IR-2023-94765) issued on 11/12/2023 AD, which entailed remanding the lawsuit back to the Resolution Circuit for consideration on the merits, and which ruled as follows:

'First: Acceptance of the appeal procedurally, submitted by the Appellant / Zakat, Tax and Customs Authority, against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Dammam City, No. (IZD-2022-40), issued in Lawsuit No. (Z-28810-2020) relating to the Zakat and tax assessment for the years from 2012 AD to 2015 AD.

Second: On the Merits:

Accepting the Authority's appeal and remanding the lawsuit back to the Resolution Circuit for consideration with respect to the item of (annulling the Defendant's decision relating to the item of depreciation variances in [.....] Company, the item of provisions charged to the period's account in [.....] Company, the item of social insurance differences and workmen's compensation expenses, the item of capital expenses, the item of balances upon which Al-Hawl has passed "accounts payable", outstanding amounts, and other additions, and the item of the establishment's share in the Zakat base in [.....] "Professional Company" for the year 2015 AD).'

Accordingly, the Circuit decided to resume the consideration of the lawsuit. Whereas the contested decision was not accepted by the Authority, it submitted an appeal brief which was reviewed by the Circuit, containing a summary that the Resolution Circuit's conclusion—regarding the assessment's failure to satisfy the mandatory procedural requirements—is unsound, since the Taxpayer was aware of the adjustments and their underlying reasons. Furthermore, the Appellate Circuit restricted the consideration to the remanded items, making it impermissible to consider any other matters, and the Taxpayer did not raise such defenses within the statutory deadline. Therefore, the Authority requests the acceptance of its appeal and the reversal of the contested decision of the Resolution Circuit.

On Wednesday, dated 05/02/2025 AD, at exactly 08:00 AM, the First Appeal Circuit for Income Tax Violations and Disputes held its hearing in the presence of its members whose names are recorded in the minutes, via video conferencing in accordance with the remote litigation procedures; pursuant to the provisions of Paragraph (1) of Article (15) of the Rules of Operation for Zakat, Tax, and Customs Committees, issued by Royal Decree No. (25711) dated 08/04/1445 AH. Upon reviewing the appeal request, the submitted memoranda, and the papers and documentation contained in the case file, and after due deliberation, whereas the lawsuit is ripe for adjudication in its current state, the Circuit decides to close the pleading stage and reserve the case for adjudication.



Grounds:

Upon reviewing the case documentation and the appeal brief submitted by the Authority, it became evident to the Circuit that the requirements for considering the appeal procedurally have been satisfied in accordance with the conditions stipulated in the relevant laws, regulations, and resolutions. Accordingly, the appeal request is accepted procedurally, as it was submitted by a qualified capacity and within the prescribed statutory deadline.

On the Merits, Upon the Circuit's contemplation of the case file and the documentation contained therein, whereas the Authority challenges the Resolution Circuit's decision which ruled to annul the Authority's assessment for the year 2015 AD on the ground that the Authority's decision was defective and tainted by a procedural defect, thereby depriving it of the status of a valid administrative decision; and by reference to the contested decision subject of the appeal and upon examining the grounds on which the Resolution Circuit based its decision leading to this outcome, it becomes evident that they do not conform to the provisions of the Executive Regulations for Zakat Collection.

The notification of the adjustment letter issued on 22/06/2020 AD contained within its folds that the adjustment was due to the audit status. Furthermore, the objection brief submitted by the Taxpayer before the Resolution Circuit—wherein it indicated in the description of the document that it is a (copy of the primary objection previously submitted to the Authority)—included the items, the underlying reasons for the procedure, and the response thereto, which demonstrates the Taxpayer's awareness of the assessment reasons. This conclusion is not undermined by what the Resolution Circuit's decision concluded in ruling the invalidity of the Authority's decision for being tainted by a procedural defect. Moreover, the Taxpayer was notified of the reasons for the adjustments executed by the Authority on its Zakat Declaration, and the notification shall be via registered mail or any other means proving its receipt of the notification, including notification through electronic services, since the Authority executed the assessment on the Taxpayer via statutory methods.

This is pursuant to the provisions of Paragraph (7) of Article (21) of the Executive Regulations for Zakat Collection, issued by Ministerial Resolution No. (2082), which stipulates that: 'If the Authority deems it necessary to adjust the Taxpayer's return, it shall notify it of the adjustments executed on its Zakat Declaration... and the notification shall be via registered mail or any other means proving its receipt of the notification, including notification through official electronic services.' Accordingly, the validity of the Authority's procedure stands established from a statutory perspective. Therefore, and to enable the parties to the lawsuit to exercise the right to litigation on two levels, the Circuit concludes to accept the Authority's appeal, annul the decision of the Resolution Circuit, and remand the lawsuit back to it for consideration on the merits.

Based on the foregoing, and adopting the aforementioned grounds, the Circuit unanimously rendered the following decision:



Decision:

First: Acceptance of the appeal procedurally, submitted by the Appellant / Zakat, Tax and Customs Authority, against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Dammam City, No. (IZD-2024-28810), issued in Lawsuit No. (Z-28810-2020) relating to the Zakat assessment for the years from 2012 AD to 2015 AD.

Second: On the Merits:

Accepting the Authority's appeal, annulling the decision of the Resolution Circuit, and remanding the lawsuit back to it for consideration on the merits.



Appeal Committee for Tax Violations and Disputes
First Appeal Circuit for Income Tax Violations and Disputes
in Riyadh City

Decision No. IR-2025-239895
Case No. Z-2024-239895

Keywords:

Zakat – Items Added Back to the Zakat Base – Disallowance of Deducting the Investments Item – Fixed Assets – Acceptance of the Taxpayer's Appeal

Summary:

The Taxpayer appealed against the Resolution Circuit's decision regarding fixed assets and bank facilities, concurrently, the Authority submitted its appeal regarding the arithmetic complement resulting from the application of the new Regulations. Consequently, the Circuit decided to accept the Authority's appeal and annul the decision of the Resolution Circuit with respect to the item of the arithmetic complement amounting to (2,248,124) Riyals, and to record the abandonment of litigation with respect to the item of related parties. Regarding the item of fixed assets, the Circuit decided to disallow the deduction of lands valued at (243,550,085) Riyals, and to accept the Taxpayer's appeal to deduct a group of apartments, buildings, and lands for buildings under construction valued at (72,321,776) Riyals, while recording the expiration of the dispute with respect to the item of showrooms and warehouses totaling (44,111,505) Riyals, and it concluded to uphold the decision of the Resolution Circuit with respect to the item of bank facilities.

Document:

- Paragraph (1) of Article (5) – Article (20) of the Executive Regulations for Zakat Collection, issued by Ministerial Resolution No. (2216) dated 07/07/1440 AH.
- Article (70) of the Law of Sharia Procedures, issued by Royal Decree No. (M/1) dated 22/01/1435 AH.
- Paragraph (1) of Article (70) of the Executive Regulations of the Law of Sharia Procedures, issued by Resolution of the Minister of Justice No. (39933) dated 19/05/1435 AH.

Facts:

This is to consider the appeal submitted on 23/07/2024 AD, by (), National ID No. (), in his capacity as the legal representative for the Appellant Company pursuant to its Articles of Association, and the appeal submitted by the Zakat, Tax and Customs Authority on 01/08/2024 AD, against the decision of the Third Circuit for the Resolution of Income Tax Violations and Disputes in Riyadh City, No. (ITR-2024-204682), issued in Lawsuit



No. (Z-204682-2023) relating to the Zakat assessment for the year 2017 AD, in the lawsuit filed by the Taxpayer against the Zakat, Tax and Customs Authority, wherein the decision of the Resolution Circuit ruled as follows:

First: Procedurally:

Acceptance of the objection of the Plaintiff / () Company, Commercial Registration No. (), against the decision of the Defendant / Zakat, Tax and Customs Authority.

Second: On the Merits:

- 1- Annul the Defendant's decision regarding the item of the arithmetic complement for calculating the 2017 Zakat under the new Regulations, amounting to 2,248,124 Riyals.
- 2- Modify the Defendant's decision regarding the item of (related parties for the year 2017) by adding it back in a manner not exceeding the total amount deducted from the Zakat base.
- 3- Reject the Plaintiff's objection regarding the item of bank facilities—real estate company loan for the year 2017—amounting to 62,785,853 Riyals.
- 4- Reject the Plaintiff's objection regarding the item of fixed assets for the year 2017, amounting to 359,983,368 Riyals.

Whereas this decision did not meet the acceptance by both parties, each of them submitted an appeal brief, which contained the summary below:

Regarding the Taxpayer's appeal against the decision of the Resolution Circuit: With respect to the item of (Fixed Assets), its appeal rests upon the ground that both lands satisfy the deduction conditions according to the Regulations, namely ownership and use for the company's purposes. It stated that the company owns two plots of land in () district, and that the company entered into a credit facilities agreement to finance the purchase of the two plots of land. It also entered into an agreement with () Company to establish a five-star hotel and enter as a partner in the establishment of the hotel. Furthermore, regarding the inclusion of the two lands by () Company within its fixed assets and deducting them from the Zakat base, the Authority can refer back to it and inquire about its reasons for deducting them from the Zakat base, especially since the ownership of the two lands is for the benefit of () Company. It also mentioned that the Authority submitted a defense memorandum in Lawsuit No. (Z-204684-2024) regarding the company's objection to the year 2018, wherein the Authority agreed to deduct fixed assets valued at (174,934,039) Riyals; therefore, the company considers that it has the right to have its objection accepted. With respect to the item of (bank facilities—real estate company loan for the year 2017), the Taxpayer submitted an appeal brief in this regard, which was reviewed by the Circuit, containing the Taxpayer's request to accept its appeal against these items. Accordingly, the Taxpayer requests the reversal of the Resolution Circuit's decision regarding the challenged items for the reasons set forth above.



Similarly, the decision was not accepted by the Zakat, Tax and Customs Authority; hence, it submitted its appeal against the contested decision pursuant to an appeal brief containing the summary below:

Regarding the Authority's appeal against the decision of the Resolution Circuit: Its appeal concerning the item of (the arithmetic complement for calculating the 2017 Zakat under the new Regulations) rests upon requesting the annulment of the Circuit's decision regarding this item on the basis that these amounts are arithmetic complements that appear through the adjustment of net profit, and they are mathematical operations rather than liabilities, representing no additional or new items for the Taxpayer. It clarified that the Authority's adjustments relate only to the ERAD system, while attaching the assessments approved by the Authority, which do not contain these arithmetic complements. The Authority stated that it submitted in its defense memorandum No. (2) attached to the portal a screenshot of the system and a copy of the assessment showing the conformity of Zakat in accordance with the details of the assessment sent to the Taxpayer via the ERAD system and the adjustment notification. The arithmetic complement was added into the ERAD system due to the application of Regulations No. (2216) during the assessment upon the Taxpayer's request; accordingly, these amounts constitute arithmetic complements appearing through the adjustment of net profit in the return of the Authority's system portal as a result of applying the Executive Regulations for Zakat Collection No. (2216) pursuant to Ministerial Resolution No. (13957), and they are mathematical operations that do not represent any additional or new items for the Taxpayer. Therefore, the Authority requests a ruling to reverse the contested Circuit's decision. With respect to the item of (Related Parties), the Authority objects to what the Resolution Circuit decided in its regard; accordingly, the Authority requests the acceptance of its appeal and the reversal of the Resolution Circuit's decision regarding the items subject of its appeal.

On Monday, dated 24/02/2025 AD, at exactly 01:00 PM, the First Appeal Circuit for Income Tax Violations and Disputes held its hearing in the presence of its members whose names are recorded in the minutes, via video conferencing in accordance with the remote litigation procedures; pursuant to the provisions of Paragraph (1) of Article (15) of the Rules of Operation for Zakat, Tax, and Customs Committees, issued by Royal Decree No. (25711) dated 08/04/1445 AH. Upon reviewing both appeal requests, the submitted memoranda, and the papers and documentation contained in the case file, and after due deliberation, whereas the lawsuit is ripe for adjudication in its current state, the Circuit decides to close the pleading stage and reserve the case for adjudication.

Grounds:

Upon reviewing the case documentation and the appeal briefs submitted by the Taxpayer and the Zakat, Tax and Customs Authority, it became evident to the Circuit that the requirements for considering the appeals procedurally have been satisfied in accordance with the conditions stipulated in the relevant laws, regulations,



and resolutions. Accordingly, both appeal requests are accepted procedurally, as they were submitted by qualified capacities and within the prescribed statutory deadline.

On the Merits:

With respect to the Authority's appeal regarding the item of (the arithmetic complement for calculating the 2017 Zakat under the new Regulations), whereas Article (20) of the Executive Regulations for Zakat Collection, issued by Ministerial Resolution No. (2216) dated 07/07/1440 AH, stipulates that: 'The Authority shall issue the assessment containing its approval of the return or its adjustment thereto, while stating the reasons for adjustment. The Taxpayer may object to the assessment in accordance with the provisions of Chapter (Seven) of the Regulations.' Based on the foregoing, whereas the dispute rests upon the arithmetic complement amounting to (2,248,124) Riyals resulting from the Authority's adjustment of net profit—where the Taxpayer maintains that the Authority executed its procedure without clarifying how this amount was reached or the reasons for adding it back, while the Authority stated in its appeal brief that these amounts constitute arithmetic complements appearing through the adjustment of net profit, being mathematical operations rather than liabilities, representing no additional or new items, and that they resulted from the Taxpayer's application of the Executive Regulations for Zakat Collection No. (2216) pursuant to Ministerial Resolution No. (13957); and whereas the Authority attached a copy of the assessment and confirmed the conformity of Zakat in accordance with the details of the assessment sent to the Taxpayer via the ERAD system and the adjustment notification, and further attached a copy confirming that the Taxpayer was notified of the adjustment, which included the arithmetic complement for calculating Zakat under the new Regulations (2216); and based on the aforementioned, since the Authority clarified in its appeal brief the procedure taken by it regarding this arithmetic complement and proved its point of view, the Circuit concludes to accept the Authority's appeal and annul the decision of the Resolution Circuit regarding the item of (the arithmetic complement for calculating the 2017 Zakat under the new Regulations).

With respect to the Authority's appeal regarding the item of (related parties for the year 2017), whereas Article (70) of the Law of Sharia Procedures, issued by Royal Decree No. (M/1) dated 22/01/1435 AH, stipulates that: 'The litigants may request the court, at any stage of the lawsuit, to record what they have agreed upon by way of admission, settlement, or otherwise in the hearing minutes, and the court shall Issue an instrument to that effect.' Furthermore, Paragraph (1) of Article (70) of the Executive Regulations of the Law of Sharia Procedures, issued by Resolution of the Minister of Justice No. (39933) dated 19/05/1435 AH, stipulates that: 'If the agreement is reached prior to recording the lawsuit, the substance of the lawsuit and the answer must be recorded before documenting the agreement, while taking into consideration that the primary lawsuit falls within the jurisdiction of the Circuit, even if the substance of the agreement falls within the jurisdiction of another court or circuit, provided that the subject-matter of the lawsuit or a part thereof is among what has been agreed upon.' Based on the foregoing, whereas the Authority's request to abandon the appeal has been established to this Circuit in accordance with what was stated in the letter issued by it in the supplemental



memorandum, which contained: 'The Authority wishes to inform the esteemed Circuit of the abandonment of its appeal regarding the specific item mentioned above, and the procedures resulting from the Authority's appeal for this item, in accordance with the rationale concluded in the Resolution Circuit's decision.' Therefore, the Circuit concludes to accept the Authority's request to abandon litigation with respect to the item of (related parties for the year 2017).

With respect to the Taxpayer's appeal regarding the item of (Fixed Assets—A: a group of apartments, buildings, and lands for buildings under construction with a total value of 72,321,776 Riyals) and the item of (Fixed Assets—C: showrooms and warehouses totaling 44,111,505 Riyals), whereas Paragraph (1) of Article (5) of the Executive Regulations for Zakat Collection, issued by Ministerial Resolution No. (2216) dated 07/07/1440 AH, stipulates that: 'The following items shall be deducted from the Zakat base of a Taxpayer who maintains commercial books: 1- Net fixed assets and their equivalents, including—by way of example and not limitation—the following: A- Fixed assets acquired for the purpose of being used in the Taxpayer's activity, at the book value appearing in the financial statements. B- Payments for purchasing fixed assets. C- Spare parts and materials not intended for sale. D- Assets financed for the lessee under finance lease contracts in Build-Operate-Transfer (BOT) projects, Build-Own-Operate (BOO) projects, Build-Own-Operate-Transfer (BOOT) projects, and other similar forms.'

Based on the foregoing, whereas two essential conditions must be satisfied to deem assets eligible for deduction from the Zakat base, namely: a documented intent from the authorized person clarifying the intention, and the absence of any sale transactions executed during the year. By reviewing the case file and the documentation contained therein, it was revealed that the Authority's disallowance of deducting the above item is due to the real estate being held for sale, with no evidence proving its utilization in the activity and no rental returns generated therefrom; however, such a ground has no support in the Regulations, given that the sale transaction must occur during the year of dispute (2017 AD). Whereas according to the submissions of the Taxpayer, no derecognition transaction took place during the year of dispute, and the Authority indicated in the Simplified Guide for Zakat Treatment of Prominent Items Subject to Objection that: 'The Authority disallows the deduction of investments in the following cases: ... Investments held for trading, even if classified within long-term assets, if it is verified that buying and selling transactions were executed on the investment during the year.' This constitutes an affirmation by the Authority that sale transactions must be executed during the year of dispute. Furthermore, the Authority stated in its defense memorandum that it accepts the deduction of showrooms and warehouses according to the statement attached by the Taxpayer totaling 44,111,505 Riyals. Therefore, the Circuit concludes to accept the Taxpayer's appeal, annul the decision of the Resolution Circuit regarding the item of (a group of apartments, buildings, and lands for buildings under construction with a total value of 72,321,776 Riyals), and record the expiration of the dispute with respect to the item of (showrooms and warehouses totaling 44,111,505 Riyals).



With respect to the Taxpayer's appeal regarding the remaining items subject of the lawsuit; and whereas The Circuit is not precluded from adopting the reasons of the appealed decision without adding to it whenever it deems that those reasons suffice without citing any new ones, because by endorsing it with what those reasons carried, it is confirmed that it found nothing in the challenges directed at the decision that deserves a response beyond what those reasons included. And since it is established that the appealed decision regarding the dispute concerning the appealed items was consistent with the sound reasons upon which it was based and which are sufficient to carry its ruling, as the issuing Circuit undertook the examination of the merits of the dispute therein and concluded regarding it to the result reached in its operative part. And whereas this Circuit has not noticed anything requiring correction or comment regarding it in light of the defenses raised before it. This leads the Circuit to conclude the Rejection of the Taxpayer's appeal and affirming the appealed Resolution Circuit's decision regarding the result it reached in the remaining items subject of the lawsuit, based on its reasons.

Based on the foregoing, and adopting the aforementioned grounds, the Circuit unanimously rendered the following decision:

Decision:

First: Acceptance of the appeals procedurally, submitted by the Taxpayer / () Company, Commercial Registration No. (), TIN (_____), and the appeal submitted by the Zakat, Tax and Customs Authority, against the decision of the Third Circuit for the Resolution of Income Tax Violations and Disputes in Riyadh City, No. (ITR-2024-204682), issued in Lawsuit No. (Z-204682-2023) relating to the Zakat assessment for the year 2017 AD.

Second: On the Merits:

- 1- Accepting the Authority's appeal and annulling the decision of the Resolution Circuit regarding the item of (the arithmetic complement for calculating the 2017 Zakat under the new Regulations).
- 2- Accepting the Authority's request to abandon litigation regarding the item of (related parties for the year 2017).
- 3- Rejecting the Taxpayer's appeal and affirming the decision of the Resolution Circuit regarding the item of (bank facilities—real estate company loan for the year 2017).
- 4- With respect to the Taxpayer's appeal regarding the item of (Fixed Assets):
 - a. Rejecting the Taxpayer's appeal and affirming the decision of the Resolution Circuit regarding the item of lands in () and (), with a total value of 243,550,085 Riyals.
 - b. Accepting the Taxpayer's appeal and annulling the decision of the Resolution Circuit regarding the item of (a group of apartments, buildings, and lands for buildings under construction with a total value of 72,321,776 Riyals).



- c. Recording the expiration of the dispute regarding the item of (showrooms and warehouses totaling 44,111,505 Riyals).

Appeal Committee for Tax Violations and Disputes
First Appeal Circuit for Income Tax Violations and Disputes
in Riyadh City

Decision No. IR-2025-240222
Case No. Z-2024-240222

Keywords:

Zakat – Items Added Back to the Zakat Base – Zakat Base – Balance Difference Due to Related Parties – Taxpayer's Disclosure of a Balance – Acceptance of the Authority's Appeal

Summary:

The Authority submitted its appeal regarding the item of (adding back the balance difference due to related parties) within the Zakat assessment for the year 2021 AD, maintaining that the Resolution Circuit modified the addition in a manner that exceeded the scope of the Taxpayer's request and led to an outcome lower than the amount disclosed in its return. The Authority based its argument on the fact that the Taxpayer disclosed within equity/other liabilities an amount of (23,485,063) Riyals, whereas the initial decision of the Circuit concluded to add back (14,875,414) Riyals only as a cap on deductions, which is less than the admitted amount. Therefore, the Circuit decided to accept the Authority's appeal and modify the decision of the Resolution Circuit, whereby the amount to be added back to the Zakat base shall be (23,485,063) Riyals in accordance with the return submitted by the Taxpayer.

Document:

- Paragraphs (1 and 3) of Article (4) of the Executive Regulations for Zakat Collection, issued by Ministerial Resolution No. (2216) dated 07/07/1440 AH.

Facts:

This is to consider the appeal submitted on 01/08/2024 AD, by the Zakat, Tax and Customs Authority, against the decision of the Third Circuit for the Resolution of Income Tax Violations and Disputes in Riyadh City, No. (ITR-2024-227517), issued in Lawsuit No. (Z-227517-2023) relating to the Zakat assessment for the year 2021 AD, in the lawsuit filed by the Taxpayer against the Zakat, Tax and Customs Authority, wherein the decision of the Resolution Circuit ruled as follows:



First: Procedurally:

Acceptance of the objection of the Plaintiff / () Company, Commercial Registration No. (), against the decision of the Defendant / Zakat, Tax and Customs Authority.

Second: On the Merits:

Modify the Defendant's procedure regarding the item of adding back the balance difference due to related parties, amounting to (29,040,310.09) Riyals for the year 2021 AD.

Whereas this decision did not meet the acceptance by the Appellant (the Zakat, Tax and Customs Authority), it submitted an appeal brief containing the summary below:

The Authority objects to the contested decision of the Resolution Circuit, claiming that with respect to the item of (adding back the balance difference due to related parties), the Resolution Circuit's decision ruled for more than what was requested by the Taxpayer. It argues that the Taxpayer's requests were confined to annulling the adjustments amounting to (430,082) Riyals, whereas the Circuit's decision came to modify the Authority's decision regarding related parties, whereby the item is to be added back in a manner not exceeding the amount deducted from the Zakat base, which is something the Taxpayer did not request. The Authority notes that the payable Zakat resulting from the Resolution Circuit's decision consequently leads to ruling for more than what the Taxpayer claims, and for more than the adjustments set forth in the Authority's assessment. Therefore, the Authority requests the reversal of the Resolution Circuit's decision, and a ruling to calculate the Zakat in accordance with the Taxpayer's return with a payable Zakat amounting to (555,471.19) Riyals pursuant to its request.

On Thursday, dated 20/02/2025 AD, the First Appeal Circuit for Income Tax Violations and Disputes held its hearing in the presence of its members whose names are recorded in the minutes, via video conferencing in accordance with the remote litigation procedures; pursuant to the provisions of Paragraph (1) of Article (15) of the Rules of Operation for Zakat, Tax, and Customs Committees, issued by Royal Decree No. (25711) dated 08/04/1445 AH. Upon reviewing the appeal request, the submitted memoranda, and the papers and documentation contained in the case file, and after due deliberation, whereas the lawsuit is ripe for adjudication in its current state, the Circuit decided to close the pleading stage and reserve the case for adjudication.

Grounds:

Upon reviewing the case documentation and the appeal brief submitted by the Authority, it became evident to the Circuit that the requirements for considering the appeal procedurally have been satisfied in accordance with the conditions stipulated in the relevant laws, regulations, and resolutions. Accordingly, the appeal request is accepted procedurally, as it was submitted by a qualified capacity and within the prescribed statutory deadline.



On the Merits, with respect to the Authority's appeal regarding the item of (adding back the balance difference due to related parties); whereas Paragraph (1) of Article (4) of the Executive Regulations for Zakat Collection, issued by Ministerial Resolution No. (2216) dated 07/07/1440 AH, stipulates that: 'The Zakat base of a Taxpayer who maintains commercial books shall consist of all its assets subject to Zakat, including the following: Capital, as well as any increase therein if the source of such increase is an equity item or if it constitutes financing for any of the items deducted from the Zakat base.'

Furthermore, Paragraph (3) of Article (4) of the Executive Regulations for Zakat Collection, issued by Ministerial Resolution No. (2216) dated 07/07/1440 AH, stipulates that: 'The Zakat base of a Taxpayer who maintains commercial books shall consist of all its assets subject to Zakat, including the following: 3- Debts due from the Taxpayer classified as long-term and their equivalents among other components of the base, such as: government financing, commercial financing, creditors, notes payable, bank Bank Overdrafts, and loans from owners or partners (including their current accounts)...'

Upon the Circuit's contemplation of the facts of the lawsuit, it becomes evident that the dispute rests upon the Authority's request to reverse the Resolution Circuit's decision, on the ground that the application of the decision will lead to a payable Zakat lower than what was reported in the Taxpayer's Zakat Declaration. By reviewing the summary of the Authority's assessment results within the documents attached to the case file—which reflects the differences between the Zakat calculation by the Authority and the Taxpayer's return—it is revealed that the Taxpayer disclosed within the equity item or other liabilities an amount of (23,485,063) Riyals. Meanwhile, the Resolution Circuit's decision ruled to add back the item in a manner not exceeding the amount deducted according to the Taxpayer's return, making the total amount to be added back (14,875,414) Riyals, which is less than the amount admitted by the Taxpayer within its return. Since the Authority indicated in its appeal the adoption of what was stated in the Taxpayer's return, the Circuit concludes to accept the Authority's appeal and modify the decision of the Resolution Circuit, whereby the amount to be added back to the Zakat base shall be (23,485,063) Riyals in accordance with the return submitted by the Taxpayer.

Based on the foregoing, and adopting the aforementioned grounds, the Circuit unanimously rendered the following decision:

Decision:

First: Acceptance of the appeal procedurally, submitted by the Appellant / Zakat, Tax and Customs Authority, against the decision of the Third Circuit for the Resolution of Income Tax Violations and Disputes in Riyadh City, No. (ITR-2024-227517), issued in Lawsuit No. (Z-227517-2023) relating to the Zakat assessment for the year 2021 AD.

Second: On the Merits:



Accepting the Authority's appeal and amending the decision of the Resolution Circuit regarding the item of (adding back the balance difference due to related parties), in accordance with the grounds and rationale set forth in this decision.



Appeal Committee for Tax Violations and Disputes
First Appeal Circuit for Income Tax Violations and Disputes
in Riyadh City

Decision No. IR-2025-240228
Case No. Z-2024-240228

Keywords:

Zakat – Items Added Back to the Zakat Base – Assessment – Res Judicata – Res Judicata effect – Acceptance of the Authority's Appeal

Summary:

The Authority objected to the Resolution Circuit's decision regarding the Zakat assessment for the years from 1434 AH to 1440 AH, requesting its reversal on the ground of res judicata, as the same dispute had been previously adjudicated by a prior final judgment that satisfies the identity of parties, subject-matter, and cause of action. Therefore, the Circuit decided to accept the Authority's challenge, annul the decision of the Resolution Circuit, and rule the inadmissibility of considering the lawsuit due to res judicata, on the ground that the Res Judicata effect prevents re-submitting the same dispute before another judicial body unless the prior judgment is reversed or reviewed in accordance with the law.

Document:

- Article (76) of the Law of Sharia Procedures, issued by Royal Decree No. (M/1) dated 22/01/1435 AH.

Facts:

This is to consider the appeal submitted on 01/08/2024 AD, by the Zakat, Tax and Customs Authority, against the decision of the Third Circuit for the Resolution of Income Tax Violations and Disputes in Riyadh City, No. (ITR-2024-234530), issued in Lawsuit No. (Z-234530-2024) relating to the Zakat assessment for the years from 1434 AH to 1440 AH, in the lawsuit filed by the Appellant against the Zakat, Tax and Customs Authority, wherein the decision of the Resolution Circuit ruled as follows:

Inadmissibility of the petition for reconsideration procedurally.

Whereas this decision did not meet the acceptance by the Appellant (the Zakat, Tax and Customs Authority), it submitted an appeal brief which was reviewed by the Circuit, the substance of which is that the Authority requests the acceptance of its appeal and the reversal of the Resolution Circuit's decision.



On Thursday, dated 20/02/2025 AD, the First Appeal Circuit for Income Tax Violations and Disputes met via video conferencing in accordance with the remote litigation procedures; in the presence of its members whose names are recorded in the minutes, via video conferencing in accordance with the remote litigation procedures; pursuant to the provisions of Paragraph (1) of Article (15) of the Rules of Operation for Zakat, Tax, and Customs Committees, issued by Royal Decree No. (25711) dated 08/04/1445 AH. Upon reviewing the appeal request, the submitted memoranda, and the papers and documentation contained in the case file, and after due deliberation, whereas the lawsuit is ripe for adjudication in its current state, the Circuit decided to close the pleading stage and reserve the case for adjudication.

Grounds:

Upon reviewing the case documentation and the appeal brief submitted by the Taxpayer, it became evident to the Circuit that the requirements for considering the appeal procedurally have been satisfied in accordance with the conditions stipulated in the relevant laws, regulations, and resolutions. Accordingly, the appeal request is accepted procedurally, as it was submitted by a qualified capacity and within the prescribed statutory deadline.

On the Merits:

With respect to the Authority's appeal regarding the (Zakat assessment for the years from 1434 AH to 1440 AH); whereas examining the judicial jurisdiction over this lawsuit is deemed one of the preliminary matters that precedes considering its merits, and the Circuit is required to clarify the extent of its jurisdiction to consider it, so whenever it becomes evident that it falls outside its jurisdiction, it must rule on its own motion the inadmissibility of considering it. Whereas Article (76) of the Law of Sharia Procedures stipulates that: '...the defense of the inadmissibility of considering the lawsuit due to res judicata may be raised at any stage of the lawsuit, and the court shall rule thereon on its own motion...'

Whereas it is established that the subject-matter of the lawsuit has been previously adjudicated by the Third Circuit for the Resolution of Income Tax Violations and Disputes in Riyadh City pursuant to decision No. (IFR-2023-202462) issued in Lawsuit No. (Z-202462-2023) for the years from 1434 AH to 1440 AH; and whereas it is established in jurisprudence and judiciary that it is inadmissible to consider a lawsuit that has been previously adjudicated by a final judgment unless it is reversed or reviewed pursuant to the law—given that doing otherwise constitutes a disregard for the authority of judicial judgments, destabilizes their certainty, creates an endless sequence, weakens the standing of the judiciary before all, and causes disturbance upon enforcement and discrepancy upon application.

Therefore, the inadmissibility of considering a lawsuit due to res judicata is nothing but the negative effect resulting from the Res Judicata effect, which prevents re-examining the same dispute that has been settled by a final judicial judgment before any other court by virtue of an initial lawsuit wherein the same dispute is raised,



provided that the prior and subsequent lawsuits satisfy the identity of parties, subject-matter, and cause of action. Accordingly, the Circuit concludes to annul the decision of the Resolution Circuit and rule that the case is res judicata.

Based on the foregoing, and adopting the aforementioned grounds, the Circuit unanimously rendered the following decision:

Decision:

First: Acceptance of the appeal procedurally, submitted by the Appellant / Zakat, Tax and Customs Authority, against the decision of the Third Circuit for the Resolution of Income Tax Violations and Disputes in Riyadh City, No. (ITR-2024-234530), issued in Lawsuit No. (Z-234530-2024) relating to the Zakat assessment for the years from 1434 AH to 1440 AH.

Second: On the Merits:

Accepting the Authority's appeal, annulling the decision of the Resolution Circuit, and ruling the inadmissibility of considering the lawsuit due to res judicata, in accordance with the grounds and rationale set forth in this decision.



Appeal Committee for Tax Violations and Disputes
First Appeal Circuit for Income Tax Violations and Disputes
in Riyadh City

Decision No. IR-2025-240670
Case No. Z-2024-240670

Keywords:

Zakat – Items Added Back to the Zakat Base – Debts – Overdue Government Debts – Acceptance of the Taxpayer's Petition for Reconsideration

Summary:

The Taxpayer petitions for the annulment of the contested decision of the Circuit on the ground that its memorandum was submitted on the attorney's letterhead prior to the closing of the pleading stage, establishing that the General Secretariat received and added it to the case file via email correspondence. The Taxpayer objects to the item of accrued revenues for the years 2017 AD and 2018 AD, considering them as accounts receivable due from government entities that could not be collected despite demanding payment, and submitted an analytical statement showing the debtor entities and the status of each amount as either under collection or under approval. Furthermore, the Taxpayer objects to the item of retained percentages for the years 2017 AD and 2018 AD, describing them as performance bonds to be recovered after the final handover of the projects, thereby taking the status of deferred revenues. Consequently, the Circuit concluded to accept the petition for reconsideration, annul the prior decision regarding the items of accrued revenues and retained percentages, and remand the lawsuit to be considered anew.

Document:

- Paragraph (1) of Article (193) of the Law of Sharia Procedures, issued by Royal Decree No. (M/1) dated 22/01/1435 AH.
- Article (200) of the Law of Sharia Procedures, issued by Royal Decree No. (M/1) dated 22/01/1435 AH.

Facts:

This is for the consideration of the petition for reconsideration submitted on 14/08/2024 AD, by (), National ID No. (), in his capacity as the attorney-in-fact for the Petitioning Company pursuant to Power of Attorney No. () dated 05/03/1445 AH, and Law Practicing License No. (), against the decision of the First Appeal Circuit for Income Tax Violations and Disputes, No. (IR-2024-171679), issued in Lawsuit No. (Z-171679-2023) relating



to the Zakat assessment for the year 2017 AD, filed by the Taxpayer against the Zakat, Tax and Customs Authority, wherein the decision of the Appellate Circuit ruled as follows:

First: Procedurally:

- 1- Inadmissibility of the appeal procedurally, submitted by the Appellant / () Company, Commercial Registration No. (), TIN (_____), against the decision of the Second Circuit for the Resolution of Income Tax Violations and Disputes in Riyadh City, No. (ISR-2022-1846), issued in Lawsuit No. (Z-42810-2021) relating to the Zakat assessment for the year 2017 AD, on the ground that it was filed by a person lacking qualified capacity.
- 2- Acceptance of the appeal procedurally, submitted by the Appellant / Zakat, Tax and Customs Authority, against the decision of the Second Circuit for the Resolution of Income Tax Violations and Disputes in Riyadh City, No. (ISR-2022-1846), issued in Lawsuit No. (Z-42810-2021) relating to the Zakat assessment for the year 2017 AD.

Second: On the Merits:

- 1- Accepting the abandonment of litigation regarding the Authority's appeal on the item of (bonuses within salaries and wages).
- 2- Accepting the Authority's appeal and annulling the decision of the Resolution Circuit regarding the item of (accrued revenues).
- 3- Accepting the Authority's appeal and annulling the decision of the Resolution Circuit regarding the item of (retained percentages).
- 4- Accepting the abandonment of litigation regarding the Authority's appeal on the item of (provision for potential penalties formed).
- 5- Dismissing the matter relating to the Authority's appeal on the item of (a clerical error in the decision of the Second Circuit regarding materials inventory).

Whereas this decision did not meet the acceptance by the Taxpayer, it submitted a petition brief for reconsideration which was reviewed by the Circuit, containing its request to reverse and annul the decision of the Appellate Circuit.

On Sunday, dated 03/08/2025 AD, at 08:46 AM, the First Appeal Circuit for Income Tax Violations and Disputes held its hearing in the presence of its members whose names are recorded in the minutes, via video conferencing in accordance with the remote litigation procedures; pursuant to the provisions of Paragraph (1) of Article (15) of the Rules of Operation for Zakat, Tax, and Customs Committees, issued by Royal Decree No. (25711) dated 08/04/1445 AH. Upon reviewing the petition request, the submitted memoranda, and the papers and documentation contained in the case file, and after due deliberation, whereas the lawsuit is ripe for adjudication in its current state, the Circuit decides to close the pleading stage and reserve the case for adjudication.



Grounds:

Upon reviewing the grounds set forth in the petition for reconsideration, it became evident to the Circuit that the Petitioner requests the annulment of the contested decision of the Circuit, relying on the fact that the memorandum was submitted on the attorney's letterhead and attached prior to the closing of the pleading stage, and the General Secretariat replied acknowledging receipt of the memorandum and its filing into the case record. The Petitioner provided a copy of the email sent to the General Secretariat along with a copy of the General Secretariat's reply. The Petitioner added that it objects to the item of accrued revenues for the years 2017 AD and 2018 AD, as these revenues consist of accounts receivable due from government entities, and the Company was unable to collect these receivables despite demanding payment. The Petitioner attached an analytical statement of accrued revenues for the years 2017 AD and 2018 AD, which breaks down the government entities debtor to the Company and the status of these amounts, which are confined to two statuses: under collection and under approval, meaning that the Company did not delay in submitting its claims, contrary to what was stated in the appeal decision. Furthermore, it objects to the item of retained percentages for the years 2017 AD and 2018 AD, maintaining that the retained amounts represent a percentage of (10%) of the value of any project with government entities by way of a performance bond, which is disbursed after the final handover of the project; therefore, these amounts represent retained accrued revenues.

Whereas Article (200) of the Law of Sharia Procedures, issued by Royal Decree No. (M/1) dated 22/01/1435 AH, stipulates that: '1- Any of the litigants may petition for reconsideration of final judgments in the following cases: A. If the judgment was based on documents that were proven to be forged after the judgment, or based on testimony that a competent authority ruled—after the judgment—to be perjury. B. If the petitioner, after the judgment, obtained conclusive documents in the lawsuit that it was unable to produce before the judgment. C. If fraud was committed by the litigant that would affect the judgment. D. If the judgment ruled for something not requested by the litigants or ruled for more than what they requested. E. If the ruling of the judgment is self-contradictory. F. If the judgment was rendered in absentia. G. If the judgment was rendered against a person who was not properly represented in the lawsuit. 2- Any person who considers the judgment binding upon him, and who was not joined or did not intervene in the lawsuit, may petition for reconsideration of final judgments.'

And relying upon Fatwa No. (23408) dated 18/11/1426 AH, issued by the Permanent Committee for Scholarly Research and Ifta regarding debts due from government entities, which stipulates: 'Amounts due to a person from any government entity, if payment thereof is delayed for any reason by the debtor entity—even if the right-holder is aware of it—are not subject to Zakat until he receives them and a full lunar year passes after their collection, pursuant to the words of Allah Almighty: "So fear Allah as much as you are able," and because Zakat is an act of solidarity; hence, it is not obligatory upon a person who cannot collect it and does not hold any part of it in his hand.'



Based on the foregoing, whereas the dispute rests upon the Taxpayer's request to deduct accrued revenues from the Zakat base, as the Taxpayer maintains that the amounts due from government entities should not be subject to Zakat until they are received and a full lunar year passes, given that these amounts were not in the Company's possession and were not under its control, and that the harm suffered by the Company was a result of the government entities' failure to settle the Company's dues, whereas the Authority did not accept the deduction of the item due to the failure to provide documentary evidence. Whereas it is evident from the Sharia Fatwa No. (23408) dated 18/11/1426 AH, issued by the Permanent Committee for Scholarly Research and Ifta regarding debts due from government entities mentioned above, that Zakat is not obligatory upon a creditor for its funds due from government entities which it cannot collect due to a delay by the government entities, and not as a result of its negligence or non-compliance with the specific criteria and requirements set by the government entity. Whereas a Fatwa issued by the competent authority in the Kingdom is deemed a precedent/principle that may not be violated as long as there is no statutory text governing the provisions contained therein, and whereas a violation of this Fatwa falls within the grounds necessitating the reversal of the decision pursuant to the provisions of Paragraph (1) of Article (193) of the Law of Sharia Procedures.

Upon the Circuit's review of the case file and its contents, it became evident that the status of the Taxpayer (the creditor) complies with what has been established by the Fatwas. Accordingly, the Circuit concludes to accept the petition for reconsideration, annul the Appellate Circuit's decision regarding the items of (accrued revenues) and (retained percentages), and remand the lawsuit to it for consideration.

Based on the foregoing, and adopting the aforementioned grounds, the Circuit unanimously rendered the following decision:

Decision:

First: Acceptance of the petition for reconsideration procedurally, submitted by the Petitioner / () Company, Commercial Registration No. (), TIN (_____), against the decision of the First Appeal Circuit for Income Tax Violations and Disputes, No. (IR-2024-171679), issued in Lawsuit No. (Z-171679-2023) relating to the Zakat assessment for the year 2017 AD.

Second: On the Merits:

Accepting the petition for reconsideration, annulling the Appellate Circuit's decision regarding the items of (accrued revenues) and (retained percentages), and remanding the lawsuit to it for consideration.



Appeal Committee for Tax Violations and Disputes
First Appeal Circuit for Income Tax Violations and Disputes
in Riyadh City

Decision No. IR-2025-240768
Case No. Z-2024-240768

Keywords:

Zakat – Items Added Back to the Zakat Base – Zakat Assessment – Unlawfulness of Reopening the Assessment and Amending the Zakat Declaration – Acceptance of the Authority's Appeal

Summary:

The Authority appealed the Resolution Circuit's decision regarding the Zakat assessment for the year 2015 AD, which had ruled to annul the Authority's contested assessment. The Authority argued that the assessment included detailed grounds within the electronic 'Erad' system, and that the Taxpayer was fully aware of them and had previously discussed and refuted them, thereby negating any procedural defect in the decision. Upon reviewing the facts of the lawsuit, it was established to the Circuit that the assessment was issued based on an audit case whose items had been discussed with the Taxpayer. Furthermore, the Taxpayer's access to the 'Erad' system and its execution of modifications to the assessment confirms its awareness of the amendments and statutory bases in accordance with the Implementing Regulations for Zakat Collection. Accordingly, the Circuit decided to accept the Authority's appeal, annul the Resolution Circuit's decision, and remand the lawsuit to it to be considered on the merits.

Document:

- Paragraph (7) of Article (5) of the Implementing Regulations for Zakat Collection, issued by Ministerial Resolution of His Excellency the Minister of Finance No. (2082) dated 01/06/1438 AH.

Facts:

This is to consider the appeal submitted on 18/08/2024 AD, by the Zakat, Tax and Customs Authority, against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Riyadh City, No. (IFR-2024-232747), issued in Lawsuit No. (Z-232747-2024) relating to the Zakat assessment for the year 2015 AD, in the lawsuit filed by the Taxpayer against the Zakat, Tax and Customs Authority, wherein the decision of the Resolution Circuit ruled as follows:



Annulling the decision of the Defendant / Zakat, Tax and Customs Authority, against the Plaintiff / (...) Company, TIN (...) relating to the contested assessment.

Whereas this decision did not meet the acceptance by the Appellant (the Zakat, Tax and Customs Authority), it submitted an appeal brief, the substance of which is summarized as follows:

As the Authority objects to the contested decision of the Resolution Circuit, it claims that the assessment letter included the primary ground for amendment, and the detailed grounds were also provided. The Authority had initially discussed the assessment with the Plaintiff, and the Plaintiff replied and expressed its views. The Authority executed its procedure in light of Paragraph (7) of Article (21) of the Implementing Regulations for Zakat Collection, issued by Ministerial Resolution No. (2082), which stipulates that: 'If the Authority deems it necessary to amend the Taxpayer's return, it shall notify it of the amendments made to its Zakat Declaration... and the notification shall be via registered mail or any other means establishing its receipt of the notification, including notification through official electronic services.' Furthermore, the Plaintiff's legal position was not affected by this allegation, even assuming its validity, and the Plaintiff does not deny its awareness of the grounds for the Authority's procedure; rather, it replied to and refuted them. Accordingly, the Authority's procedure was conducted in accordance with the correct statutory requirements, which the Authority concludes to uphold. By way of concession to the validity of the Plaintiff's statement that the Authority's decision was ungrounded, the Authority responds that jurisprudence and administrative judiciary have established that if a text explicitly prescribes invalidity for omitting or violating a specific form or procedure, then the provisions of such text must be abided by. However, if there is no text dictating invalidity in the event of omitting or violating a specific form or procedure, jurisprudence and administrative judiciary have established a method for judging the decision by distinguishing between essential formalities and secondary formalities, applying an objective criterion based on examining the extent of the form or procedure's impact on the content or substance of the decision. If it were possible for the decision to be rendered differently had the omitted or violated formalities been observed, then the form in such case is deemed essential. Conversely, if the content of the decision would not have altered had the omitted or violated formalities or procedures been observed, then the form in this case is deemed secondary and non-essential. Accordingly, the administrative judiciary is established on not annulling an administrative decision due to a formal defect unless the law explicitly provides for invalidity by prescribing invalidity for the breach, or if the procedure was essential. Moreover, formal rules in issuing administrative decisions are not, as a general rule, an end in themselves whose omission entails the annulment of the decision; rather, they are procedures required by both the public interest and the interest of individuals alike. A formal defect, once rectified and where its breach does not constitute a breach of the parties' rights according to the judiciary's discretion, cannot be a ground for demanding the annulment of the administrative decision, taking into consideration the public interest, the observance of which is made one of the duties of the administrative judge. Therefore, the Authority upholds the validity and integrity of its decision. In response to the rationale of the Circuit's decision, it is incorrect and



violates the correct statutory requirements, as the Authority reviewed the notifications issued to the Taxpayer, and it became evident that the complete assessment file was attached within the automated 'Erad' system via the Authority's website, and the Taxpayer could review the return and the amendments made thereto to either accept or object to them (all notifications are attached). Based on what was previously clarified to the Taxpayer upon assessment, it is evident that the Taxpayer was aware of the Authority's procedure regarding the amendments made to the assessment, as the grounds for the assessment and the statutory bases were clarified to the Taxpayer. Consequently, what the Authority performed was pursuant to Paragraph (7) of Article (21) of the Implementing Regulations for Zakat Collection, issued by Ministerial Resolution No. (2082) dated 01/06/1438 AH, which stipulates: 'If the Authority deems it necessary to amend the Taxpayer's return, it shall notify it of the amendments made to its Zakat Declaration, the grounds for the amendment, the amount of Zakat due, its right to object, and the statutory deadline specified for objection. The notification shall be via registered mail or any other means establishing its receipt of the notification, including notification through official electronic services.' Accordingly, the Authority upholds the validity and integrity of its procedure. The Authority also clarifies that it notified the Taxpayer of the objection outcome, detailing the grounds for amendment. It is well-established that the objection outcome is deemed one of the complementary procedures of the decision and an integral part thereof, and the objection outcome included the grounds for amendment in detail. Whereas it is judicially established that declaratory decisions are part of creative decisions; hence, the effect of the declaratory decision extends to the creative decision as a dependent thereof. The Authority's procedure was affirmed by the decision issued by the Appellate Circuit in Lawsuit No. (Z-175798-2023). The Authority confirms the validity and integrity of its procedure and requests the acceptance of its appeal, the annulment of the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Riyadh City, and a ruling affirming the Authority's procedure for the grounds clarified above.

On Thursday, dated 06/03/2025 AD, at 12:40 PM, the First Appeal Circuit for Income Tax Violations and Disputes held its hearing in the presence of its members whose names are recorded in the minutes, via video conferencing in accordance with the remote litigation procedures; pursuant to the provisions of Paragraph (1) of Article (15) of the Rules of Operation for Zakat, Tax, and Customs Committees, issued by Royal Decree No. (25711) dated 08/04/1445 AH. Upon reviewing the appeal request, the submitted memoranda, and the papers and documentation contained in the case file, and after due deliberation, whereas the lawsuit is ripe for adjudication in its current state, the Circuit decides to close the pleading stage and reserve the case for adjudication.

Grounds:

Upon reviewing the case documentation and the appeal brief submitted by the Authority, it became evident to the Circuit that the requirements for considering the appeal procedurally have been satisfied in accordance with the conditions stipulated in the relevant laws, regulations, and resolutions. Accordingly, the appeal request



is accepted procedurally, as it was submitted by a qualified capacity and within the prescribed statutory deadline.

On the Merits, whereas it became evident to this Circuit that the Authority issued the assessment against the Taxpayer based on an (audit case), which means that the items of the amended assessment for the year under dispute were discussed with the Taxpayer, and the detailed grounds were clarified within the 'Erada' system. It is also clear that the return submitted by the Taxpayer was amended based on the financial statements. Furthermore, upon objecting, the Taxpayer accessed the 'Erad' website and executed modifications to the Authority's assessment, which confirms its knowledge and awareness of the items that were amended. Consequently, whereas the assessment letter included sufficient grounds for amendment pursuant to the provisions of Paragraph (7) of the Implementing Regulations for Zakat Collection, issued by Ministerial Resolution No. (2082), which stipulates that: 'If the Authority deems it necessary to amend the Taxpayer's return, it shall notify it of the amendments made to its Zakat Declaration... and the notification shall be via registered mail or any other means establishing its receipt of the notification, including notification through official electronic services,' the Circuit concludes to accept the Authority's appeal, annul the decision of the Resolution Circuit, and remand the lawsuit to the Resolution Circuit to be considered on the merits.

Based on the foregoing, and adopting the aforementioned grounds, the Circuit has decided by unanimous vote the following.

Decision:

First: Acceptance of the appeal procedurally, submitted by the Appellant / Zakat, Tax and Customs Authority, against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Riyadh City, No. (IFR-2024-232747), issued in Lawsuit No. (Z-232747-2024) relating to the Zakat assessment for the year 2015 AD.

Second: On the Merits:

Accepting the Authority's appeal, annulling the decision of the Resolution Circuit, and remanding the lawsuit to the Resolution Circuit to be considered on the merits.



Committee for Adjudication of Tax Violations and Disputes
The First Circuit for Adjudicating Income Tax Violations and
Disputes in Jeddah

Decision No. IR-2025-242190
Case No. Z-2024-242190

Keywords:

Zakat – Items Added Back to the Zakat Base – Salaries – Undocumented Salary Expenses – Acceptance of the Authority's Appeal

Summary:

The Authority submitted its appeal regarding the item of undocumented salaries for the years 1436 AH to 1438 AH, arguing that the Taxpayer merely provided the statements of (____) Bank without the Insurance certificate, and that the burden of proof rests upon the Taxpayer. The Authority requested the addition of salary variances for the years 1436 AH and 1437 AH due to insufficient evidence. Upon reviewing and studying the bank statements in conjunction with the Authority's calculation schedule according to the bank statement analysis, it was established to the Circuit that the undocumented variance for the year 1436 AH amounted to (1,597,079) Riyals, and the variance for the year 1437 AH amounted to (9,838,086) Riyals. Consequently, the Circuit concluded to partially accept the Authority's appeal and amend the Resolution Circuit's decision by adding (1,597,079) Riyals for the year 1436 AH and adding (9,838,086) Riyals for the year 1437 AH.

Document:

- Paragraph (1) of Article (5) of the Implementing Regulations for Zakat Collection, issued by Ministerial Resolution No. (2216) dated 07/07/1440 AH.

Facts:

This is to consider the appeal submitted on 12/09/2024 AD, by the Zakat, Tax and Customs Authority, against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Riyadh City, No. (IFR-2024-233075), issued in Lawsuit No. (Z-233075-2024) relating to the Zakat assessment for the years from 1436 AH to 1439 AH, in the lawsuit filed by the Taxpayer against the Zakat, Tax and Customs Authority, wherein the decision of the Resolution Circuit ruled as follows:

First: Annulling the decision of the Defendant / Zakat, Tax and Customs Authority, against the Plaintiff / (), TIN () relating to the item of undocumented salaries for the years from 1436 AH to 1438 AH.



Second: Dismissing the Plaintiff's / (....), TIN (....) objection to the decision of the Defendant / Zakat, Tax and Customs Authority, relating to the item of imports not appearing at customs.

Third: Rejecting the Plaintiff's / (....), TIN (....) objection to the decision of the Defendant / Zakat, Tax and Customs Authority, relating to the item of undocumented salaries for the year 1439 AH.

Fourth: Establishing the settlement of the Plaintiff's / (....), TIN (....) dispute with the Defendant / Zakat, Tax and Customs Authority, with respect to all other objections, in accordance with the contents of the Defendant's memorandum submitted during this hearing.

Whereas this decision did not meet the acceptance by the Appellant (the Zakat, Tax and Customs Authority), it submitted an appeal brief, the substance of which is summarized as follows:

As the Authority objects to the contested decision of the Resolution Circuit, it claims that with regard to the item of (undocumented salaries for the years 1436 AH to 1438 AH), the Authority clarifies that it added the contested item back to the book net profit for the years under dispute. Based on the foregoing, the Authority clarifies that upon reviewing what the Taxpayer produced in the lawsuit subject of the appeal—which consisted of certified bank statements from () Bank for the years under dispute without submitting the General Organization for Social Insurance (GOSI) certificate for salaries and wages—the Authority studied the certified payroll statements from () Bank, matching the Hijri date against the Gregorian date for each year. Accordingly, the Authority files a partial appeal regarding the unapproved amounts and those not clarified in the item's statement as being approved as an actual, documentarily-supported expense. Consequently, a salary variance must be added back for the year 1436 AH in the amount of (5,689,529) Riyals, and for the year 1437 AH in the amount of (9,838,086) Riyals due to the failure to produce supporting documentation pursuant to Paragraph (3) of Article (20) of the Implementing Regulations governing Zakat Collection, issued by Ministerial Resolution No. (2082) for the year 1438 AH. In response to what was stated in the rationale of the decision—that the absence of the document consisting of the GOSI certificate has no effect, and that the Authority has access to data enabling it to directly and continuously refer to any information bearing a direct relevance to the Taxpayer, a matter which necessitates the annulment of the Authority's procedure—the Authority responds that the Circuit's decision is incorrect and misplaced. The burden of proving the validity of what is stated in the return rests upon the Respondent, as it is the entity that registered the amounts in its return, and thus bears the burden of proving the validity of what is contained in its return. Furthermore, the Authority requested the Taxpayer to produce the supporting documents confirming the validity of its procedure, consisting of the GOSI certificate for the years under dispute, in order to verify the salaries of Saudis and non-Saudis paid for with GOSI; however, the Taxpayer has not produced the GOSI certificate containing the amount of salaries to date, and accordingly, its objection to the undocumented amounts was rejected. Therefore, the Authority requests the reversal of the Resolution Circuit's decision regarding the item subject of the appeal for the aforementioned grounds.



On Monday, dated 28/04/2025 AD, at 02:45 PM, the First Appeal Circuit for Income Tax Violations and Disputes held its hearing in the presence of its members whose names are recorded in the minutes, via video conferencing in accordance with the remote litigation procedures; pursuant to the provisions of Paragraph (1) of Article (15) of the Rules of Operation for Zakat, Tax, and Customs Committees, issued by Royal Decree No. (25711) dated 08/04/1445 AH. Upon calling upon the litigants, there appeared the representative of the Appellant / (....), National ID No. (....), pursuant to an authorization issued by the Deputy Governor of the Zakat, Tax and Customs Authority for Legal Affairs under No. (....) dated 19/03/1445 AH. There also appeared / (), National ID No. (.....), in his capacity as the Respondent in person. Upon asking the Respondent about what he wished to add, he stated that he requests an extension to submit a reply via a written memorandum, as parts of the lawsuit were excluded, and an amount from the year 1433 AH remains, noting that the assessment issued against us was in an amount greater than what was submitted in the financial statements. Upon presenting this to the Appellant's representative, she responded by affirming what was previously submitted in this lawsuit relating to the years 1436 AH to 1438 AH concerning the item of (undocumented salaries). Accordingly, the Circuit decided to grant the Taxpayer an extension of (10) days ending on 08/05/2025 AD, and to grant the Authority an extension of (10) days to reply thereto ending on 19/05/2025 AD. After this date, the pleading stage shall be closed, and the lawsuit shall be submitted for deliberation and issuance of the decision. The Circuit will not accept any new documents or memoranda that were not submitted prior to the aforementioned date, provided that the upcoming hearing on 26/05/2025 AD shall be designated for the pronouncement of the decision.

On Monday, dated 26/05/2025 AD, at 09:30 AM, the First Appeal Circuit for Income Tax Violations and Disputes held its hearing in the presence of its members whose names are recorded in the minutes, via video conferencing in accordance with the remote litigation procedures; pursuant to the provisions of Paragraph (1) of Article (15) of the Rules of Operation for Zakat, Tax, and Customs Committees, issued by Royal Decree No. (25711) dated 08/04/1445 AH. Upon calling upon the litigants, there appeared the representative of the Appellant / (....), (National ID No.), pursuant to an authorization issued by the Deputy Governor of the Zakat, Tax and Customs Authority for Legal Affairs under No. (....) dated 19/03/1445 AH. There also appeared / (....), National ID No. (.....), in his capacity as the Respondent in person. Whereas the pleading stage has been closed and the deliberation concluded, and whereas this hearing is designated for the pronouncement of the decision.

Grounds:

Upon reviewing the case documentation and the appeal brief submitted by the Authority, it became evident to the Circuit that the requirements for considering the appeal procedurally have been satisfied in accordance with the conditions stipulated in the relevant laws, regulations, and resolutions. Accordingly, the appeal request



is accepted procedurally, as it was submitted by a qualified capacity and within the prescribed statutory deadline.

On the Merits, whereas regarding the Authority's appeal concerning the item of (undocumented salaries), Paragraph (1) of Article (5) of the Implementing Regulations for Zakat Collection, issued by Ministerial Resolution No. (2216) dated 07/07/1440 AH, stipulates that: 'All ordinary and necessary expenses required for the activity, whether paid or accrued, shall be deducted to arrive at the net result of the activity, provided that the following criteria are met: A. It must be an actual expense supported by documentary evidence or other indications enabling the Authority to verify its validity, even if it relates to previous years. B. It must be related to the activity and does not pertain to personal expenses or other activities. C. It must not be of a capital nature; and in the event that an expense of a capital nature is included within the expenses, the result of the activity shall be adjusted therewith, added to fixed assets, and depreciated according to the statutory rates.' And pursuant to Paragraph (2) of Article (6) thereof, relating to non-deductible expenses, which stipulates: 'Expenses which the Taxpayer cannot prove to have been spent by virtue of supporting documents or other indications of proof.' Based on the foregoing, the dispute lies in the Authority's appeal regarding the unapproved amounts and those not clarified in the bank statement as being approved as an actual, documentarily-supported expense. Consequently, a salary variance must be added back for the year 1436 AH in the amount of (5,689,529) Riyals, and for the year 1437 AH in the amount of (9,838,086) Riyals, due to the failure to produce supporting documentation. Upon the Circuit's review of the statements provided by the Taxpayer and studying them in conjunction with the Authority's calculation schedule—as illustrated in the attachment (bank statement analysis)—it becomes evident that the total amount according to the bank statement for the period from 17/07/2015 AD to 05/07/2016 AD amounts to (21,972,650) Riyals, and the documentarily undocumented variance amounts to (1,597,079) Riyals, and not as stated by the Authority for the year 1436 AH in the amount of (5,689,529) Riyals. Furthermore, the total amount according to the bank statement for the period from 06/07/2016 AD to 24/06/2017 AD amounts to (20,792,381) Riyals, and the documentarily undocumented variance amounts to (9,838,086) Riyals, which is identical to what was stated by the Authority for the year 1437 AH. Accordingly, the Circuit concludes to partially accept the Authority's appeal and amend the Resolution Circuit's decision regarding the item of (undocumented salaries), by adding back the variance in the amount of (1,597,079) Riyals for the year 1436 AH, and adding back the variance in the amount of (9,838,086) Riyals for the year 1437 AH.

Based on the foregoing, and adopting the aforementioned grounds, the Circuit unanimously rendered the following decision:"

Decision:

First: Acceptance of the appeal procedurally, submitted by the Appellant / Zakat, Tax and Customs Authority, against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Riyadh City,



No. (IFR-2024-233075), issued in Lawsuit No. (Z-233075-2024) relating to the Zakat assessment for the years from 1436 AH to 1439 AH.

Second: On the Merits:

Partially accepting the Authority's appeal and amending the Resolution Circuit's decision regarding the item of (undocumented salaries, by adding back the variance in the amount of 1,597,079 Riyals for the year 1436 AH and adding back the variance in the amount of 9,838,086 Riyals for the year 1437 AH).



Appeal Committee for Tax Violations and Disputes
First Appeal Circuit for Income Tax Violations and Disputes
in Riyadh City

Decision No. IR-2025-242376
Case No. Z-2024-242376

Keywords:

Zakat – Items Added Back to the Zakat Base – Amended Assessment – Withdrawal of the Administrative Decision and its Impact on the Admissibility of the Lawsuit – Acceptance of the Taxpayer's Appeal

Summary:

The Taxpayer objected to the Resolution Circuit's decision and requested its reversal regarding the estimated Zakat assessment for the year 2013 AD. However, the Circuit concluded to reject its appeal and affirm the Resolution Circuit's decision after it was established that the Authority had withdrawn the amended assessment prior to the registration of the lawsuit and notified the Taxpayer thereof. This led to the expiration of the contested decision and the annulment of its statutory effects prior to the consideration of the dispute. Consequently, the subject matter of the lawsuit ceased to exist, and there was no longer a standing administrative decision capable of being subject to challenge.

Document:

- Paragraph (3) of Article (29) of the Rules of Operation for Zakat, Tax, and Customs Committees, issued by Royal Decree No. (25711) dated 08/04/1445 AH.

Facts:

This is to consider the appeal submitted on 15/09/2024 AD, by (), National ID No. (), in her capacity as an attorney-in-fact pursuant to Power of Attorney No. () dated 06/11/2023 AD, and Law Practice License No. (), against the decision of the Third Circuit for the Resolution of Income Tax Violations and Disputes in Riyadh City, No. (ITR-2024-234477), issued in Lawsuit No. (Z-234477-2024) relating to the estimated Zakat assessment for the year 2013 AD, in the lawsuit filed by the Taxpayer against the Zakat, Tax and Customs Authority, wherein the decision of the Resolution Circuit ruled as follows:

Dismissing the lawsuit due to the non-existence of its subject matter.



Whereas this decision did not meet the acceptance by the Taxpayer, it submitted an appeal brief which the Circuit reviewed, the substance of which is that the Taxpayer requests the acceptance of its appeal and the reversal of the Resolution Circuit's decision.

On Sunday, dated 23/03/2025 AD, at 02:30 PM, the First Appeal Circuit for Income Tax Violations and Disputes held its hearing in the presence of its members whose names are recorded in the minutes, via video conferencing in accordance with the remote litigation procedures; pursuant to the provisions of Paragraph (1) of Article (15) of the Rules of Operation for Zakat, Tax, and Customs Committees, issued by Royal Decree No. (25711) dated 08/04/1445 AH. Upon calling upon the litigants, there appeared / (), National ID No. (), in her capacity as the attorney-in-fact for the Appellant pursuant to Power of Attorney No. () issued on 22/04/1445 AH, and Law Practice License No. (). There also appeared the representative of the Respondent / (), National ID No. (), pursuant to an authorization issued by the Deputy Governor of the Zakat, Tax and Customs Authority for Legal Affairs under No. (_____) dated 19/03/1445 AH. During this hearing, the Circuit decided to reverse its decision rendered by majority vote, which was pronounced in the minutes of the previous hearing dated 18/03/2025 AD, and which stipulated the following: 'Acceptance of the appeal request procedurally, and on the merits, accepting the Taxpayer's appeal, annulling the Resolution Circuit's decision, and remanding the lawsuit to it to be considered on the merits.' Pursuant to the provisions of Paragraph (3) of Article (29) of the Rules of Operation for Zakat, Tax, and Customs Committees, and accordingly:

Grounds:

Upon reviewing the case documentation and the appeal brief submitted by the Taxpayer, it became evident to the Circuit that the requirements for considering the appeal procedurally have been satisfied in accordance with the conditions stipulated in the relevant laws, regulations, and resolutions. Accordingly, the appeal request is accepted procedurally, as it was submitted by a qualified capacity and within the prescribed statutory deadline.

On the Merits, Upon the Circuit's review of the appeal, whereas it is well-established in challenges against administrative decisions issued by government entities that the subject matter of the challenge must be an administrative decision issued by a national administrative authority, and that such decision must be final and affecting legal positions either by creation, annulment, or amendment, and that the decision must be standing at the time of considering the lawsuit, producing its statutory effects. Whereas it is established from the facts that the Authority issued its decision (the amended assessment) on September 07, 2023 AD, and subsequently the Taxpayer objected to the amended assessment decision, and thereafter the Authority withdrew its decision (the amended assessment) for the purpose of re-calculation and notified the Taxpayer via email on February 01, 2024 AD; noting that this occurred prior to the consideration of the lawsuit by the Resolution Circuit, which was registered on February 04, 2024 AD. This negates the existence of the lawsuit's subject matter, which is the decision (the amended assessment), as it became non-existent and its statutory effects expired therewith;



hence, there is no merit in considering the lawsuit due to the non-existence of a decision issued by the Authority. Accordingly, the Taxpayer's appeal must be rejected and the Resolution Circuit's decision upheld in dismissing the lawsuit due to the non-existence of its subject matter.

Based on the foregoing, and adopting the aforementioned grounds, the Circuit unanimously rendered the following decision:

Decision:

First: Acceptance of the appeal procedurally, submitted by the Appellant / Taxpayer, (...) Company, Commercial Registration No. (...), TIN (_____), against the decision of the Third Circuit for the Resolution of Income Tax Violations and Disputes in Riyadh City, No. (ITR-2024-234477), issued in Lawsuit No. (Z-234477-2024) relating to the estimated Zakat assessment for the year 2013 AD.

Second: On the Merits:

Rejecting the Taxpayer's appeal and affirming the Resolution Circuit's decision in accordance with the grounds and rationale contained in this decision.



Appeal Committee for Tax Violations and Disputes
First Appeal Circuit for Income Tax Violations and Disputes
in Riyadh City

Decision No. IR-2025-242490
Case No. Z-2024-242490

Keywords:

Zakat – Items Added Back to the Zakat Base – Assets – Fixed Assets – Acceptance of the Taxpayer's Appeal

Summary:

The Taxpayer submitted its appeal regarding the item of the owner's current account and the item of deductions, arguing that the addition of the current account violated its treatment as a long-term item to be added back within the limits of the deducted amount, and that the exclusion of land deductions necessitates the exclusion of their financing source. The Authority submitted a supplementary memorandum wherein it accepted the Taxpayer's objection regarding the owner's current account within the limits of the deducted amount and in the amount of (17,223,689) Riyals, and requested establishing the settlement of the dispute. Upon the Circuit's review of the case file and the attached documents, the settlement of the dispute regarding the owner's current account was established to it in accordance with the Authority's acceptance. Furthermore, with respect to the deductions, it was established that the Authority did not prove the exclusion of the lands' financing source despite excluding their deduction. Consequently, the Circuit concluded to establish the settlement of the dispute regarding the owner's current account, accept the appeal, and annul the Resolution Circuit's decision regarding the item of deductions in order to achieve balance sheet equilibrium.

Document:

- Paragraph (1) of Article (5) of the Implementing Regulations for Zakat Collection, issued by Ministerial Resolution No. (2216) dated 07/07/1440 AH.

Facts:

This is to consider the appeal submitted on 16/09/2024 AD, by (), National ID No. (), in his capacity as an attorney-in-fact for the Appellant Company pursuant to Power of Attorney No. () dated 20/07/1445 AH, and Law Practice License No. (), against the decision of the Second Circuit for the Resolution of Income Tax Violations and Disputes in Riyadh City, No. (ISR-2024-234902), issued in Lawsuit No. (Z-234902-2024)



relating to the Zakat assessment for the year 2019 AD, in the lawsuit filed by the Appellant against the Zakat, Tax and Customs Authority, wherein the decision of the Resolution Circuit ruled as follows:

First: Acceptance of the lawsuit filed by the Plaintiff / () Company, Commercial Registration No. (), against the Defendant / Zakat, Tax and Customs Authority, procedurally.

Second: On the Merits:

- 1- Rejecting the lawsuit regarding the item of provision for impairment of investment in the amount of (550,092) Riyals for the year 2019 AD.
- 2- Rejecting the lawsuit regarding the item of undocumented expenses in the amount of (3,797) Riyals for the year 2019 AD.
- 3- Rejecting the lawsuit regarding the item of allowance for doubtful accounts in the amount of (7,500) Riyals for the year 2019 AD.
- 4- Establishing the expiration of the litigation regarding the item of adding back related parties, in accordance with the grounds.
- 5- Rejecting the lawsuit regarding the item of net fixed assets in the amount of (825,634) Riyals for the year 2019 AD.

Whereas this decision did not meet the acceptance by the Taxpayer, it submitted an appeal brief which the Circuit reviewed, the substance of which is summarized as follows:

With regard to the Taxpayer's appeal against the decision of the Resolution Circuit, and specifically concerning the item of (provision for impairment of investment), the Taxpayer appeals this item and argues that the amount of (550,092) Riyals resulted from a real and actual incurred loss of the investee company. Furthermore, the Company formed this amount for accounting considerations related to the method of presenting this incurred loss in the financial statements; it was formed during the year, a full Zakat year (Hawl) did not pass over it, and it was not carried forward from a previous year. The Company presented the amount in accordance with the requirements of accounting standards, whereas the reality of the matter is that these amounts are actual losses that reduced the value of the investment. Regarding what was stated in the Resolution Circuit's decision regarding the failure to produce documents, the Taxpayer pointed out that the financial statements for the year 2019 AD and the provision entries were submitted, which clarify that it represents an actual loss on investment. Concerning the item of (undocumented expenses), the Taxpayer appeals the item of undocumented expenses amounting to (3,797) Riyals, arguing that they are actual, paid expenses necessary for the activity, and satisfy all deduction requirements mentioned in Article (8) of the Implementing Regulations for Zakat Collection; therefore, the Taxpayer requests the acceptance of their deduction. Concerning the item of (allowance for doubtful accounts), the Taxpayer appeals the allowance for doubtful accounts amounting to (7,500) Riyals, arguing that it is, in reality, a valuation of the debit balances due to the Company, representing valuation variances of the accounts receivable in accordance with the requirements of the accounting standard,



and not from probable expenses. Concerning the item of (related parties), the Taxpayer states that the Circuit established the expiration of the litigation regarding a part of the objection, wherein the Authority partially accepted adding back the amount within the limits of the deducted amount in the amount of (4,426,157) Riyals to the Zakat base instead of (11,019,544.34) Riyals; therefore, it upholds the part that the Authority did not accept in the amount of (4,426,157) Riyals and does not accept the addition. This is based on the consideration that the Authority added back the related parties in the amount of (11,019,544.34) Riyals, and the entire amount was objected to, relying on the fact that adding back debts is restricted to debts classified as long-term only, and must not exceed the total amount deducted from the Zakat base. The Authority violated these two limitations in this addition, as it added back the liability despite it being classified as a short-term liability, and added back the item in an amount exceeding the deductions of the Zakat base, which makes it clear that the procedure carried out by the Authority is incorrect and explicitly violates the Regulations. Accordingly, the Authority stated upon the holding of the hearing that it made the amendment by partially accepting the related parties item through adding back the amount of (4,426,157) Riyals instead of (11,019,544.34) Riyals, which does not exceed the deductions. The Company's attorney stated that he accepts the partial acceptance through the Authority waiving the amount of (6,593,387) Riyals while maintaining the objection to the remaining amount. However, the decision was issued establishing the expiration of the litigation, and the Taxpayer emphasized that the Company objects to the remaining amount and does not accept the addition. Concerning the item of (net fixed assets and the like), the Taxpayer appeals the Resolution Circuit's decision that concluded by affirming the Authority's procedure in not accepting the deduction of the amount of (825,634) Riyals from the fixed assets deducted from the Zakat base. This is on the consideration that it is permissible to deduct assets held in the names of shareholders from the Zakat base, provided that those assets are used in the activity, alongside producing evidence demonstrating the justifications preventing the transfer of ownership to the Company. Therefore, the Company objects to this procedure, as these assets are among the assets used in the Company's activity and recorded in its financial statements. Furthermore, the Authority's non-acceptance of the deduction of the aforementioned assets results in these assets being subject to Zakat and added back to the Zakat base indirectly due to the addition of their financing source. Therefore, the Taxpayer requests the reversal of the Resolution Circuit's decision regarding the items subject of the appeal for the aforementioned grounds.

On Monday, dated 19/05/2025 AD, at 10:36 AM, the First Appeal Circuit for Income Tax Violations and Disputes held its hearing in the presence of its members whose names are recorded in the minutes, via video conferencing in accordance with the remote litigation procedures; pursuant to the provisions of Paragraph (1) of Article (15) of the Rules of Operation for Zakat, Tax, and Customs Committees, issued by Royal Decree No. (25711) dated 08/04/1445 AH. Upon calling upon the litigants, there appeared / (), National ID No. (), in his capacity as the attorney-in-fact for the Appellant pursuant to Power of Attorney No. () issued on 19/04/1446 AH, and Law Practice License No. (). There also appeared the representative of the Respondent / (), National ID No. (), pursuant to an authorization issued by the Deputy Governor of the Zakat, Tax and Customs Authority



for Legal Affairs under No. () dated 19/03/1445 AH. And after the pleading stage was closed and the deliberation concluded.

Grounds:

Upon reviewing the case documentation and the appeal brief submitted by the Taxpayer, it became evident to the Circuit that the requirements for considering the appeal procedurally have been satisfied in accordance with the conditions stipulated in the relevant laws, regulations, and resolutions. Accordingly, the appeal request is accepted procedurally, as it was submitted by a qualified capacity and within the prescribed statutory deadline.

On the Merits, whereas regarding the Taxpayer's appeal concerning the item of (net fixed assets and the like), and whereas Paragraph (1) of Article (5) of the Implementing Regulations for Zakat Collection, issued by Ministerial Resolution No. (2216) dated 07/07/1440 AH, stipulates: 'Net fixed assets and the like, including—but not limited to—the following: A. Fixed assets acquired for the purpose of being used in the Taxpayer's activity, at the book value appearing in the financial statements. B. Payments for purchasing fixed assets. C. Spare parts and materials not intended for sale. D. Assets financed for the lessee in financial lease contracts under Build-Operate-Transfer (BOT) projects, Build-Own-Operate (BOO) projects, or Build-Own-Operate-Transfer (BOOT) projects, and other similar forms.' Based on the foregoing, and whereas it is permissible to deduct assets held in the names of shareholders from the Zakat base provided that those assets are used in the activity, alongside producing evidence demonstrating the justifications preventing the transfer of ownership to the Company; and whereas the dispute pertains to the principle of ownership of these fixed assets for the permissibility of deducting them from the Zakat base, and proving that such assets are used in the activity and are financed from equity or liabilities included in the Zakat base (financing sources); and whereas the criterion for deducting capital assets (Uroud Al-Qunyah) from the Zakat base is the exit of funds from the Company's financial liability and not the transfer of ownership, and in order to achieve balance sheet equilibrium—given that any asset appearing therein is financed from equity or liabilities included in the Zakat base. Upon the Circuit's review of the Authority's Response Memorandum, it became evident from Attachment (10) contained therein that Disclosure (5) stipulated: 'The above-mentioned land is registered in the name of one of the shareholders, and there is an acknowledgment from the shareholder that the ownership of this land belongs to the Company.' Therefore, the Circuit concludes to accept an amount of (660,800) Riyals. As for the vehicles amounting to (164,834) Riyals, whereas the Taxpayer did not produce evidence demonstrating the impossibility of transferring the ownership of this asset to the Company, nor did it produce evidence proving the use of this asset within the Company's activity, the Circuit concludes to reject the amount of (164,834) Riyals. Consequently, the Circuit is compelled to partially accept the Taxpayer's appeal and amend the Resolution Circuit's decision regarding the item of (net fixed assets and the like) by the amount of (660,800) Riyals and reject the amount of (164,834) Riyals.



Whereas regarding the remaining items subject of the lawsuit, and whereas The Circuit is not precluded from adopting the reasons of the appealed decision without adding to it whenever it deems that those reasons suffice without citing any new ones, because by endorsing it with what those reasons carried, it is confirmed that it found nothing in the challenges directed at the decision that deserves a response beyond what those reasons included. And since it is established that the appealed decision regarding the dispute concerning the appealed items was consistent with the sound reasons upon which it was based and which are sufficient to carry its ruling, as the issuing Circuit undertook the examination of the merits of the dispute therein and concluded regarding it to the result reached in its operative part. And whereas this Circuit has not noticed anything requiring correction or comment regarding it in light of the defenses raised before it. This leads the Circuit to conclude the Rejection of the Taxpayer's appeal and affirming the appealed Resolution Circuit's decision regarding the result it reached in the remaining items subject of the lawsuit, based on its reasons.

Based on the foregoing, and adopting the aforementioned grounds, the Circuit unanimously rendered the following decision:

Decision:

First: Acceptance of the appeal procedurally, submitted by the Appellant / Taxpayer, () Company, Commercial Registration No. (), TIN (_____), against the decision of the Second Circuit for the Resolution of Income Tax Violations and Disputes in Riyadh City, No. (ISR-2024-234902), issued in Lawsuit No. (Z-234902-2024) relating to the Zakat assessment for the year 2019 AD.

Second: On the Merits:

- 1- Rejecting the Taxpayer's appeal and affirming the Resolution Circuit's decision regarding the item of (provision for impairment of investment in the amount of 550,092 Saudi Riyals for the year 2019 AD).
- 2- Rejecting the Taxpayer's appeal and affirming the Resolution Circuit's decision regarding the item of (undocumented expenses in the amount of 3,797 Riyals).
- 3- Rejecting the Taxpayer's appeal and affirming the Resolution Circuit's decision regarding the item of (allowance for doubtful accounts in the amount of 7,500 Riyals).
- 4- Rejecting the Taxpayer's appeal and affirming the Resolution Circuit's decision regarding the item of (related parties in the amount of 4,426,157 Riyals).
- 5- Partially accepting the Taxpayer's appeal and amending the Resolution Circuit's decision regarding the item of (net fixed assets and the like) by the amount of (660,800) Riyals and rejecting the amount of (164,834) Riyals.



Deductions from the Zakat Base



Appeal Committee for Tax Violations and Disputes
First Appeal Circuit for Income Tax Violations and Disputes
in Riyadh City

Decision No. IR-2025-242652
Case No. Z-2024-242652

Keywords:

Zakat – Items Added Back to the Zakat Base – Investments – Investments in Subsidiaries – Acceptance of the Authority's Appeal

Summary:

The Authority objected to the Resolution Circuit's conclusion regarding the item of investments in subsidiaries, and requested the annulment of the decision on the grounds that the deduction of investments must be in accordance with the Taxpayer's share of equity in the investee companies, rather than the closing balance appearing in its financial statements. Furthermore, the Authority argued that the Taxpayer failed to produce evidence proving that a portion of those investments was calculated using the cost method, or any documentation supporting its claim to deduct the variance subject of the dispute. The Circuit concluded to accept the Authority's appeal and annul the Resolution Circuit's decision after it was established that the Taxpayer's financial statements and the certified public accountant's certificate confirm accounting under the equity method, and that the Taxpayer did not produce the supporting documents for its viewpoint. Consequently, the Authority's calculation of the investments based on the Taxpayer's share of equity in the subsidiaries was deemed correct.

Document:

- Paragraph (4) of Article (5) of the Implementing Regulations for Zakat Collection, issued by Ministerial Resolution No. (2216) dated 07/07/1440 AH.

Facts:

This is to consider the appeal submitted on 17/09/2024 AD, by the Zakat, Tax and Customs Authority, against the decision of the Third Circuit for the Resolution of Income Tax Violations and Disputes in Riyadh City, No. (ITR-2024-227969), issued in Lawsuit No. (Z-227969-2024) relating to the Zakat assessment for the year 2020 AD, in the lawsuit filed by the Taxpayer against the Zakat, Tax and Customs Authority, wherein the decision of the Resolution Circuit ruled as follows:



First: Acceptance of the objection filed by the Plaintiff / () Company, Commercial Registration No. (), against the decision of the Defendant / Zakat, Tax and Customs Authority, from a procedural standpoint.

Second: on merits:

- 1- Rejecting the Plaintiff's objection regarding the item of deficiency in reasoning.
- 2- Accepting the Plaintiff's objection regarding the item of investments in the amount of (28,699,719) for the year 2020 AD, and annulling the Defendant's decision.

Whereas this decision did not meet the acceptance by the Appellant (the Zakat, Tax and Customs Authority), it submitted an appeal brief which included a summary as follows:

As the Authority objects to the contested Resolution Circuit's decision, it claims that, with respect to the item of (investments in subsidiaries), the Circuit that issued the contested decision modified the Authority's procedure by considering the validity of the Plaintiff's claim to deduct the additional financing, since it is fully added back in the investee companies and classified within their equity, in order to avoid double Zakat. The Authority responds that the conclusion reached by the Circuit is incorrect, as the Authority did not deduct the value of the investments according to the audited financial statements of the Taxpayer after reviewing the movement of investments. Where it was stated in the financial statements that the basis for calculating these investments in subsidiaries is carried out using the equity method, and upon verifying the submitted movement, it became evident that there are investments carried out using the cost method and others using the equity method. Consequently, the Authority requested from the Taxpayer a letter from the certified public accountant regarding how the investment was calculated, the method used (cost - equity), and the standard relied upon in the calculation mechanism; however, the required letter was not provided, and the Taxpayer stated that it is 'financially encumbered'. Accordingly, the Authority reviewed the audited financial statements of the subsidiaries, and the Company's share in the capital of the investee companies was calculated based on the equity method, by taking the total shareholders' equity according to the financial statements of the subsidiaries and the investment percentage, pursuant to Paragraph (4) of Article (5) of the Implementing Regulations for Zakat Collection, issued by Ministerial Resolution No. (2216) dated 07/07/1440 AH. Furthermore, it became evident to the Authority that the Taxpayer deducted the investments in its submitted Zakat Declaration in the amount of (60,276,097) Riyals, in accordance with the closing balance in the audited financial statements of the Taxpayer. Upon reviewing the Taxpayer's financial statements, it became evident to the Authority on page 12 (the accounting policies of the Company) that investments in subsidiaries are accounted for using the equity method. The core of this method is that the investment is initially recognized at cost, and then the investment account is adjusted during subsequent periods by adding profits or losses in proportion to the investment percentage, and not exceeding the cost of the investment. When the investing company's share of the investee companies' losses equals the book balance of the investment in the subsidiary, the parent company ceases to recognize its share and forms a provision for these investments. In response to what was pointed out by the



Taxpayer that the Authority's calculation is correct but the impact of investment losses on the net Zakat profit for previous years was not taken into account, and that it should have been considered and the net Zakat profit (loss) adjusted, the Authority responds that the equity method—as previously mentioned—requires that profits and losses are reflected on the value of the investment at the end of each financial year. By reference to the audited financial statements, it becomes evident in the investment movement that the parent company's share in the year's results for the investee companies exists. Since the financial statements explicitly stipulated that these investments are accounted for using the equity method and the Taxpayer confirmed this, a reconciliation is made between the value of the investments in the Taxpayer's financial statements and the financial statements of the investee companies. This is to ensure that its share (95%) in the equity of these investments equals the amount recorded in its financial statements; therefore, they are not deducted from the Zakat base because the equity therein is negative. In addition to what has been mentioned above, the equity method requires that the investment is initially recognized at cost, and then the investment account is adjusted during subsequent periods by adding profits or losses in proportion to the investment percentage, and not exceeding the cost of the investment. When the investing company's share of the investee companies' losses equals the book balance of the investment in the subsidiary, the parent company ceases to recognize its share and forms a provision for these investments. The Authority also emphasizes that the burden of proving the contrary falls upon the Taxpayer pursuant to Article (5) and Article (18) of the Implementing Regulations for Zakat Collection, issued by Ministerial Resolution No. (2216) dated 07/07/1440 AH. Accordingly, the Authority requests the reversal of the Resolution Circuit's decision regarding the items subject of the appeal for the aforementioned grounds.

On Monday, dated 05/05/2025 AD, at 02:10 PM, the First Appeal Circuit for Income Tax Violations and Disputes held its hearing in the presence of its members whose names are recorded in the minutes, via video conferencing in accordance with the remote litigation procedures; pursuant to the provisions of Paragraph (1) of Article (15) of the Rules of Operation for Zakat, Tax, and Customs Committees, issued by Royal Decree No. (25711) dated 08/04/1445 AH. Upon calling upon the litigants, there appeared the representative of the Appellant / (), National ID No. (), pursuant to an authorization issued by the Deputy Governor of the Zakat, Tax and Customs Authority for Legal Affairs under No. () dated 19/03/1445 AH. There also appeared / (), National ID No. (_____), in his capacity as the representative of the Respondent pursuant to the Articles of Association attached to the lawsuit file. Upon asking the Respondent's representative if he wished to add anything, he stated that he stands by what was previously submitted in this lawsuit. Upon presenting this to the Appellant's representative, she responded by standing by what was previously submitted in this lawsuit, and pointed out the Authority's supplementary memorandum attached on 19/09/2024 AD under ticket No. (_____), noting that it was not attached to the lawsuit file, and requested the Circuit to permit its attachment to the lawsuit file. Upon presenting this to the Respondent's representative, he requested a grace period to review the aforementioned Authority's memorandum and respond thereto. Accordingly, the Circuit



decided to grant the Authority's request to attach the supplementary memorandum to the lawsuit file, and to grant the Taxpayer a grace period of (10) days ending on 15/05/2025 AD to respond thereto, after which date the pleading stage shall be closed, and the lawsuit shall be submitted for deliberation and issuance of the decision; the Circuit shall not accept any new documents or memoranda that were not submitted prior to the aforementioned date, provided that the next hearing, dated 26/05/2025 AD, shall be a session for pronouncing the decision.

On Monday, dated 26/05/2025 AD, at 10:00 AM, the First Appeal Circuit for Income Tax Violations and Disputes held its hearing in the presence of its members whose names are recorded in the minutes, via video conferencing in accordance with the remote litigation procedures; pursuant to the provisions of Paragraph (1) of Article (15) of the Rules of Operation for Zakat, Tax, and Customs Committees, issued by Royal Decree No. (25711) dated 08/04/1445 AH. Upon calling upon the litigants, there appeared the representative of the Appellant / (), National ID No. (), pursuant to an authorization issued by the Deputy Governor of the Zakat, Tax and Customs Authority for Legal Affairs under No. () dated 19/03/1445 AM. There also appeared / (), National ID No. (), in his capacity as the representative of the Respondent pursuant to Articles of Association No. (). Whereas the pleading stage was closed and the deliberation concluded, and whereas this hearing is designated for pronouncing the decision.

Grounds:

Upon reviewing the case documentation and the appeal brief submitted by the Authority, it became evident to the Circuit that the requirements for considering the appeal procedurally have been satisfied in accordance with the conditions stipulated in the relevant laws, regulations, and resolutions. Accordingly, the appeal request is accepted procedurally, as it was submitted by a qualified capacity and within the prescribed statutory deadline.

On the Merits, whereas regarding the Authority's appeal concerning the item of (investments in subsidiaries), and whereas Paragraph (4) of Article (5) of the Implementing Regulations for Zakat Collection, issued by Ministerial Resolution No. (2216) dated 07/07/1440 AH, stipulates: 'Investments in a non-trading entity inside the Kingdom, provided that such entity is registered with the Authority and is subject to Zakat under the Regulations. Financed lease assets in the lessor's commercial books shall not be deemed an investment to be deducted from the Zakat base regardless of their classification in the financial statements. Likewise, debit loans, subordinate or additional financing, and the like, granted to the investee entity, shall not be deemed an investment to be deducted from the Zakat base.' Relying upon Paragraph (10) —Equity Method— of International Accounting Standard 28 (IAS 28), which states: 'Under the equity method, on initial recognition the investment in an associate or a joint venture is recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The investor's share of the investee's profit or loss is recognised in the investor's profit or loss. Distributions received



from an investee reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in the investor's proportionate interest in the investee arising from changes in the investee's other comprehensive income. Such changes include those arising from the revaluation of property, plant and equipment and from foreign exchange translation differences. The investor's share of those changes is recognised in the investor's other comprehensive income.' Based on the foregoing, the dispute lies in the Authority's procedure of not deducting the investments at the amounts appearing in the closing balance of the Taxpayer's financial statements in the amount of (60,276,097) Riyals, as the Authority deducted the investments based on the Taxpayer's share of equity according to the subsidiaries' financial statements and the investment percentage in a total amount of (31,576,377) Riyals; whereas the Taxpayer requests the deduction of the variance subject of the dispute on the grounds that it represents prior years' losses for investments previously recorded under the cost method, where their impact on the equity of the holding company (the Taxpayer) was not taken into account. Upon the Circuit's review of the Authority's appeal brief, it became evident that it requested the Taxpayer to produce a certificate from the certified public accountant clarifying how the investment was calculated and the method used in accounting for it (the cost method - the equity method). The Circuit also noted that the Taxpayer produced a certificate from the certified public accountant stating that the investments in subsidiaries recorded in the Taxpayer's financial statements were recognized in accordance with the equity method; consequently, the certified public accountant's certificate does not contain anything supporting the Taxpayer's viewpoint regarding the investments being recognized under the cost method. By reference to the Taxpayer's financial statements, it becomes evident through Disclosure No. (4) regarding investments that the Company's share in the year's results exists, which indicates that the investments are accounted for using the equity method. Accordingly, and whereas the Taxpayer did not produce the documents supporting its opinion regarding the recognition of investments under the cost method, the accuracy of the Authority's procedure in calculating the investments based on the Taxpayer's share of equity in the investee companies is deemed established. Consequently, the Circuit concludes to accept the Authority's appeal and annul the Resolution Circuit's decision regarding the item of (investments in subsidiaries).

Based on the foregoing, and adopting the aforementioned grounds, the Circuit unanimously rendered the following decision:

Decision:

First: Acceptance of the appeal procedurally, submitted by the Appellant / Zakat, Tax and Customs Authority, against the decision of the Third Circuit for the Resolution of Income Tax Violations and Disputes in Riyadh City, No. (ITR-2024-227969), issued in Lawsuit No. (Z-227969-2024) relating to the Zakat assessment for the year 2020 AD.

Second: On the Merits:



Accepting the Authority's appeal and annulling the Resolution Circuit's decision regarding the item of (investments in subsidiaries).



Appeal Committee for Tax Violations and Disputes
First Appeal Circuit for Income Tax Violations and Disputes
in Riyadh City

Decision No. IR-2025-242983
Case No. Z-2024-242983

Keywords:

Zakat – Items Added Back to the Zakat Base – Debts – Deduction of Long-Term Government Accounts Receivable – Acceptance of the Taxpayer's Petition for Reconsideration

Summary:

The Taxpayer filed a petition for reconsideration regarding the item of long-term government accounts receivable, requesting the annulment of the previous decision based on the submission of conclusive documents that could not be produced prior to the judgment. The Taxpayer maintained that these receivables are due from a government entity, are long-term, and their revenues had been previously disclosed and subjected to Zakat. Furthermore, the Taxpayer proved its follow-up on their collection through correspondences and letters addressed to the Ministry of Health. The Circuit concluded to accept the petition, annul the previous decision, and remand the case back to the Appellate Circuit, after it was established that the failure to collect was due to the delay by the government entity rather than negligence on the Taxpayer's part, and that these amounts are neither in its possession nor within its capacity to receive, which precludes subjecting them to Zakat in accordance with the established judgment and the referred-to religious fatwa.

Document:

- Paragraph (B) of Clause (1) of Article (200) of the Law of Sharia Procedures, issued by Royal Decree No. (M/1) dated 22/01/1435 AH.

Facts:

This is for the consideration of the petition submitted on 19/09/2024 AD, by (), National ID No. (), in his capacity as an attorney-in-fact for the Petitioner Company pursuant to Power of Attorney No. () dated 12/04/1444 AH, and Law Practice License No. (), against the decision of the First Appeal Circuit for Income Tax Violations and Disputes, No. (IR-2024-198872), issued in Lawsuit No. (Z-198872-2023) relating to the Zakat assessment for the year 2016 AD, filed by the Taxpayer against the Zakat, Tax and Customs Authority, wherein the decision of the Appellate Circuit ruled as follows:



First: Acceptance of the appeal procedurally, submitted by the Appellant / Taxpayer, () Company, Commercial Registration No. (), TIN (_____), against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Jeddah Governorate, No. (IZJ-2023-152984), issued in Lawsuit No. (Z-152984-2022) relating to the Zakat assessment for the year 2016 AD.

Second: On the Merits:

- 1- Rejecting the Taxpayer's appeal and affirming the Resolution Circuit's decision regarding the item of (the Company's share in social insurance).
- 2- Rejecting the Taxpayer's appeal and affirming the Resolution Circuit's decision regarding the item of (gains on disposal of property and equipment).
- 3- Rejecting the Taxpayer's appeal and affirming the Resolution Circuit's decision regarding the item of (dividend income).
- 4- Establishing the settlement of the dispute regarding the Taxpayer's appeal against the item of (trade payables and accrued expenses added back to the Zakat base).
- 5- Accepting the Taxpayer's appeal and annulling the Resolution Circuit's decision regarding the item of (disallowing the deduction of the full investment in [_____] Company).
- 6- Rejecting the Taxpayer's appeal and affirming the Resolution Circuit's decision regarding the item of (accumulated losses).
- 7- Rejecting the Taxpayer's appeal and affirming the Resolution Circuit's decision regarding the item of (long-term government accounts receivable).

Whereas this decision did not meet the acceptance by the Taxpayer, it submitted a Statement of Petition for Reconsideration which the Circuit reviewed, and which included its request to reverse and annul the Appellate Circuit's decision.

On Tuesday, dated 12/08/2025 AD, at 09:00 AM, the First Appeal Circuit for Income Tax Violations and Disputes held its hearing in the presence of its members whose names are recorded in the minutes, via video conferencing in accordance with the remote litigation procedures; pursuant to the provisions of Paragraph (1) of Article (15) of the Rules of Operation for Zakat, Tax, and Customs Committees, issued by Royal Decree No. (25711) dated 08/04/1445 AH. Upon reviewing the petition request, the submitted memoranda, and the papers and documents contained in the lawsuit file, and after due deliberation, and whereas the lawsuit is ready for adjudication in its current state, the Circuit decides to close the pleading stage and reserve the case for adjudication.

Grounds:

Upon reviewing the grounds contained in the petition for reconsideration, it became evident to the Appellate Circuit that the Taxpayer requests the acceptance of its petition regarding the item of (long-term government



accounts receivable), relying upon the provisions of Paragraph (B/1) of Article (200) of the Law of Sharia Procedures. Wherein it argues that the nature of the outstanding government receivables that were accepted for the years 2017 AD and 2018 AD is identical to those subject of the Circuit's decision rejecting their deduction from the Zakat base for the year 2016 AD. The Taxpayer pointed out the Authority's acceptance to deduct government debts relating to the Ministry of Health—which are classified as long-term receivables—from the Zakat base, which have remained uncollected for more than a year, based on the following: the contract concluded with the Ministry of Health, an analytical statement of the receivables, and the classification of the long-term government accounts receivable as outstanding for more than a year in the audited financial statements. This classification serves as a clear confirmation that these long-term receivables remained outstanding for a period exceeding one year. Furthermore, the Company disclosed the revenues related thereto and subjected them to Zakat in the year of sale, as they were subjected to Zakat as part of the opening balance of retained earnings in subsequent years. The Taxpayer added that the Company followed up with the Ministry of Health to collect the receivables by sending several reminder letters and holding meetings with the representative of the Ministry of Health, and produced a copy of those correspondences. Whereas the Circuit had rejected in its decision the deduction of the item of (long-term government accounts receivable) from the base due to the failure to produce supporting documents proving that it had exerted due diligence and demanded the debts, the Taxpayer consequently produced a copy of the supplementary memorandum which had been previously submitted before the Appellate Circuit. The Taxpayer also relied upon Article (32) of the Implementing Regulations for Zakat Collection, issued pursuant to Ministerial Resolution No. (1007) dated 19/08/1445 AH, and Fatwa No. (23408) dated 18/11/1426 AH, issued by the Permanent Committee for Scholarly Research and Ifta. Whereas Paragraph (B/1) of Article (200) of the Law of Sharia Procedures, issued by Royal Decree No. (M/1) dated 22/01/1435 AH, stipulates that: '1- Any of the litigants has the right to petition for a reconsideration of final judgments in the following cases: B- If the petitioner, after the judgment, obtains conclusive documents in the lawsuit that were impossible for him to produce before the judgment.' Relying upon Fatwa No. (23408) dated 18/11/1426 AH, issued by the Permanent Committee for Scholarly Research and Ifta regarding outstanding debts from government entities, which stated: 'Amounts due to a person from any government entity, if their payment is delayed for any reason by that required entity, even if the right-holder is aware of it, Zakat is not obligatory upon them until he receives them and a full lunar year (Hawl) passes after their receipt, pursuant to the words of the Almighty: (So fear Allah as much as you are able), and because Zakat is an act of financial solidarity (Mwasah), it is not obligatory upon a person who cannot receive it and has nothing of it in his possession.'

Based on the foregoing, the dispute lies in the Taxpayer's claim to deduct the item of long-term government accounts receivable in the amount of (245,916,499) Riyals from the Zakat base for the year 2016 AD. Wherein the Taxpayer argues that outstanding amounts from government entities must not be subjected to Zakat until they are received and a full lunar year passes, given that these amounts were neither in the Taxpayer's



possession nor under its control, and that the harm suffered by the Taxpayer was a result of the government entities' failure to settle the Company's receivables. On the other hand, the Authority did not accept the deduction of the item as it is not among the deductible items stipulated in Article (4) of the Implementing Regulations for Zakat Collection. Upon the Circuit's review of the lawsuit file and the attached documents, it became evident that the Taxpayer had submitted a number of letters to the Ministry of Health, requesting the disbursement of its statutory receivables, which demonstrates that the reason for the failure to collect the amounts is attributed to the delay by the Ministry of Health and is not a result of negligence on the Taxpayer's part or a failure to comply with the specified standards and requirements.

Whereas the provisions of the Sharia Fatwa No. (23408) dated 18/11/1426 AH, issued by the aforementioned Permanent Committee for Scholarly Research and Ifta, included that Zakat is not obligatory upon a creditor for his outstanding funds with government entities which he cannot collect due to a delay by the government entities and not as a result of his negligence or lack of commitment to the criteria and requirements specified by the government entity. Upon the Circuit's review of the lawsuit file and its contents, it became clear that the status of the Taxpayer (the creditor) is in alignment with what has been established by the religious fatwas. Accordingly, and whereas these balances are neither in the possession of the Taxpayer nor under its control, which prevents it from utilizing them; the Circuit concludes to accept the petition for reconsideration, annul the Appellate Circuit's decision, and remand the case back to it regarding the item of (long-term accounts receivable).

Based on the foregoing, and adopting the aforementioned grounds, the Circuit has decided by a majority vote the following:

Decision:

First: Acceptance of the petition for reconsideration procedurally, submitted by the Petitioner / Taxpayer, () Company, Commercial Registration No. (), TIN (_____), against the decision of the First Appeal Circuit for Income Tax Violations and Disputes, No. (IR-2024-198872), issued in Lawsuit No. (Z-198872-2023) relating to the Zakat assessment for the year 2016 AD.

Second: On the Merits:

Accepting the petition for reconsideration, annulling the Appellate Circuit's decision, and remanding the case back to it regarding the item of (long-term accounts receivable), in accordance with the grounds and reasons set forth in this decision.



Appeal Committee for Tax Violations and Disputes
First Appeal Circuit for Income Tax Violations and Disputes
in Riyadh City

Decision No. IR-2025-243116
Case No. Z-2024-243116

Keywords:

Zakat – Deductions from the Zakat Base – Investments – Long-Term Real Estate Investments – Acceptance of the Authority's Appeal

Summary:

The Taxpayer submitted its appeal requesting the affirming of the Resolution Circuit's decision to annul the Authority's assessment for the year 2016 AD, and the Authority submitted a cross-appeal requesting the reversal of the decision regarding specific items. The Circuit accepted the Authority's appeal regarding the item of formal defect relating to the grounds of modification, on the basis that the lawsuit is ready for adjudication. Furthermore, the Circuit concluded that it is impermissible to deduct investments in securities that were proven to be sold or were outside the Kingdom without satisfying the requirements of proving Zakat payment (Tazkiyah) or producing audited financial statements. The Circuit also upheld the adding back of accrued expenses and accounts payable due to the Taxpayer's failure to produce a detailed movement layout that refutes the passage of a full lunar year (Hawl) or the financing of the deducted item, and rejected the deduction of real estate investments because the intent of sale was established and they were classified as current assets, while establishing the settlement of the dispute regarding a portion of the listed shares inside the Kingdom due to the absence of sale and the Authority's acceptance.

Document:

- Paragraph (3) of Article (37) of the Rules of Operation for Zakat, Tax, and Customs Committees, issued by Royal Decree No. (25711) dated 08/04/1445 AH.
- Paragraph (4) of Clause (Second) of Article (4) of the Implementing Regulations for Zakat Collection, issued by Decision of His Excellency the Minister of Finance No. (2082) dated 01/06/1438 AH.
- Paragraph (3) of Article (20) of the Implementing Regulations for Zakat Collection, issued by Decision of His Excellency the Minister of Finance No. (2082) dated 01/06/1438 AH.



Facts:



This is to consider the appeal submitted on 25/09/2024 AD, by (), National ID No. (), in her capacity as an attorney-in-fact for the Appellant Establishment pursuant to Power of Attorney No. () dated 23/01/1444 AH, and Law Practice License No. (); and the appeal submitted by the Zakat, Tax and Customs Authority on 26/09/2024 AD, against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Dammam City, No. (IZD-2024-238071), issued in Lawsuit No. (Z-238071-2024) relating to the Zakat assessment for the year 2016 AD, in the lawsuit filed by the Appellant against the Zakat, Tax and Customs Authority, wherein the decision of the Resolution Circuit ruled as follows:

Lack of Jurisdictional Competence of the Circuit to consider the Plaintiff's lawsuit.

Whereas the Resolution Circuit issued its aforementioned decision and considered this lawsuit anew as a result of this Circuit's decision No. (IR-2024-191036), accordingly, the Circuit decided to resume the consideration of the lawsuit. Whereas this decision did not meet the acceptance by the Taxpayer, it submitted an appeal brief which the Circuit reviewed, and which included a summary that the Taxpayer requests the acceptance of its appeal and the affirming of the Resolution Circuit's decision No. (IZD-2023-143580) ruling to annul the Authority's decision across all items subject of the lawsuit for the year 2016 AD. Likewise, this decision was not accepted by the Authority, so it submitted an appeal brief which the Circuit reviewed, and which included a summary that the Authority requests the acceptance of its appeal and the reversal of the Resolution Circuit's decision regarding the items subject of its appeal.

On Tuesday, dated 01/07/2025 AD, at 11:40 AM, the First Appeal Circuit for Income Tax Violations and Disputes held its hearing in the presence of its members whose names are recorded in the minutes, via video conferencing in accordance with the remote litigation procedures; pursuant to the provisions of Paragraph (1) of Article (15) of the Rules of Operation for Zakat, Tax, and Customs Committees, issued by Royal Decree No. (25711) dated 08/04/1445 AH. Upon calling upon the litigants, there appeared / (), National ID No. (), in his capacity as an attorney-in-fact for the Taxpayer pursuant to Power of Attorney No. () issued on 23/01/1444 AH, and Law Practice License No. (). There also appeared the representative of the Authority / (), National ID No. (), pursuant to an authorization issued by the Deputy Governor of the Zakat, Tax and Customs Authority for Legal Affairs under No. (_____) dated 19/03/1445 AH.

Upon asking the Taxpayer's attorney-in-fact if he wished to add anything, he stated that he stands by what was previously submitted in this lawsuit. Upon presenting this to the Authority's representative, he responded by standing by what was previously submitted in this lawsuit. Upon asking both parties if they wished to add anything, they decided to suffice with what was previously submitted. After closing the pleading stage and concluding the deliberation, and given the lawsuit's need for further study, the Circuit accordingly decided to adjourn the lawsuit to the hearing session of Thursday, corresponding to 17/07/2025 AD, provided that the next hearing shall be a session for pronouncing the decision.



On Thursday, dated 17/07/2025 AD, at 09:00 AM, the First Appeal Circuit for Income Tax Violations and Disputes held its hearing in the presence of its members whose names are recorded in the minutes, via video conferencing in accordance with the remote litigation procedures; pursuant to the provisions of Paragraph (1) of Article (15) of the Rules of Operation for Zakat, Tax, and Customs Committees, issued by Royal Decree No. (25711) dated 08/04/1445 AH. Upon calling upon the litigants, there appeared / (), National ID No. (), in his capacity as an attorney-in-fact for the Taxpayer pursuant to Power of Attorney No. () issued on 23/01/1444 AH, and Law Practice License No. (). There also appeared the representative of the Authority / (), National ID No. (), pursuant to an authorization issued by the Deputy Governor of the Zakat, Tax and Customs Authority for Legal Affairs under No. (_____) dated 19/03/1445 AH. Whereas the pleading stage was closed and the deliberation concluded, and whereas this hearing is designated for pronouncing the decision.

Grounds:

Upon reviewing the case documentation and the appeal briefs submitted by both the Taxpayer and the Zakat, Tax and Customs Authority, it became evident to the Circuit that the requirements for considering the appeals procedurally have been satisfied in accordance with the conditions stipulated in the relevant laws, regulations, and resolutions. Accordingly, both appeal requests are accepted procedurally, as they were submitted by qualified capacities and within the prescribed statutory deadline.

On the Merits, regarding the Authority's appeal concerning the item of (Formal Defect (Grounds of Modification for the Year 2016 AD)): Upon the Circuit's contemplation of the appeal, and whereas Paragraph (3) of Article (37) of the Rules of Operation for Zakat, Tax, and Customs Committees, issued by Royal Decree No. (25711) dated 08/04/1445 AH, stipulates: '3- If the Appellate Circuit decides to annul the Resolution Circuit's decision issued for lack of jurisdiction, or for accepting a secondary plea that resulted in barring the proceedings of the lawsuit, or for the impermissibility of considering it due to prior adjudication, or for non-hearing due to the lapse of time, or for procedural non-acceptance, or for non-acceptance of the lawsuit due to lack of specification, it shall remand the lawsuit back to the Resolution Circuit that issued the decision to consider the merits, unless the circumstances of the lawsuit are ready for adjudication, or the circumstances of the lawsuit necessitate an expedited adjudication, or the subject matter thereof is one upon which decisions or principles of the Appellate Circuits have been established; in which case it may be adjudicated without remand.' Based on the foregoing, and whereas the decision subject of the appeal concluded with lack of jurisdiction to consider the lawsuit, and whereas this case falls within the provisions of the aforementioned Article, and since the circumstances of the lawsuit are ready for adjudication, the Circuit consequently concludes to accept the Authority's appeal and annul the Resolution Circuit's decision regarding the item of (Formal Defect (Grounds of Modification for the Year 2016 AD)).

Regarding the Authority's appeal concerning the item of (Investment in Securities for the Year 2016 AD): Whereas Paragraph (Second/4) of Article (4) of the Implementing Regulations for Zakat Collection, issued by



Ministerial Resolution No. (2082) dated 01/06/1438 AH, stipulates: 'The following shall be deducted from the Zakat base: 4-(A): Investments in entities inside the Kingdom – jointly with others – provided that such investments are subject to Zakat under these Regulations; if the investment in those entities is not subject to collection, it shall not be deducted from the base. (B): Investments in entities outside the Kingdom – jointly with others – provided that the Taxpayer calculates, within its Zakat Declaration, the Zakat due on these investments in accordance with the rules stipulated in these Regulations and remits it to the Authority, along with attaching audited financial statements from a certified public accountant approved in the country of investment and authenticated by the official authorities; if it fails to comply with calculating and remitting Zakat accordingly, they shall not be deducted from the Zakat base.' Relying upon Paragraph (3) of Article (20) of the same Regulations, which stipulates: 'The burden of proof to establish the accuracy of the items stated in the Taxpayer's Zakat Declaration and any other data rests upon the Taxpayer. In the event that it is unable to prove the accuracy of what is stated in its return, the Authority may disallow the item whose accuracy is not established by the Taxpayer, or perform an Presumptive Assessment according to the Authority's viewpoint in light of the circumstances and facts associated with the case and the information available to it.'

Based on the foregoing, and whereas the dispute between the two parties lies in the Authority's procedure of not deducting the investment in securities, and regarding (A- Investments for Trading Purposes in the amount of 1,670,308 Riyals): By reference to the lawsuit file and its contents, it became evident through the financial statements of the year of dispute, specifically Disclosure No. (8), that the investments consist of investments in available-for-sale securities classified into (investment fund, listed shares, unlisted shares). It also became clear through Disclosure (8-B) that there is a sale movement on the investments under the account of 'realized gains'. By reference to the Authority's supplementary brief, it became evident that it attached the movement layout submitted by the Taxpayer during the objection stage, which demonstrates that the following investments, totaling 1,670,308 Riyals, represent investments upon which a sale movement occurred during the year, which are / (_____). Therefore, the inaccuracy of the Taxpayer's argument regarding the absence of a sale movement is established, whereby the Circuit concludes to accept the Authority's appeal and annul the Resolution Circuit's decision regarding (Investments for Trading Purposes in the amount of 1,670,308 Riyals).

Regarding (B- Investments in Listed and Unlisted Shares in the amount of 22,507,681 Riyals): Whereas it became evident through the movement layout submitted in the Authority's supplementary brief that no sale transaction occurred during the period, however, these investments represent investments in entities outside the Kingdom; and whereas Paragraph (Second/4) of Article (4) of the Implementing Regulations for Zakat Collection stipulates that conditions must be met to accept the deduction of foreign investments, and whereas the Taxpayer failed to comply with submitting the financial statements of the investee companies and did not produce proof of calculating the Zakat due, the Circuit consequently concludes to accept the Authority's appeal and annul the Resolution Circuit's decision regarding (Investments in Listed and Unlisted Shares in the amount of 22,507,681 Riyals).



Regarding (C- Investments in Investment Funds in the amount of 81,557 Riyals): Whereas it is evident that these investments are investments in investment funds; and given that investment funds were not subject to Zakat and were not registered with the Authority during that period, and the Taxpayer did not calculate, within its Zakat Declaration, the Zakat due on these investments in accordance with the rules stipulated in these Regulations and remit it to the Authority, consequently, the investment in such funds is impermissible for deduction. Accordingly, the Circuit concludes to accept the Authority's appeal and annul the Resolution Circuit's decision regarding (Investments in Investment Funds in the amount of 81,557 Riyals).

Regarding (D- Investments in Shares of Entities Listed inside the Kingdom in the amount of 267,036 Riyals): Whereas it became evident that the Authority accepts the Taxpayer's objection regarding thereto, as it was established to the Authority that there was no sale movement during the year, and these are investments in entities inside the Kingdom, namely () Bank and () Company. Therefore, based on the foregoing, the Circuit concludes to establish the settlement of the dispute since it was proven to the Authority that no sale movement occurred during the year.

Regarding the Authority's appeal concerning the item of (Accrued Expenses and Other Liabilities in the amount of 5,475,901 Riyals) and the item of (Trade Payables in the amount of 3,914,779 Riyals): Whereas Paragraph (First/5) of Article (4) of the Implementing Regulations for Zakat Collection, issued by Ministerial Resolution No. (2082) dated 01/06/1438 AH, stipulates: 'The Zakat base consists of all the Taxpayer's funds subject to Zakat, including: 5- Government and commercial loans and similar other financing sources such as creditors, notes payable, and bank overdrafts owed by the Taxpayer, in accordance with the following: A- Whatever remains of them in cash and a full lunar year (Hawl) has passed over it. B- Whatever is used of them to finance what is designated for acquisition (fixed assets). C- Whatever is used of them in trade goods and a full lunar year has passed over it.' Relying upon Paragraph (3) of Article (20) of the same Regulations, which stipulates: 'The burden of proof to establish the accuracy of the items stated in the Taxpayer's Zakat Declaration and any other data rests upon the Taxpayer. In the event that it is unable to prove the accuracy of what is stated in its return, the Authority may disallow the item whose accuracy is not established by the Taxpayer, or perform an Presumptive Assessment according to the Authority's viewpoint in light of the circumstances and facts associated with the case and the information available to it.' Based on the foregoing, the balances of accounts payable and accrued expenses constitute one of the components of the Zakat base, provided that a full lunar year has passed over those balances, or that they were used to finance the assets deducted from the Zakat base without requiring the passage of a full lunar year over them. By reference to the lawsuit file and its contents, it became clear that the Taxpayer did not produce any document through which the additions made by the Authority to the Zakat base could be reversed, as it merely sufficed with producing the financial statements and did not produce the detailed movement layout demonstrating that a full lunar year had not passed over the amounts. This is not undermined by the Taxpayer's claim that the added amounts are not governed by the Zakat Regulations of 1438 AH, since the Regulations explicitly stipulated that they are subject thereto.



Furthermore, whereas the Authority stated that it reviewed the detailed movement layout and added the accounts within the limits of what a full lunar year had passed over, and whereas the Taxpayer did not prove otherwise; therefore, the Authority's procedure in adding 5,475,901 Riyals to the item of accrued expenses and other liabilities, and the amount of 3,914,779 Riyals to the item of trade payables must be upheld. Consequently, the Circuit concludes to accept the Authority's appeal and annul the Resolution Circuit's decision regarding the item of (Accrued Expenses and Other Liabilities in the amount of 5,475,901 Riyals).

Regarding the Authority's appeal concerning the item of (Non-Deduction of Real Estate Investments in the amount of 51,293,640 Riyals): Whereas Paragraph No. (1) of Clause (Second) of Article (4) of the Implementing Regulations for Zakat Collection, issued by Ministerial Resolution No. (2082) dated 01/06/1438 AH, stipulates: 'The following shall be deducted from the Zakat base: 1- Fixed assets, which include the following: the net value of fixed assets (assets for acquisition), any payments for purchasing fixed assets, and the value of spare parts not intended for sale; provided that these assets are owned by the Taxpayer—unless there is an impediment preventing the transfer of ownership—and are used in the activity.' Relying upon Paragraph (3) of Article (20) of the same Regulations, which stipulates: 'The burden of proof to establish the accuracy of the items stated in the Taxpayer's Zakat Declaration and any other data rests upon the Taxpayer. In the event that it is unable to prove the accuracy of what is stated in its return, the Authority may disallow the item whose accuracy is not established by the Taxpayer, or perform an Presumptive Assessment according to the Authority's viewpoint in light of the circumstances and facts associated with the case and the information available to it.' Based on the foregoing, two basic conditions must be satisfied to consider an investment among the long-term investments permissible for deduction from the Zakat base; namely: a documented intent from the authorized official clarifying the purpose of the investment, and the absence of any sale transactions carried out during the year on those investments. Based on the above, it is evident that the dispute lies in the Taxpayer's claim to deduct real estate investments in the amount of (51,293,640) Riyals on the grounds that the intent and purpose of these investments were not for sale. Upon reviewing the financial statements and their contents, it became evident that the investments subject of the dispute are classified under current assets under the name 'real estate investments for sale'. Upon reviewing Disclosure No. (7) relating to real estate investments, it was found to state the following: 'According to management's intent, it is expected to retain the lands and the contribution in land for the purpose of selling them in the near term within the ordinary course of the company's business.' Therefore, it is evident that the Company's intent is documented, which is trading. Regarding what the Taxpayer pointed out in its brief that in the year 2018 AD the investments were transferred to fixed assets, upon reviewing the 2018 AD financial statements, the accuracy of what the Taxpayer pointed out was confirmed; however, the benchmark in investments is the intent, and whereas the intent in the year of dispute 2016 AD was documented as being for sale and classified within current assets for the purpose of sale, they must consequently not be deducted due to the established intent. As for the Taxpayer's argument regarding the non-addition of the owner's current account corresponding to the real estate investments, the owner's current



account was added to the Zakat base due to the passage of a full lunar year over the account. Accordingly, the Circuit concludes to accept the Authority's appeal and annul the Resolution Circuit's decision regarding (Non-Deduction of Real Estate Investments in the amount of 51,293,640 Riyals).

Regarding the Taxpayer's appeal concerning the remaining items subject of the lawsuit: and whereas The Circuit is not precluded from adopting the reasons of the appealed decision without adding to it whenever it deems that those reasons suffice without citing any new ones, because by endorsing it with what those reasons carried, it is confirmed that it found nothing in the challenges directed at the decision that deserves a response beyond what those reasons included. And since it is established that the appealed decision regarding the dispute concerning the appealed items was consistent with the sound reasons upon which it was based and which are sufficient to carry its ruling, as the issuing Circuit undertook the examination of the merits of the dispute therein and concluded regarding it to the result reached in its operative part. And whereas this Circuit has not noticed anything requiring correction or comment regarding it in light of the defenses raised before it. This leads the Circuit to conclude the Rejection of the Taxpayer's appeal and affirming the appealed Resolution Circuit's decision regarding the result it reached in the remaining items subject of the lawsuit, based on its reasons.

Based on the foregoing, and adopting the aforementioned grounds, the Circuit unanimously rendered the following decision:

Decision:

First: Acceptance of the appeals procedurally, submitted by the Taxpayer / (.....) Foundation, Commercial Registration No. (), TIN (_____), and the appeal submitted by the Zakat, Tax and Customs Authority, against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Dammam City, No. (IZD-2024-238071), issued in Lawsuit No. (Z-238071-2024) relating to the Zakat assessment for the year 2016 AD.

Second: On the Merits:

- 1- Accepting the Authority's appeal and annulling the Resolution Circuit's decision regarding the item of (Formal Defect (Grounds of Modification for the Year 2016 AD)).
- 2- Regarding the appeal of both parties concerning the item of (Investment in Securities for the Year 2016 AD):
 - a. Accepting the Authority's appeal, annulling the Resolution Circuit's decision, and rejecting the Taxpayer's appeal regarding (Investments for Trading Purposes in the amount of 1,670,308 Riyals).
 - b. Accepting the Authority's appeal, annulling the Resolution Circuit's decision, and rejecting the Taxpayer's appeal regarding (Investments in Listed and Unlisted Shares in the amount of 22,507,681 Riyals).



- c. Accepting the Authority's appeal, annulling the Resolution Circuit's decision, and rejecting the Taxpayer's appeal regarding (Investments in Investment Funds in the amount of 81,557 Riyals).
 - d. Establishing the settlement of the dispute regarding (Investments in Shares of Entities Listed inside the Kingdom in the amount of 267,036 Riyals).
- 3- Accepting the Authority's appeal, annulling the Resolution Circuit's decision, and rejecting the Taxpayer's appeal regarding (Accrued Expenses and Other Liabilities in the amount of 5,475,901 Riyals).
 - 4- Accepting the Authority's appeal, annulling the Resolution Circuit's decision, and rejecting the Taxpayer's appeal regarding (Trade Payables in the amount of 3,914,779 Riyals).
 - 5- Accepting the Authority's appeal, annulling the Resolution Circuit's decision, and rejecting the Taxpayer's appeal regarding (Non-Deduction of Real Estate Investments in the amount of 51,293,640 Riyals).



Appeal Committee for Tax Violations and Disputes
First Appeal Circuit for Income Tax Violations and Disputes
in Riyadh City

Decision No. IR-2025-243161
Case No. Z-2024-243161

Keywords:

Zakat – Deductions from the Zakat Base – Assessment – Procedures for Issuing the Assessment – Cessation of the Company's Activity and Affirming its Liability to Zakat – Acceptance of the Authority's Appeal

Summary:

The Taxpayer submitted its appeal regarding the item of (net fixed assets and debit related party balances for the years 2016 AD – 2019 AD), arguing the cessation of activity and that in-kind capital is not subject to Zakat, and requested a set-off and deduction; while the Authority maintained the non-deductibility of debit related party balances due to the absence of retained earnings. Furthermore, the Authority appealed against the item of (the legality of issuing the assessment), arguing that the Taxpayer's awareness of the modifications via electronic channels was established, and that the modification notice was fully served pursuant to Article (7). The Circuit decided the abandonment of the Authority's litigation for the years 2012 AD – 2015 AD, and to accept its appeal and annul the Resolution Circuit's decision regarding the legality of the assessment for the years 2016 AD – 2019 AD. It rejected the Taxpayer's appeal and upheld the decision regarding debit related party balances due to the impermissibility of deduction or set-off and because the presence of Zakat-subject funds in the financial statements was established.

Document:

- Article (7) of the Implementing Regulations for Zakat Collection, issued by Decision of His Excellency the Minister of Finance No. (2082) dated 01/06/1438 AH.

Facts:

This is to consider the appeal submitted on 26/09/2024 AD, by (), National ID No. (), in his capacity as the legal representative of the Appellant Company pursuant to the Commercial Registration and the Articles of Association; and the appeal submitted on 16/02/2023 AD by the Zakat, Tax and Customs Authority, against the decision of the Third Circuit for the Resolution of Income Tax Violations and Disputes in Riyadh City, No. (ITR-2024-235927), issued in Lawsuit No. (Z-235927-2024) relating to the Zakat assessment for the years



from 2012 AD to 2019 AD, in the lawsuit filed by the Taxpayer against the Zakat, Tax and Customs Authority, wherein the decision of the Resolution Circuit ruled as follows:

First: Acceptance of the objection of the Plaintiff / (), Commercial Registration No. (), against the Defendant / the Zakat, Tax and Customs Authority, from a procedural aspect.

Second: on merits:

- 1- Dismissing the matter relating to the statutory period for performing the Zakat assessment for the years from 2012 AD to 2015 AD due to prior adjudication.
- 2- Dismissing the matter relating to the Authority's procedure in the modification notice letters (Zakat assessments) for the years from 2012 AD to 2018 AD due to prior adjudication.
- 3- Rejecting the Plaintiff's objection regarding net fixed assets and debit related party balances for the years from 2016 AD to 2019 AD.

Whereas the Resolution Circuit issued its aforementioned decision and considered the lawsuit anew as a result of this Circuit's decision No. (IR-2024-178747) issued on 27/04/2024 AD, which included remanding the case back to the Resolution Circuit to consider it on the merits, and which ruled as follows:

First: Acceptance of the appeal procedurally, submitted by the Appellant / the Zakat, Tax and Customs Authority, against the decision of the Third Circuit for the Resolution of Income Tax Violations and Disputes in Riyadh City, No. (000), issued in Lawsuit No. (000) relating to the Zakat assessment for the years from 2012 AD up to 2019 AD.

- 1- Accepting the abandonment of litigation regarding the Authority's appeal against the item of (Statute of Limitations for the years 2012 AD up to 2015 AD) and its dependent items.
- 2- Regarding the Authority's appeal against the item of (net fixed assets and debit related party balances for the years from 2012 AD to 2019 AD):
 - a. Accepting the abandonment of litigation regarding the Authority's appeal against the item of (net fixed assets and debit related party balances for the years from 2012 AD up to 2015 AD).
 - b. Accepting the Authority's appeal, annulling the Resolution Circuit's decision, and remanding the case back to it to consider it on the merits regarding the item of (net fixed assets and debit related party balances for the years from 2016 AD up to 2019 AD).

Whereas the contested decision was not accepted by the Taxpayer, it submitted an appeal brief which the Circuit reviewed, and which included a summary that the Taxpayer requests the acceptance of its appeal and the reversal of the Resolution Circuit's decision regarding the item of (net fixed assets and debit related party balances for the years from 2016 AD to 2019 AD).

Likewise, this decision was not accepted by the Authority, so it submitted an appeal brief which included, regarding the item of (Legality of Issuing the Assessment for the Years from 2016 AD up to 2019 AD), that prior



to the assessment, it prepared the draft assessment for the years from 2012 AD to 2019 AD and notified the Taxpayer on 04/07/2021 AD to express its opinion regarding the Authority's procedure in the assessment prepared by them, while attaching the reasoning and any other supporting documents for the Authority's items subject of modifications. Noting that this was carried out via the official electronic channels through email, and the Taxpayer replied to the aforementioned email on 05/07/2021 AD. Upon studying the objection, and given that the modification to the return is performed automatically, all modifications made to the return are clarified, which necessitates the Taxpayer, upon receiving the modification notice, to log into the Authority's website and access its private account to review the return and the modifications made thereto, so they may be accepted or objected to from the same return. Accordingly, it is evident that the Taxpayer was aware of the Authority's procedure in the modifications to the assessment by rejecting the deduction of the debit related party item from the Zakat base for the years from 2012 AD to 2019 AD. The Taxpayer expressed its observations on the previously mentioned item and attached certain documents; however, the Authority did not accept the submitted documents. The Authority relies in its procedure upon Paragraph (7) of Article (21) of the Implementing Regulations for Zakat Collection. The Authority also objects to the item of (Legality of Issuing the Assessment for the Years from 2012 AD up to 2015 AD). Consequently, the Authority requests the reversal of the Resolution Circuit's decision regarding the items subject of the appeal for the aforementioned grounds.

On Tuesday, dated 11/02/2025 AD, at 11:45 AM, the First Appeal Circuit for Income Tax Violations and Disputes held its hearing in the presence of its members whose names are recorded in the minutes, via video conferencing in accordance with the remote litigation procedures; pursuant to the provisions of Paragraph (1) of Article (15) of the Rules of Operation for Zakat, Tax, and Customs Committees, issued by Royal Decree No. (25711) dated 08/04/1445 AH. Upon calling upon the litigants, there appeared / (), National ID No. (), in his capacity as an attorney-in-fact for the Appellant pursuant to Power of Attorney No. () issued on 11/02/1446 AH, and Law Practice License No. (). There also appeared the representative of the Respondent / (), National ID No. (), pursuant to an authorization issued by the Deputy Governor of the Zakat, Tax and Customs Authority for Legal Affairs under No. (_____) dated 19/03/1445 AM.

Upon asking the Appellant's attorney-in-fact if he wished to add anything, he stated that he stands by what was previously submitted in this lawsuit and added that (in-kind capital) is not subject to Zakat. Upon presenting this to the Respondent's representative, she responded by standing by what was previously submitted in this lawsuit. Upon asking both parties if they wished to add anything, they decided to suffice with what was previously submitted; therefore, the Circuit decided to adjourn the lawsuit for further study and contemplation, provided that the next hearing shall be on 18/02/2025 AD, as a session for pronouncing the decision.

On Tuesday, dated 18/02/2025 AD, at 10:30 AM, the First Appeal Circuit for Income Tax Violations and Disputes held its hearing in the presence of its members whose names are recorded above, via video conferencing in accordance with the remote litigation procedures; pursuant to the provisions of Paragraph (1) of Article (15) of the Rules of Operation for Zakat, Tax, and Customs Committees, issued by Royal Decree No.



(25711) dated 08/04/1445 AH. Upon calling upon the litigants, there appeared / (), National ID No. (), in his capacity as an attorney-in-fact for () Company pursuant to Power of Attorney No. () issued on 11/02/1446 AH, and Law Practice License No. (). There also appeared the representative of the Authority / (), National ID No. (), pursuant to an authorization issued by the Deputy Governor of the Zakat, Tax and Customs Authority for Legal Affairs under No. () dated 19/03/1445 AH. Accordingly, the Circuit decided to close the pleading stage and reserve the case for adjudication.

Grounds:

Upon reviewing the case documentation and the appeal briefs submitted by both the Taxpayer and the Zakat, Tax and Customs Authority, it became evident to the Circuit that the requirements for considering the appeals procedurally have been satisfied in accordance with the conditions stipulated in the relevant laws, regulations, and resolutions. Accordingly, both appeal requests are accepted procedurally, as they were submitted by qualified capacities and within the prescribed statutory deadline.

On the Merits, regarding the Authority's appeal concerning the item of (Legality of Issuing the Assessment for the Years from 2012 AD up to 2015 AD): Whereas Article (70) of the Law of Sharia Procedures, issued by Royal Decree No. (M/1) dated 22/01/1435 AH, stipulates: 'The litigants may request the court, at any stage of the lawsuit, to record what they have agreed upon of an admission, a settlement, or otherwise in the hearing minutes, and the court shall issue a deed thereof.' Furthermore, Paragraph (1) of Article (70) of the Implementing Regulations of the Law of Sharia Procedures, issued by Decision of the Minister of Justice No. (39933) dated 19/05/1435 AH, stipulates: 'If the agreement is reached prior to recording the lawsuit in the minutes, the substance of the lawsuit and the response must be recorded before documenting the agreement, while taking into consideration that the original lawsuit falls within the jurisdiction of the circuit, even if the substance of the agreement falls within the jurisdiction of another court or circuit, provided that the subject matter of the lawsuit or a portion thereof is among what was agreed upon.' Based on the foregoing; and whereas it was established to the Circuit that the Authority abandoned its appeal pursuant to what was stated in the Authority's supplementary appeal brief in Lawsuit No. (Z-178747-2023), which included: 'First: Regarding the Statute of Limitations for the years 2012 AD up to 2015 AD, the Authority's viewpoint is represented in the following: The Authority informs your honorable Circuit of the abandonment of its appeal regarding the aforementioned item specifically, and the procedures resulting from the Authority's appeal for this item, in accordance with the grounds set forth in the Resolution Circuit's decision.' Accordingly, the Circuit concludes to accept the abandonment of litigation regarding this item.

Regarding the Authority's appeal concerning the item of (Legality of Issuing the Assessment for the Years from 2016 AD up to 2019 AD): Whereas Article (7) of the Implementing Regulations for Zakat Collection, issued by Ministerial Resolution No. (2082) dated 01/06/1438 AH, stipulates: 'If the Authority deems it necessary to modify the Taxpayer's return, it shall notify it of the modifications it made to its Zakat Declaration, the grounds



of modification, the amount of Zakat due, its right to object, and the statutory deadline prescribed for objection. The notice shall be via registered mail or by any other means that proves its receipt of the notice, including notification through the official electronic services.' Based on the foregoing; the validity of the modification letters issued by the Authority for all years is rendered evident, given that the required objective of the modification letter is the Taxpayer's awareness of the grounds of modification. What establishes the Taxpayer's awareness of the grounds of modifications is its submission of sufficient defenses for the items subject of the objection; in addition to the fact that the Authority clarified its procedure through the mail sent to the Taxpayer, which the Taxpayer did not argue against the accuracy of what the Authority pointed out. Furthermore, it was explicitly mentioned in the modification letter that the modifications were performed by attaching the grounds of modifications, and the Taxpayer did not produce any evidence indicating its non-receipt of the aforementioned attachment stipulated in the modification letters. Consequently, the Circuit concludes to accept the Authority's appeal and annul the Resolution Circuit's decision regarding this item.

Regarding the Taxpayer's appeal concerning the item of (net fixed assets and debit related party balances for the years from 2016 AD to 2019 AD): Whereas Paragraph (5) of Clause (Second) of Article (4) of the Implementing Regulations for Zakat Collection, issued by Ministerial Resolution No. (2082) dated 01/06/1438 AH, stipulates: 'The following shall be deducted from the Zakat base: 5- The debit current account of the owner or partner subject to Zakat, not exceeding their share in retained earnings.' Furthermore, Paragraph (First/1) of Article (4) of the same Regulations stipulates: 'The Zakat base consists of all the Taxpayer's funds subject to Zakat, including: 1- Capital over which a full lunar year (Hawl) has passed, as well as any increase therein even if a full lunar year has not passed over it, if the source of such increase is one of the components of equity or was a financing for an asset of acquisition deducted from the Zakat base.' Moreover, Paragraph (A) of Article (4) of the same Regulations stipulates: 'In the event that the Taxpayer's return includes a credit current account and another debit current account, the difference between them shall be taken; and if a credit current account appears for one of the partners and a debit current account appears for another partner, no adjustment shall be made between them.' Relying upon Paragraph (4) of Article (6) of the Implementing Regulations for Zakat Collection, issued by Ministerial Resolution No. (2216) dated 07/07/1440 AM, which stipulates: 'The Zakat base shall be calculated by adding the items stipulated in Article (4) of the Regulations, deducting therefrom the items stipulated in Article (5) of the Regulations, in accordance with the following rules: 4- No set-off or adjustment shall be performed between the credit balances of owners or partners (including their current accounts) and the debit balances of other owners or partners (including their current accounts).' Based on the foregoing, and whereas the Taxpayer's appeal lies in its request to annul the contested decision due to its lack of discussion regarding the substantive defenses—represented in that the Company's services were suspended and it did not practice commercial activity for the years subject of dispute, and it does not possess Zakat-subject funds to be subject to Zakat—and the Taxpayer also requests the deduction of the debit balance from the credit balance, which is the in-kind capital, arguing that the amount due from related parties was



formed after the reduction of capital following the exclusion of in-kind shares, and that it was impossible for the Company to officially reduce its capital due to the suspension of its services; while the Authority argued that it did not deduct Due from related parties in the amount of (194,090,902) Riyals due to the absence of retained earnings, relying upon Paragraph (Second/5) of Article (4) of the Implementing Regulations for Zakat Collection, issued by Ministerial Resolution No. (2082) dated 01/06/1438 AH.

Upon reviewing the lawsuit file, it was found that the Taxpayer submitted the audited financial statements for the years from 2016 AD up to 2019 AD, the decision of the Appeal Committee for Resolution of Securities Disputes No. (493) for the year 2012 AD / 1433 AH, and the letter of the Enforcement Judge at the General Court in Riyadh dated 02/06/1435 AH. Therein, it became evident that the Company's services were suspended and it did not practice activity for the years subject of dispute; however, this does not preclude the Zakat liability of the Zakat-subject funds appearing in the Company's financial statements—represented by the debit balance due from related parties that arose after the reduction of the in-kind capital. Consequently, the inaccuracy of the Taxpayer's claim regarding its non-liability to Zakat in the event of not practicing commercial activity is rendered evident.

As for the Taxpayer's request to perform a set-off of the debit balance against the credit balance of the same party: By reviewing the provisions of Article (4), Paragraph (Second/5), it is clear that the partner's debit current account is deducted from the Zakat base within the limits of its share in retained earnings, which does not apply to the Taxpayer's case due to the absence of retained earnings to accept the deduction of the item subject of dispute. Whereas the Taxpayer's financial statements constitute the primary option supporting the calculation of the Zakat base, and whereas the Taxpayer's statement of financial position included the presence of an item 'due from related parties' within non-current assets, which must be taken into account upon the correct calculation of the Zakat base; and since Due from related parties are not among the items permissible for deduction in accordance with what is clarified above, and a set-off cannot be performed between them and the in-kind capital as requested by the Taxpayer; and furthermore, the certified public accountant in its report for the year 2018 AD qualified the Taxpayer's treatment of the item subject of dispute as follows: 'The Zakat provision was calculated by deducting the debit related party balance in the amount of 194,042,902 Riyals, and it was classified as a non-current asset by deducting it from the Zakat base, and we were not satisfied with that treatment.' Likewise, the certified public accountant disclaimed from expressing an opinion for the year 2019 AD in accordance with the report in the attached financial statements, stating the following: 'Our examination revealed aspects of weakness in the Company's records and in the internal control system; therefore, we were not satisfied that all the Company's expenses, revenues, assets, and liabilities have been recorded, or that what was recorded is deemed correct. Accordingly, we were unable to determine whether necessary adjustments were required for the recorded or unrecorded assets and liabilities, and the resulting impact on the statement of income, other comprehensive income, statement of changes in partners' equity, and



statement of cash flows.' Accordingly, the Circuit concludes to reject the Taxpayer's appeal and affirm the Resolution Circuit's decision regarding this item.

Based on the foregoing, and adopting the aforementioned grounds, the Circuit unanimously rendered the following decision:

Decision:

First: Acceptance of the appeal procedurally, submitted by the Taxpayer / () Company, Commercial Registration No. (), TIN (_____), against the decision of the Third Circuit for the Resolution of Income Tax Violations and Disputes in Riyadh City, No. (ITR-2024-235927), issued in Lawsuit No. (Z-235927-2024) relating to the Zakat assessment for the years from 2012 AD to 2019 AD.

Second: On the Merits:

- 1- Accepting the abandonment of litigation regarding the Authority's appeal against the item of (Legality of Issuing the Assessment for the Years from 2012 AD up to 2015 AD).
- 2- Accepting the Authority's appeal and annulling the Resolution Circuit's decision regarding the item of (Legality of Issuing the Assessment for the Years from 2016 AD up to 2019 AD).
- 3- Rejecting the Taxpayer's appeal and affirming the Resolution Circuit's decision regarding the item of (net fixed assets and debit related party balances for the years from 2016 AD to 2019 AD).



Appeal Committee for Tax Violations and Disputes
First Appeal Circuit for Income Tax Violations and Disputes
in Riyadh City

Decision No. IR-2025-243422
Case No. Z-2024-243422

Keywords:

Zakat – Deductions from the Zakat Base – Assessment – Illegality of Reopening the Assessment and Modifying the Zakat Declaration – Acceptance of the Authority's Appeal

Summary:

The Authority objected to the Resolution Circuit's conclusion regarding the Statute of Limitations in the Zakat assessment for the year 2017 AD, maintaining that the Taxpayer consented in writing to extend its right to audit and assess until 31/12/2023 AD, and that the year subject of dispute is governed by the 1438 AH Regulations which permit performing the assessment without being restricted by a period whenever such consent exists. Furthermore, the Authority contested the Resolution Circuit's improper application of the provisions of the subsequent Regulations and its consequent annulment of the remaining items. The Circuit concluded to accept the Authority's challenge, annul the Resolution Circuit's decision, and remand the case back to it to consider it on the merits, following the establishment of the effect of the Taxpayer's written consent on extending the Authority's power to assess, and the invalidity of the basis upon which the judgment of the Statute of Limitations was built.

Document:

- Paragraph (A) of Clause (8) of Article (21) of the Implementing Regulations for Zakat Collection, issued by Decision of His Excellency the Minister of Finance No. (2082) dated 01/06/1438 AH.

Facts:

This is to consider the appeal submitted on 06/10/2024 AD, by the Zakat, Tax and Customs Authority, against the decision of the Third Circuit for the Resolution of Income Tax Violations and Disputes in Riyadh City, No. (ITR-2024-238389), issued in Lawsuit No. (Z-238389-2024) relating to the Zakat assessment for the year 2017 AD, in the lawsuit filed by the Taxpayer against the Zakat, Tax and Customs Authority, wherein the decision of the Resolution Circuit ruled as follows:



Acceptance of the objection of the Plaintiff / () Company, Commercial Registration No. (), against the Defendant / the Zakat, Tax and Customs Authority, from a procedural aspect, and annulling the Defendant's contested decision from a substantive aspect.

Whereas the contested decision was not accepted by the Appellant (the Zakat, Tax and Customs Authority), it submitted an appeal brief which the Circuit reviewed, and which included a summary that, regarding the item of (Statute of Limitations), the Taxpayer submitted a letter consenting to extend the Authority's right to perform the assessment until 31/12/2023 AD. Furthermore, the Resolution Circuit's reliance is improper given that the regulator did not specialize the application of the Regulations to procedural aspects or exempt them. In addition, the Taxpayer submitted its return (after) the statutory deadline; accordingly, the Authority is entitled to perform the assessment within (ten) years from the date of the Taxpayer's submission of the return, pursuant to Paragraph (1) of Article (22) of the Regulations for Zakat Collection issued in the year 1440 AH. Regarding the remaining items associated with the Statute of Limitations, the issuing Circuit of the appealed decision annulled all items due to their correlation with the first item above; and since the Authority appealed against it, it requests the annulment of the Resolution Circuit's conclusion and remanding the case back to consider it on the merits for the reasons clarified above. Consequently, the Authority requests the acceptance of its appeal and the reversal of the Resolution Circuit's decision.

On Tuesday, dated 04/02/2025 AD, at 10:30 AM, the First Appeal Circuit for Income Tax Violations and Disputes held its hearing in the presence of its members whose names are recorded in the minutes, via video conferencing in accordance with the remote litigation procedures; pursuant to the provisions of Paragraph (1) of Article (15) of the Rules of Operation for Zakat, Tax, and Customs Committees, issued by Royal Decree No. (25711) dated 08/04/1445 AH. Upon calling upon the litigants, there appeared the representative of the Appellant / (), National ID No. (), pursuant to an authorization issued by the Deputy Governor of the Zakat, Tax and Customs Authority for Legal Affairs under No. () dated 19/03/1445 AH. There also appeared / (), National ID No. (), in his capacity as an attorney-in-fact for the Respondent pursuant to Power of Attorney No. () issued on 14/10/1445 AH, and Law Practice License No. (_____). Upon asking the Respondent's attorney-in-fact if he wished to add anything, he stated that he stands by what was previously submitted in this lawsuit. Upon presenting this to the Appellant's representative, she responded by standing by what was previously submitted in this lawsuit. Upon asking both parties if they wished to add anything, they decided to suffice with what was previously submitted. Following the closing of the pleading stage and deliberation.

Grounds:

Upon reviewing the case documentation and the appeal brief submitted by the Authority, it became evident to the Circuit that the requirements for considering the appeal procedurally have been satisfied in accordance with the conditions stipulated in the relevant laws, regulations, and resolutions. Accordingly, the appeal request



is accepted procedurally, as it was submitted by a qualified capacity and within the prescribed statutory deadline.

On the Merits, regarding the Authority's appeal, and by reference to the lawsuit documentation, the appeal brief submitted by the Authority, and the defense reply brief from the Respondent: The Authority, during the assessment period, requested the Taxpayer to produce additional documents; however, the Taxpayer submitted a request for an extension to produce the data and documents required from it. Whereas the Taxpayer submitted its consent to the Authority's right to audit and assess the return for the year subject of the lawsuit until the date of 31/12/2023 AD, and since the year subject of dispute is 2017 AD, the 1438 AH Regulations consequently apply to the Taxpayer, pursuant to Paragraph (A) of Clause (8) of Article (21) of the Implementing Regulations for Zakat Collection, issued by Ministerial Resolution No. (2082) dated 01/06/1438 AH, which stipulates: '8- The Authority is entitled to perform or modify the assessment at any time without being restricted by a period in the following cases: A- If the Taxpayer consents in writing to performing or modifying the assessment.' In contrast, the issuing Circuit of the appealed decision annulled the Authority's decision, providing reasoning that the Regulations for Zakat Collection issued in the year 1440 AH supersede the previous Regulations regarding procedural matters; however, the 1440 AH Regulations included the text: 'These Regulations shall supersede the previous Regulations issued by Decision of His Excellency the Minister of Finance No. (2216) dated 07/07/1440 AH, and its amendments, as well as all previous resolutions, instructions, and circulars relating to Zakat collection, and shall repeal any conflicting provisions therewith—in accordance with the details contained in the Ministerial Resolution—and their application shall be effective for fiscal years beginning after the date of 01/01/2019 AD.' The legislator did not specialize or define what relates to procedural aspects or exempt them. Accordingly, the Circuit concludes to accept the Authority's appeal, annul the Resolution Circuit's decision, and remand the case back to the Resolution Circuit to consider it on the merits.

Based on the foregoing, and adopting the aforementioned grounds, the Circuit unanimously rendered the following decision:

Decision:

First: Acceptance of the appeal procedurally, submitted by the Appellant / the Zakat, Tax and Customs Authority, against the decision of the Third Circuit for the Resolution of Income Tax Violations and Disputes in Riyadh City, No. (ITR-2024-238389), issued in Lawsuit No. (Z-238389-2024) relating to the Zakat assessment for the year 2017 AD.

Second: On the Merits:

Accepting the Authority's appeal, annulling the Resolution Circuit's decision, and remanding the case back to the Resolution Circuit to consider it on the merits.



Appeal Committee for Tax Violations and Disputes
First Appeal Circuit for Income Tax Violations and Disputes
in Riyadh City

Decision No. IR-2025-243757
Case No. Z-2024-243757

Keywords:

Zakat – Deductions from the Zakat Base – Debts – Partial Acceptance of the Taxpayer's Appeal

Summary:

The Taxpayer objected to the item of partners' current account, items of debts and the like, advances, and deferred revenues, and requested the annulment of the Resolution Circuit's decision, arguing that certain balances represent loans from partners or financings that must be added within the limits of what financed the deducted assets and according to the number of days or the percentage of completion; and that the advances and deferred revenues had their impact previously reflected in the non-deducted assets, which leads to double Zakat upon adding them. The Circuit concluded to reject its appeal regarding the item of partners' current account, and to affirm the Resolution Circuit's decision regarding the loan of Bank, the loan of Bank, and the loan of Amlak International for the year 2015 AD, while modifying the decision regarding the loan of Amlak International for the year 2016 AD by adding it proportionally to the number of days for each received installment in accordance with the percentage of completion. Furthermore, it established the expiration of the dispute regarding the item of advances for the years 2015 AD and 2016 AD, and deferred revenues for the year 2015 AD, following the Authority's acceptance of the Taxpayer's appeal in respect thereof.

Document:

- Article (70) of the Law of Sharia Procedures, issued by Royal Decree No. (M/1) dated 22/01/1435 AH.
- Paragraph (1) of Article (70) of the Implementing Regulations of the Law of Sharia Procedures, issued by Decision of the Minister of Justice No. (39933) dated 19/05/1435 AH.

Facts:

This is to consider the appeal submitted on 14/10/2024 AD, by (), National ID No. (), in his capacity as an attorney-in-fact for the Appellant Company pursuant to Power of Attorney No. (_____) dated 13/04/1446 AH, against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Dammam City, No. (IZD-2024-236206), issued in Lawsuit No. (Z-236206-2024) relating to the



Zakat assessment for the years 2015 AD and 2016 AD, in the lawsuit filed by the Taxpayer against the Zakat, Tax and Customs Authority, wherein the decision of the Resolution Circuit ruled as follows:

- 1- Rejecting the Plaintiff's objection regarding the item of partners' current account for the year 2016 AD.
- 2- Rejecting the Plaintiff's objection regarding the item of short-term loan balances of (_____) Bank in the amount of (45,712,045) Riyals for the year 2015 AD and the amount of (32,338,282) Riyals for the year 2016 AD.
- 3- Rejecting the Plaintiff's objection regarding the item of advances in the amount of (133,500) Riyals for the year 2015 AD and the amount of (12,869,775) Riyals for the year 2016 AD, and the item of deferred revenues in the amount of (407,334) Riyals for the year 2015 AD.

Whereas the contested decision was not accepted by the Taxpayer, it submitted an appeal brief which the Circuit reviewed, and which included a summary of the following:

Regarding the Taxpayer's appeal concerning the item of (partners' current account for the year 2016 AD), the Taxpayer requests the annulment of the Circuit's decision regarding this item on the basis that it does not align with the Authority's procedure regarding those balances, given that these amounts were injected by the partners and represent loans from the partners due from the Company, which the Company repays pursuant to a loan agreement signed between the partners and the Company that stipulates the calculation of an annual interest rate of (1%).

Regarding the Taxpayer's appeal concerning the item of (debts and the like for the years 2015 AD and 2016 AD), the Taxpayer requests the annulment of the Circuit's decision for the following grounds: A) The loan of () Bank for the years 2015 AD and 2016 AD: The Taxpayer requests the addition of the loan according to the date of installments within the limits of the deducted assets, and produced the loan analysis and the agreement with the bank, which clarifies that the financing percentage of the progress certificates is (70%) after satisfying the required conditions, and in accordance with the rules contained in the provisions of the Implementing Regulations for Zakat Collection; whereby applying the statutory rule to the two years subject of dispute, 2015 AD and 2016 AD, it becomes evident that the amount to be added to the base is (10,346,909) Riyals for the year 2015 AD, and (49,799,060) Riyals for the year 2016 AD. B) Loans of () / short-term loans of (_____) Bank for the years 2015 AD and 2016 AD: The Taxpayer indicated its adherence to the rule contained in the provisions of the Implementing Regulations for Zakat Collection, supported by documents represented in the loan account statements and bank agreements, and requests the annulment of the Authority's procedure which determined that adding them to Amlak loans for the years 2015 AD and 2016 AD shall be according to the percentage of completion, despite not deducting what they financed from the Zakat base.

Regarding the Taxpayer's appeal concerning the item of (advances for the years 2015 AD and 2016 AD, and deferred revenues for the year 2015 AD), the Taxpayer requests the annulment of the Circuit's decision regarding this item, given that these amounts financed completed and under-construction real estate units. It



is evident therefrom that these amounts were actually subject to Zakat in what they ultimately became of current assets that were not deducted from the Company's Zakat base; therefore, the Authority's procedure involves double Zakat, which is prohibited under Sharia and law, and with which the correct Sharia and statutory Zakat equation for Zakat collection cannot stand.

On Tuesday, dated 06/05/2025 AD, at 11:15 AM, the First Appeal Circuit for Income Tax Violations and Disputes held its hearing in the presence of its members whose names are recorded in the minutes, via video conferencing in accordance with the remote litigation procedures; pursuant to the provisions of Paragraph (1) of Article (15) of the Rules of Operation for Zakat, Tax, and Customs Committees, issued by Royal Decree No. (25711) dated 08/04/1445 AH. Upon calling upon the litigants, there appeared / (), National ID No. (), in his capacity as an attorney-in-fact for the Appellant pursuant to Power of Attorney No. () issued on 13/04/1446 AH, and Law Practice License No. (). There also appeared the representative of the Respondent / (), National ID No. (), pursuant to an authorization issued by the Deputy Governor of the Zakat, Tax and Customs Authority for Legal Affairs under No. () dated 19/03/1445 AH. Upon asking the Respondent's representative if she wished to add anything, she stated that she stands by what was previously submitted in this lawsuit. Upon presenting this to the Appellant's attorney-in-fact, he responded by standing by what was previously submitted in this lawsuit. Upon asking both parties if they wished to add anything, they decided to suffice with what was previously submitted. Following the closing of the pleading stage and deliberation.

Grounds:

Upon reviewing the case documentation and the appeal brief submitted by the Taxpayer, it became evident to the Circuit that the requirements for considering the appeal procedurally have been satisfied in accordance with the conditions stipulated in the relevant laws, regulations, and resolutions. Accordingly, the appeal request is accepted procedurally, as it was submitted by a qualified capacity and within the prescribed statutory deadline.

On the Merits, regarding the Taxpayer's appeal concerning the item of (debts and the like for the year 2016 AD regarding the loan of [.....]), and relying upon Paragraph (3) of Article (4) of the Implementing Regulations for Zakat Collection, issued by Ministerial Resolution No. (2216) dated 07/07/1440 AH, which stipulates: 'The Zakat base for a Taxpayer who maintains commercial books consists of all its funds subject to Zakat, including the following: 3- Debts due from the Taxpayer classified as long-term and the like of other components of the base, such as: government financing, commercial financing, creditors, notes payable, overdraft account, and loans of owners or partners (including their current accounts), provided that the following is taken into consideration: A- If the debts due from the Taxpayer or other sources of financing have a duration of three hundred and fifty-four (354) days or more overlapping during the Zakat year and the year subsequent to it, they shall be added to the Zakat base in respect of each year proportionally to the number of days of each Zakat year. B- The Zakat year for debts shall not be interrupted by renewing them or rescheduling them with the same



creditor, or by replacing these debts with other debts or sources of financing that finance what these debts used to finance. C- What is added of what is mentioned in this paragraph shall not exceed the total of what is deducted from the base pursuant to Article (5) of the Regulations.' Based on the foregoing, whereas it was found that the Authority's procedure was by taking the end-of-period balance without clarifying its procedure regarding whether the corresponding assets were deducted, and furthermore, its procedure differed from the previous year, and the reasons that led to the manner of its procedure were not clear; consequently, the Circuit concludes to modify the Resolution Circuit's decision regarding the item of (debts and the like for the year 2016 AD regarding the loan of []) by adding it proportionally to the number of days for each received installment in accordance with the percentage of completion.

Regarding the Taxpayer's appeal against the item of (advances for the years 2015 AD and 2016 AD, and deferred revenues for the year 2015 AD), and pursuant to Article (70) of the Law of Sharia Procedures, issued by Royal Decree No. (M/1) dated 22/01/1435 AH, which provides: 'The litigants may request the court, at any stage of the lawsuit, to record what they have agreed upon of an admission, a settlement, or otherwise in the hearing minutes, and the court shall issue a deed thereof.' Furthermore, pursuant to Paragraph (1) of Article (70) of the Implementing Regulations of the Law of Sharia Procedures, issued by Decision of the Minister of Justice No. (39933) dated 19/05/1435 AH, which provides: 'If the agreement is reached prior to recording the lawsuit in the minutes, the substance of the lawsuit and the response must be recorded before documenting the agreement, while taking into consideration that the original lawsuit falls within the jurisdiction of the circuit, even if the substance of the agreement falls within the jurisdiction of another court or circuit, provided that the subject matter of the lawsuit or a portion thereof is among what was agreed upon.' Based on the foregoing, it was established to the Circuit that the dispute between the two parties has expired by the Authority's acceptance of the Taxpayer's appeal in accordance with the supplementary memorandum, which included the following: 'The Authority informs the honorable Circuit that it accepts the Taxpayer's appeal regarding the aforementioned item specifically (the item of advances for the years 2015 AD and 2016 AD, and deferred revenues for the year 2015 AD) and requests establishing the expiration of the dispute accordingly.' Consequently, the Circuit concludes to establish the expiration of the dispute regarding the Taxpayer's appeal against the item of (advances for the years 2015 AD and 2016 AD, and deferred revenues for the year 2015 AD).

Regarding the Taxpayer's appeal against the remaining items, and whereas The Circuit is not precluded from adopting the reasons of the appealed decision without adding to it whenever it deems that those reasons suffice without citing any new ones, because by endorsing it with what those reasons carried, it is confirmed that it found nothing in the challenges directed at the decision that deserves a response beyond what those reasons included. And since it is established that the appealed decision regarding the dispute concerning the appealed items was consistent with the sound reasons upon which it was based and which are sufficient to carry its ruling, as the issuing Circuit undertook the examination of the merits of the dispute therein and concluded



regarding it to the result reached in its operative part. And whereas this Circuit has not noticed anything requiring correction or comment regarding it in light of the defenses raised before it. This leads the Circuit to conclude the Rejection of the Taxpayer's appeal and affirming the appealed Resolution Circuit's decision regarding the result it reached in the remaining items subject of the lawsuit, based on its reasons.

Based on the foregoing, and adopting the aforementioned grounds, the Circuit unanimously rendered the following decision:

Decision:

First: Acceptance of the appeal procedurally, submitted by the Taxpayer / () Group, Commercial Registration No. (), TIN (_____), against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Dammam City, No. (IZD-2024-236206), issued in Lawsuit No. (Z-236206-2024) relating to the Zakat assessment for the years 2015 AD and 2016 AD.

Second: On the Merits:

- 1- Rejecting the Taxpayer's appeal and affirming the Resolution Circuit's decision regarding the item of (partners' current account for the year 2016 AD).
- 2- Regarding the Taxpayer's appeal against the item of (debts and the like for the years 2015 AD and 2016 AD):
 - a. Rejecting the Taxpayer's appeal and affirming the Resolution Circuit's decision regarding the item of (debts and the like for the years 2015 AD and 2016 AD regarding the loan of _____ Bank).
 - b. Regarding the Taxpayer's appeal against the item of (debts and the like regarding the loan of []):
 - b.1 Rejecting the Taxpayer's appeal and affirming the Resolution Circuit's decision regarding the year (2015 AD).
 - b.2 Modifying the Resolution Circuit's decision regarding the item of (debts and the like for the year 2016 AD regarding the loan of [] by adding it proportionally to the number of days for each received installment in accordance with the percentage of completion).
 - c. Rejecting the Taxpayer's appeal and affirming the Resolution Circuit's decision regarding the item of (debts and the like for the years 2015 AD and 2016 AD regarding the loan of [_____] Bank).
- 3- Establishing the expiration of the dispute regarding the Taxpayer's appeal against the item of (advances for the years 2015 AD and 2016 AD, and deferred revenues for the year 2015 AD).



Appeal Committee for Tax Violations and Disputes
First Appeal Circuit for Income Tax Violations and Disputes
in Riyadh City

Decision No. IR-2025-245959
Case No. Z-2024-245959

Keywords:

Zakat – Deductions from the Zakat Base – Assessment – Quashing the decision for failing to address all the Taxpayer's claims – Acceptance of the Taxpayer's Appeal

Summary:

The Taxpayer objected to the Resolution Circuit's decision and requested its reversal, maintaining that the decision issued in the lawsuit did not include all the items and requests subject of the dispute, which renders it legally defective and in violation of the principles of drafting judgments and decisions. The Circuit concluded to accept its appeal, annul the Resolution Circuit's two decisions, and remand the case back to it to issue a single, comprehensive decision that includes all the Taxpayer's requests, after fully exhausting its jurisdiction across all items, in order to preserve the validity of the decision and guarantee the integrity of litigation and enforcement.

Document:

- Article (166) of the Law of Sharia Procedures, issued by Royal Decree No. (M/1) dated 22/01/1435 AH.

Facts:

This is to consider the appeal submitted on 07/11/2024 AD, by (), National ID No. (), in his capacity as a manager for the Appellant Company pursuant to the Commercial Registration and the independent contract for company management, against the decision of the Second Circuit for the Resolution of Income Tax Violations and Disputes in Riyadh City, No. (ISR-2024-238261), issued on 08/10/2024 AD in Lawsuit No. (Z-238261-2024) relating to the Zakat assessment for the year 2012 AD, in the lawsuit filed by the Appellant against the Zakat, Tax and Customs Authority, wherein the decision of the Resolution Circuit ruled as follows:

First: Annulling the Defendant's procedure regarding the item of deducting shareholders' salaries as an allowable deductible expense without being bound by the limits registered in the Social Insurance for the year 2012 AD, in accordance with what is stated in the grounds.



Second: Rejecting the Plaintiff's objection regarding the item of non-deduction of available-for-sale investments in the amount of (40,201,610) Riyals for the year 2012 AD. Whereas the Resolution Circuit issued its aforementioned decision and considered the lawsuit anew as a result of this Circuit's decision No. (IR-2024-190891) issued on 05/06/2024 AD, which included remanding the case back to the Resolution Circuit to consider it on the merits; accordingly, the Circuit decided to resume the consideration of the lawsuit. Whereas the contested decision was not accepted by the Taxpayer, it submitted an appeal brief which the Circuit reviewed, and which included a summary that the Taxpayer requests the acceptance of its appeal and the reversal of the contested Resolution Circuit's decision.

On Monday, dated 04/08/2025 AD, at 10:45 AM, the First Appeal Circuit for Income Tax Violations and Disputes held its hearing in the presence of its members whose names are recorded in the minutes, via video conferencing in accordance with the remote litigation procedures; pursuant to the provisions of Paragraph (1) of Article (15) of the Rules of Operation for Zakat, Tax, and Customs Committees, issued by Royal Decree No. (25711) dated 08/04/1445 AH. Upon reviewing the appeal request, the submitted memorandums, and the papers and documents contained in the case file, and following deliberation, and whereas the lawsuit is ripe for adjudication in its current state, the Circuit decides to close the pleading stage and reserve the case for adjudication.

Grounds:

Upon reviewing the case documentation and the appeal brief submitted by the Taxpayer, it became evident to the Circuit that the requirements for considering the appeal procedurally have been satisfied in accordance with the conditions stipulated in the relevant laws, regulations, and resolutions. Accordingly, the appeal request is accepted procedurally, as it was submitted by a qualified capacity and within the prescribed statutory deadline.

On the Merits. following the Circuit's review of the appeal, it became evident to the Circuit that decision No. (ISR-2024-238261) was issued without including all the items subject of the lawsuit. Consequently, this decision is deemed incorrect from a statutory aspect and conflicts with the principles and rules of investigating lawsuits and drafting decisions. Furthermore, it is considered relatively void, which requires its rectification by modifying it through ruling upon the omitted item over which the Resolution Circuit has not exhausted its Sharia and statutory jurisdiction by ruling thereon, in addition to its inclusion of all the Taxpayer's requests, so that the decision is issued validly and comprehensively encompassing all the Taxpayer's requests in its ruling, in application of the text of Article (166) of the Law of Sharia Procedures; otherwise, this decision would be deemed absolutely void. This was not achieved with respect to the aforementioned decision, as it did not include all the Taxpayer's requests. Moreover, it is inconceivable that a decision is issued in the same lawsuit regarding certain items while another decision is issued regarding the other items over which the Resolution Circuit has not exhausted its jurisdiction, which results in more than one decision being issued in a single



lawsuit—a matter that conflicts with the principles of formal statutory drafting of decisions and judgments, and raises statutory complications regarding the appeal against these decisions and their enforcement. Additionally, the outcome of ruling upon certain items remanded for exhausting jurisdiction may affect other items over which the Resolution Circuit had exhausted its jurisdiction in the previous decision. This necessitates that the Appellate Circuit refrains from ruling upon the entirety of the Taxpayer's requests until after the Resolution Circuit fully exhausts its comprehensive jurisdiction by adjudicating all the Taxpayer's requests. Accordingly, it is required of the Resolution Circuit, after exhausting its jurisdiction over the omitted item, to issue a comprehensive decision in its grounds and ruling for all items subject of the lawsuit, and not merely the omitted item. The importance of the requirement that decisions be issued in accordance with the principles and rules of statutory drafting is highlighted in preserving the right of the parties to the lawsuit to obtain a comprehensive decision for all their requests that is clear and does not raise any complications in its enforcement and interpretation, as well as preserving their Sharia and statutory right to litigation on two levels. This necessitates the annulment of the Resolution Circuit's two decisions No. (ISR-2024-238261) and No. (ISR-2023-134556), and remanding the case back to it to issue a decision that includes all the Taxpayer's requests. Based on the foregoing, and adopting the aforementioned grounds, the Circuit has decided by majority vote the following:

Decision:

First: Acceptance of the appeal procedurally, submitted by the Taxpayer / () Company, Commercial Registration No. (), TIN (_____), against the decision of the Second Circuit for the Resolution of Income Tax Violations and Disputes in Riyadh City, No. (ISR-2024-238261), issued in Lawsuit No. (Z-238261-2024) relating to the Zakat assessment for the year 2012 AD.

Second: On the Merits:

Annulment of the Resolution Circuit's decisions Nos. (ISR-2024-238261) and (ISR-2023-134556), and remanding the case to it to issue a decision encompassing all of the Taxpayer's claims.



Appeal Committee for Tax Violations and Disputes
First Appeal Circuit for Income Tax Violations and Disputes
in Riyadh City

Decision No. IR-2025-246131
Case No. Z-2024-246131

Keywords:

Zakat – Deductions from the Zakat Base – Net Fixed Assets – Deduction of Fixed Assets Held for Use – Acceptance of the Taxpayer's Appeal

Summary:

The Taxpayer appealed requesting the reversal of the Resolution Circuit's decision regarding several items concerning net fixed assets, accounts payable, bank overdrafts, loans, and partners' current account for the years 2013 AD and 2014 AD. The Circuit deemed that the fixed assets subject of dispute represent fixed assets held for use financed by sources of financing that were added to the base, and that the criterion for deduction is the exit of funds from the Taxpayer's liability along with the fulfillment of the balance sheet equilibrium. Accordingly, it accepted the Taxpayer's appeal regarding the item of net fixed assets in the amount of (2,798,128) Riyals for the year 2013 AD and in the amount of (2,658,128) Riyals for the year 2014 AD, and annulled the Resolution Circuit's decision in respect thereof. Conversely, it rejected the Taxpayer's appeal and upheld the Resolution Circuit's decision regarding the remaining items, with their additions to the base sustained.

Document:

- Paragraph (Second/1) of Article (4) of the Implementing Regulations for Zakat Collection, issued by Decision of His Excellency the Minister of Finance No. (2082) dated 01/06/1438 AH.

Facts:

This is to consider the appeal submitted on 12/11/2024 AD, by (), National ID No. (), in his capacity as an attorney-in-fact for the Appellant Company pursuant to Power of Attorney No. () dated 21/11/2024 AD, and Law Practice License No. (), against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Riyadh City, No. (IFR-2024-238615), issued in Lawsuit No. (Z-238615-2024) relating to the Zakat assessment for the years from 2008 AD to 2014 AD, in the lawsuit filed by the Appellant against the Zakat, Tax and Customs Authority, wherein the decision of the Resolution Circuit ruled as follows:



First: Establishing the expiration of the dispute of the Plaintiff / () Company, TIN (), with the Defendant / the Zakat, Tax and Customs Authority, relating to the items subject of dispute for the years from 2008 AD to 2012 AD subject of the lawsuit, following the Defendant's acceptance of the Plaintiff's requests in this regard, as clarified in the grounds.

Second: Rejecting the remaining objections of the Plaintiff / () Company Branch - Temporary License (on behalf of () Company Branch), TIN (_____), against the decisions of the Defendant / the Zakat, Tax and Customs Authority, subject of the lawsuit, as clarified in the grounds. Whereas the Resolution Circuit issued its aforementioned decision and considered the lawsuit anew as a result of this Circuit's decision No. (IR-2024-192016) issued on 11/06/2024 AD, which included remanding the case back to the Resolution Circuit to consider it on the merits, and which ruled as follows:

First: Acceptance of the appeal procedurally, submitted by the Taxpayer / () Company, Commercial Registration No. (), TIN (_____), against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Riyadh City, No. (IFR-2022-2398), issued in Lawsuit No. (Z-134178-2022) relating to the Zakat assessment for the years from 2008 AD to 2014 AD.

Second: On the Merits:

Accepting the Taxpayer's appeal, annulling the Resolution Circuit's decision, and remanding the case back to it to consider it on the merits.

Accordingly, the Circuit decided to resume the consideration of the lawsuit. Whereas this decision did not meet the acceptance by the Taxpayer, it submitted an appeal brief which the Circuit reviewed, and which included a summary of the following:

Regarding the Taxpayer's appeal against the Resolution Circuit's decision, and with respect to the item of (net fixed assets for the years 2013 AD and 2014 AD), its appeal lies in that these lands are classified within long-term non-current fixed assets as demonstrated in the Company's financial statements, given that the Company retains them for more than a year; therefore, they constitute fixed assets held for use that must be deducted from the Zakat base. With respect to the item of (accounts payable and balances for the years 2013 AD and 2014 AD), the item of (bank overdrafts for the years 2013 AD and 2014 AD), the item of (short-term and long-term loans for the years 2013 AD and 2014 AD), and the item of (partners' current account for the years 2013 AD and 2014 AD), the Taxpayer requests the acceptance of its appeal toward these items. Accordingly, the Taxpayer requests the reversal of the Resolution Circuit's decision regarding the contested items for the aforementioned grounds.

On Tuesday, dated 11/09/1446 AH, corresponding to 11/03/2025 AD, at 02:10 PM, the First Appeal Circuit for Income Tax Violations and Disputes held its hearing in the presence of its members whose names are recorded in the minutes, via video conferencing in accordance with the remote litigation procedures; pursuant



to the provisions of Paragraph (1) of Article (15) of the Rules of Operation for Zakat, Tax, and Customs Committees, issued by Royal Decree No. (25711) dated 08/04/1445 AH. Upon calling upon the litigants, there appeared / (), National ID No. (), in his capacity as an attorney-in-fact for the Appellant pursuant to Power of Attorney No. () issued on 10/05/1446 AH, and Law Practice License No. (). There also appeared the representative of the Respondent / (), National ID No. (), pursuant to an authorization issued by the Deputy Governor of the Zakat, Tax and Customs Authority for Legal Affairs under No. (_____) dated 19/03/1445 AH. Upon asking the Appellant's attorney-in-fact if he wished to add anything, he stated that he stands by what was previously submitted in this lawsuit. Upon presenting this to the Respondent's representative, she responded by standing by what was previously submitted in this lawsuit. Upon asking both parties if they wished to add anything, they decided to suffice with what was previously submitted. Following the closing of the pleading stage and deliberation."

Grounds:

Upon reviewing the case documentation and the appeal brief submitted by the Taxpayer, it became evident to the Circuit that the requirements for considering the appeal procedurally have been satisfied in accordance with the conditions stipulated in the relevant laws, regulations, and resolutions. Accordingly, the appeal request is accepted procedurally, as it was submitted by a qualified capacity and within the prescribed statutory deadline.

On the Merits, regarding the Taxpayer's appeal concerning the item of (net fixed assets in the amount of [2,798,128] Riyals and [2,658,128] Riyals for the years 2013 AD and 2014 AD), and whereas Paragraph (Second/1) of Article (4) of the Implementing Regulations for Zakat Collection, issued by Ministerial Resolution No. (2082) dated 01/06/1438 AH, stipulates: 'The following shall be deducted from the Zakat base: 1- Fixed assets, which include the following: the net value of fixed assets (fixed assets held for use), any payments for purchasing fixed assets, and the value of spare parts not intended for sale; provided that these assets are owned by the Taxpayer—unless there is an impediment preventing the transfer of ownership—and that they are used in the activity.' Based on the foregoing, and upon reviewing what was submitted by the parties to the lawsuit, whereas the criterion for the deduction of fixed assets held for use from the Zakat base is the exit of funds from the Company's liability and not the transfer of ownership, and in fulfillment of the principle of balance sheet equilibrium—since any asset appearing therein is financed by equity or liabilities included in the Zakat base; and by reference to the Authority's assessment, it becomes evident that all sources of financing the assets were added. Since the lands were financed by the sources of financing that were added to the Zakat base, the Taxpayer is entitled to deduct them. Consequently, the Circuit concludes to accept the Taxpayer's appeal and annul the Resolution Circuit's decision regarding the item of (net fixed assets in the amount of [2,798,128] Riyals and [2,658,128] Riyals for the years 2013 AD and 2014 AD).



Regarding the remaining items subject of the lawsuit, and whereas The Circuit is not precluded from adopting the reasons of the appealed decision without adding to it whenever it deems that those reasons suffice without citing any new ones, because by endorsing it with what those reasons carried, it is confirmed that it found nothing in the challenges directed at the decision that deserves a response beyond what those reasons included. And since it is established that the appealed decision regarding the dispute concerning the appealed items was consistent with the sound reasons upon which it was based and which are sufficient to carry its ruling, as the issuing Circuit undertook the examination of the merits of the dispute therein and concluded regarding it to the result reached in its operative part. And whereas this Circuit has not noticed anything requiring correction or comment regarding it in light of the defenses raised before it. This leads the Circuit to conclude the Rejection of the Taxpayer's appeal and affirming the appealed Resolution Circuit's decision regarding the result it reached in the remaining items subject of the lawsuit, based on its reasons.

Based on the foregoing, and adopting the aforementioned grounds, the Circuit unanimously rendered the following decision:

Decision:

First: Acceptance of the appeal procedurally, submitted by the Taxpayer / () Company, Commercial Registration No. (), TIN (_____), against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Riyadh City, No. (IFR-2024-238615), issued in Lawsuit No. (Z-238615-2024) relating to the Zakat assessment for the years from 2008 AD to 2014 AD.

Second: On the Merits:

- 1- Rejecting the Taxpayer's appeal and affirming the Resolution Circuit's decision regarding the item of (accounts payable and credit balances in the amount of [23,992,020] Riyals and [20,689,807] Riyals for the years 2013 AD and 2014 AD).
- 2- Rejecting the Taxpayer's appeal and affirming the Resolution Circuit's decision regarding the item of (bank overdrafts in the amount of [9,844,986] Riyals and [8,858,280] Riyals for the years 2013 AD and 2014 AD).
- 3- Rejecting the Taxpayer's appeal and affirming the Resolution Circuit's decision regarding the item of (short-term and long-term loans in the amount of [15,742,686] Riyals and [13,214,425] Riyals for the years 2013 AD and 2014 AD).
- 4- Rejecting the Taxpayer's appeal and affirming the Resolution Circuit's decision regarding the item of (partners' current account in the amount of [12,611,847] Riyals and [12,611,847] Riyals for the years 2013 AD and 2014 AD).
- 5- Accepting the Taxpayer's appeal and annulling the Resolution Circuit's decision regarding the item of (net fixed assets in the amount of [2,798,128] Riyals and [2,658,128] Riyals for the years 2013 AD and 2014 AD).



Appeal Committee for Tax Violations and Disputes
First Appeal Circuit for Income Tax Violations and Disputes
in Riyadh City

Decision No. IR-2025-246468
Case No. Z-2024-246468

Keywords:

Zakat – Deductions from the Zakat Base – Assessment – Assessment Issuance Procedures – Exercising the Activity – Acceptance of the Authority's Appeal

Summary:

The Authority objected to the Resolution Circuit's decision regarding the Zakat assessment for the year 1441 AH, maintaining the validity of its procedure due to the established validity of the commercial registrations and the existence of labor associated with the Taxpayer during the year subject of dispute. Conversely, the Taxpayer pleaded that it had ceased exercising the activity since the year 2018 AD, and submitted documents relating to the deregistration and the non-existence of labor. The Circuit concluded to accept the Authority's appeal and annul the Resolution Circuit's decision, after it became evident that the Taxpayer's documents do not prove the non-exercise of the activity in the year subject of dispute, given that they are undated or issued on a date subsequent to the year 1441 AH, which confirms the validity of the assessment conducted by the Authority.

Document:

- The provisions of the Implementing Regulations for Zakat Collection, issued by Ministerial Resolution No. (2216) dated 07/07/1440 AH.

Facts:

This is to consider the appeal submitted on 03/12/2024 AD, by the Zakat, Tax and Customs Authority, against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Riyadh City, No. (IFR-2024-239713), issued in Lawsuit No. (Z-239713-2024) relating to the Zakat assessment for the year 1441 AH, in the lawsuit filed by the Taxpayer against the Zakat, Tax and Customs Authority, wherein the decision of the Resolution Circuit ruled as follows:

Annulling the decision of the Defendant / the Zakat, Tax and Customs Authority, against the Plaintiff / (), TIN () relating to the assessment subject of the lawsuit.



Whereas the contested decision was not accepted by the Appellant (the Zakat, Tax and Customs Authority), it submitted an appeal brief which included a summary of the following:

As the Authority objects to the contested Resolution Circuit's decision, it claims that with respect to the item of (the Zakat assessment for the year 1441 AH), the Authority clarifies that its decision came in compliance with the provisions of the Implementing Regulations for Zakat Collection, issued by Ministerial Resolution No. (2216) dated 07/07/1440 AH, and the rules for calculating Zakat for deemed-basis Taxpayers issued in this regard. Whereby it was established to the Authority the existence of active commercial registrations during the financial period, and it was further established that there was labor under the Taxpayer during the years subject of dispute on the commercial registrations as follows: there are 8 laborers under Commercial Registration No. () relating to () Establishment, and there is 1 laborer under Commercial Registration No. () relating to () Factory. Due to the Taxpayer's failure to submit proof of the cancellation of the industrial license, cessation of production, or non-commencement of production for the factories—alongside the established validity of the commercial registrations based on which the Taxpayer was assessed during the year subject of dispute, in addition to the Authority presenting proof of the existence of labor belonging to the Taxpayer—the Authority emphasizes the invalidity of the Circuit's conclusion that the Authority failed to prove the Taxpayer's exercise of the activity. Accordingly, the Authority requests the reversal of the Resolution Circuit's decision regarding the items subject of the appeal for the aforementioned grounds.

On Monday, dated 02/06/2025 AD, at 12:00 PM, the First Appeal Circuit for Income Tax Violations and Disputes held its hearing in the presence of its members whose names are recorded in the minutes, via video conferencing in accordance with the remote litigation procedures; pursuant to the provisions of Paragraph (1) of Article (15) of the Rules of Operation for Zakat, Tax, and Customs Committees, issued by Royal Decree No. (25711) dated 08/04/1445 AH. Upon calling upon the litigants, there appeared the representative of the Appellant / (), National ID No. (), pursuant to an authorization issued by the Deputy Governor of the Zakat, Tax and Customs Authority for Legal Affairs under No. (_____) dated 19/03/1445 AH. The Respondent or anyone legally representing him did not appear despite the established legal notification of the date of this hearing. Upon asking the Appellant's representative if she wished to add anything, she stated that she stands by what was previously submitted in this lawsuit.

Grounds:

Upon reviewing the case documentation and the appeal brief submitted by the Authority, it became evident to the Circuit that the requirements for considering the appeal procedurally have been satisfied in accordance with the conditions stipulated in the relevant laws, regulations, and resolutions. Accordingly, the appeal request is accepted procedurally, as it was submitted by a qualified capacity and within the prescribed statutory deadline.



On the Merits, regarding the Authority's appeal concerning the item of the Zakat assessment for the year 1441 AH, and based on the foregoing, and upon the Circuit's review of the appeal brief and what was submitted by the parties during the memorandum exchange stage; whereas the Appellant maintains the validity of its procedure and pleads that the Respondent was exercising the activity during the year subject of dispute, while the Respondent pleads that it had ceased exercising the activity in 2018 AD; and whereas the Respondent owns a number of establishments, and upon verifying the TIN via the Authority's website, it became evident that the TIN specified in the assessment relates to the main commercial registration, which is () Establishment, under Commercial Registration No. (); and since the Respondent pleads the non-exercise of the activity, it was requested to provide proof of the non-exercise of the activity for Commercial Registration No. (_____) associated with the TIN, and it produced a document indicating the deregistration of the commercial registration, yet this document is undated and thus cannot be considered as evidence of the non-exercise of the activity for the year subject of dispute, given that the commercial registration expires on 17/10/1445 AH; and it also attached a certificate of non-existence of labor, which is, however, dated on a subsequent date, specifically on 06/04/1446 AH. As for the Resolution Circuit's decision ruling to annul the Authority's decision, it was built on the ground that the Authority did not provide proof of exercising the activity, especially since it has access to data enabling it to prove the exercise of the activity; and whereas the Respondent submitted an undated deregistration document and did not dispute the date of the deregistration of the commercial registration contained in the appeal brief submitted by the Authority, consequently, the date of the deregistration of Commercial Registration No. (_____) was on 26/06/1445 AH, and all the documents it submitted to prove the non-exercise of the activity came on a date subsequent to the year subject of dispute (1441 AH). Accordingly, the validity of the Authority's procedure in conducting the assessment for the year subject of dispute becomes evident. Consequently, the Circuit concludes to accept the Authority's appeal and annul the Resolution Circuit's decision.

Based on the foregoing, and adopting the aforementioned grounds, the Circuit unanimously rendered the following decision:

Decision:

First: Acceptance of the appeal procedurally, submitted by the Zakat, Tax and Customs Authority, against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Riyadh City, No. (IFR-2024-239713), issued in Lawsuit No. (Z-239713-2024) relating to the Zakat assessment for the year 1441 AH.

Second: On the Merits:

Accepting the Authority's appeal and annulling the Resolution Circuit's decision.



Appeal Committee for Tax Violations and Disputes
First Appeal Circuit for Income Tax Violations and Disputes
in Riyadh City

Decision No. IR-2025-246482
Case No. Z-2024-246482

Keywords:

Zakat – Deductions from the Zakat Base – Debts – Accounts Payable – Donations – Acceptance of the Authority's Appeal

Summary:

The Taxpayer objected to the items of assets held for disposal, long-term provisions, donations, deferred contributions, impairment provision, and trade payables; furthermore, both parties appealed the item of long-term loans. The Taxpayer requested the annulment of the Resolution Circuit's decision on the grounds that some of these items represent fixed assets held for use, retained amounts, or provisions associated with specific liabilities that may not be added to the base. The Circuit concluded to reject the Taxpayer's appeal and affirm the Resolution Circuit's decision in all of those items due to insufficient evidence, the established passage of a full Zakat year (Hawalan al-Hawl), or the non-applicability of the description of deductible fixed assets; while establishing the expiration of the dispute regarding the item of long-term loans following the Authority's acceptance of the Taxpayer's objection in respect thereof.

Document:

- Paragraph (5) of Clause (First) of Article (4) of the Implementing Regulations for Zakat Collection, issued by Decision of His Excellency the Minister of Finance No. (2082) dated 01/06/1438 AH.

Facts:

This is to consider the appeal submitted on 03/12/2024 AD, by (), National ID No. (), in his capacity as an attorney-in-fact for the Appellant Company pursuant to Power of Attorney No. () dated 04/07/1445 AH, and the pleading license for private legal entities No. (); and the appeal submitted by the Zakat, Tax and Customs Authority on 27/01/2022 AD, against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Jeddah Governorate, No. (IZJ-2024-240416), issued in Lawsuit No. (Z-240416-2024) relating to the Zakat assessment for the year 2014 AD, in the lawsuit filed by the Taxpayer against the Zakat, Tax and Customs Authority, wherein the decision of the Resolution Circuit ruled as follows:

First: Rejecting the Plaintiff's objection regarding the item of assets held for disposal for the year 2014 AD.



Second: Rejecting the Plaintiff's objection regarding the item of long-term provisions balance for the year 2014 AD.

Third: Dismissing the Plaintiff's objection regarding the item of other adjustments for the year 2014 AD.

Whereas the Resolution Circuit issued its aforementioned decision and considered the lawsuit anew as a result of this Circuit's decision No. (IR-2024-92386), and the Circuit reviewed the Resolution Circuit's decision No. (IZJ-2024-240416) and decided to remand the case back to the Resolution Circuit to review and restate the decision to include all the items subject of the lawsuit, and to return it to the Appellate Circuit including all the Plaintiff's requests for adjudication, as the Circuit had not exhausted its jurisdiction to rule upon all the Plaintiff's requests. As a result of that request, the First Circuit for the Resolution of Income Tax Violations and Disputes in Jeddah Governorate issued its decision No. (IZJ-2025-239265), issued in Lawsuit No. (Z-239265-2024), which ruled as follows:

First: Modifying the Defendant's procedure regarding the item of long-term loans, in accordance with the merits of the decision.

Second: Rejecting the Plaintiff's objection regarding the item of impairment provision.

Third: Rejecting the Plaintiff's objection regarding the item of donations.

Fourth: Rejecting the Plaintiff's objection regarding the item of payables.

Fifth: Rejecting the Plaintiff's objection regarding the item of deferred contribution.

Sixth: Establishing the expiration of the dispute around the item of paid Zakat.

Seventh: Establishing the expiration of the dispute around the item of others.

Seventh: Rejecting the Plaintiff's objection regarding the item of assets held for disposal for the year 2014 AD.

Eighth: Rejecting the Plaintiff's objection regarding the item of long-term provisions balance for the year 2014 AD.

Ninth: Dismissing the Plaintiff's objection regarding the item of other adjustments for the year 2014 AD.

Whereas this decision did not meet the acceptance by both parties, each of them submitted an appeal brief which included a summary of the following:"

Regarding the Taxpayer's appeal against the Resolution Circuit's decision, and with respect to the item of (disallowance of the deduction of assets held for disposal in the amount of [101,250,000] Riyals from the Zakat base for the year 2014 AD), the Taxpayer requests the annulment of the Circuit's decision regarding this item. It pleaded that the Appellant Company purchased turbines for electricity generation for King Abdullah Economic City, and the purpose of these assets was to generate electricity and realize income for the Company; however, the Company subsequently entered into a contract with the Saudi Electricity Company to supply it



with electricity, which resulted in the cessation of the use of these assets. Accordingly, they were classified as assets held for sale; therefore, these assets were not purchased with the intention of being sold, but due to changing circumstances, the Company had to take the decision to sell them. Furthermore, the Appellant Company is not in the business of trading (i.e., buying and selling) turbines for electricity generation. Consequently, these assets should be considered as a fixed asset owned by the Company and must be allowed for deduction from the Zakat base, given that had the Company not purchased these assets, it would have utilized the funds to purchase other assets that assist in generating Zakat-subject revenues. With respect to the item of (addition of long-term provisions balance in the amount of [5,099,000] Riyals to the Zakat base for the year 2014 AD), the Taxpayer requests the annulment of the Circuit's decision regarding this item. It pleaded that the Appellant Company contracted with residential unit customers for the purpose of providing maintenance services for the properties and the city, and that the costs of providing these services over the useful life of the residential unit to its customers are higher than the fees or costs charged by the Company to its customers; accordingly, the Company allocated this amount to cover the excess costs that the Company might incur in the future. With respect to the item of (other adjustments in the amount of 780 Riyals), the Taxpayer requests the annulment of the Circuit's decision regarding this item. It pleads that the difference between the Zakat liability—taking into consideration the various adjustments made by the Authority as part of its Zakat assessment—and the Zakat liability according to the assessment notice is (19.23), which is approximately (780) Riyals, and although the assessment is immaterial, it is important for the Company to be aware in the future. With respect to the item of (donations), the Taxpayer requests the annulment of the Circuit's decision regarding this item. It stated that these amounts represent a deposit in a bank based on the Board of Directors' resolution to donate the amount earned from the founding shareholders' share in the capital, which was deposited in fixed deposits with a bank, and the commission earned from this deposit was added to the amount donated for charitable purposes. It added that the Company did not utilize the funds deposited in the account and has no intention to use the funds for business purposes; furthermore, the Company's management has no access to the bank account, and only the Board of Directors has the authority to make decisions regarding the use of the funds. Therefore, the funds are not in the possession of the Company, and accordingly, the Taxpayer requests the annulment of the Authority's procedure and the non-addition of the donations balance to the Zakat base. With respect to the item of (deferred contributions), the Taxpayer requests the annulment of the Circuit's decision regarding this item. It stated that these amounts were received from customers in connection with infrastructure assets and land, which were recognized as a liability to allow access to the sold properties, and this liability is amortized over the useful life of the infrastructure assets, and the amortization related to this matter is deducted from the depreciation of the infrastructure assets of that period. Consequently, these funds are held for specific purposes in accordance with the Company's policy and cannot be equated with ordinary liabilities for Zakat purposes. With respect to the item of (long-term loans), the Taxpayer requests the annulment of the Circuit's decision regarding this item. It objects to the Authority's procedure consisting of adding the long-term loans utilized in financing fixed assets in the amount of (50)



Million Riyals belonging to () Bank. With respect to the item of (impairment provision), the Taxpayer requests the annulment of the Circuit's decision regarding this item. It stated that the provision arose from the impairment in the amount of capital work-in-progress that was declared under the item of (property, plant, and equipment), and noted that it requested the deduction of the capital work-in-progress on a net basis from the Zakat base, i.e., the closing value minus the impairment provision. With respect to the item of (trade payables), the Taxpayer requests the annulment of the Circuit's decision regarding this item. It pleaded that the trade payables balances consist of multiple current accounts, and that if the Authority consolidates the accounts of the creditor entities, the liability would be less; it also stated that the movement of trade payables was submitted through the objection letter.

Likewise, the decision was not accepted by the Zakat, Tax and Customs Authority; hence, it submitted its appeal against the contested decision pursuant to an appeal brief which included a summary of the following:

Regarding the Authority's appeal against the Resolution Circuit's decision, its appeal with respect to the item of (long-term loans) lies in that it had, upon assessment, added (750) Million Riyals to the Zakat base due to the passage of a full Zakat year (Hawalan al-Hawl) over the amount and the financing of additions to fixed assets. Accordingly, the Authority requests the acceptance of its appeal and the annulment of the Resolution Circuit's decision, while reserving its right to submit further responses and clarifications prior to the closing of the pleading stage.

On Tuesday, dated 26/08/2025 AD, at 01:00 PM, the First Appeal Circuit for Income Tax Violations and Disputes held its hearing in the presence of its members whose names are recorded in the minutes, via video conferencing in accordance with the remote litigation procedures; pursuant to the provisions of Paragraph (1) of Article (15) of the Rules of Operation for Zakat, Tax, and Customs Committees, issued by Royal Decree No. (25711) dated 08/04/1445 AH. Upon calling upon the litigants, there appeared / (), National ID No. (), in his capacity as an attorney-in-fact for the Taxpayer pursuant to Power of Attorney No. () issued on 01/06/1446 AH, and Law Practice License No. (). There also appeared the representative of the Authority / (), National ID No. (), pursuant to an authorization issued by the Deputy Governor of the Zakat, Tax and Customs Authority for Legal Affairs under No. () dated 19/03/1445 AH. Upon asking the Taxpayer's attorney-in-fact if he wished to add anything, he stated that he stands by what was previously submitted in this lawsuit. Upon presenting this to the Authority's representative, she referred to the supplementary memorandum in the original lawsuit, and also referred to the supplementary memorandum submitted through the system yesterday evening. Upon presenting this to the Taxpayer's attorney-in-fact, he requested a grace period to review and respond. Accordingly, the Circuit decided to grant the Taxpayer a grace period of 10 days to submit what they have to the Secretariat, expiring on 05/09/2025 AD. After this date, the pleading stage shall be closed, and the lawsuit will be raised for deliberation and issuance of the decision; the Circuit will not accept any new documents or memoranda that were not submitted before the aforementioned date, provided that the next hearing on 16/09/2025 AD shall be the decision pronouncement hearing.



On Tuesday, dated 16/09/2025 AD, at 09:00 AM, the First Appeal Circuit for Income Tax Violations and Disputes held its hearing in the presence of its members whose names are recorded in the minutes, via video conferencing in accordance with the remote litigation procedures; pursuant to the provisions of Paragraph (1) of Article (15) of the Rules of Operation for Zakat, Tax, and Customs Committees, issued by Royal Decree No. (25711) dated 08/04/1445 AH. Upon calling upon the litigants, there appeared / (), National ID No. (), in his capacity as an attorney-in-fact for the Taxpayer pursuant to Power of Attorney No. () issued on 01/06/1446 AH, and Law Practice License No. (). There also appeared the representative of the Authority / (), National ID No. (), pursuant to an authorization issued by the Deputy Governor of the Zakat, Tax and Customs Authority for Legal Affairs under No. (_____) dated 19/03/1445 AH. Following the closing of the pleading stage and deliberation.

Grounds:

Upon reviewing the case documentation and the appeal briefs submitted by both the Taxpayer and the Zakat, Tax and Customs Authority, it became evident to the Circuit that the requirements for considering the two appeals procedurally have been satisfied in accordance with the conditions stipulated in the relevant laws, regulations, and resolutions. Accordingly, the two appeal requests are accepted procedurally, as they were submitted by qualified capacities and within the prescribed statutory deadline.

On the Merits, regarding the Taxpayer's appeal concerning the item of (disallowance of the deduction of assets held for disposal in the amount of 101,250,000 Riyals from the Zakat base for the year 2014 AD), and whereas Paragraph No. (1) of Clause (Second) of Article (Fourth) of the Implementing Regulations for Zakat Collection, issued by Ministerial Resolution No. (2082) dated 01/06/1438 AH, stipulates: 'The following shall be deducted from the Zakat base: 1- Fixed assets, which include the following: the net value of fixed assets (fixed assets held for use), any payments for purchasing fixed assets, and the value of spare parts not intended for sale; provided that these assets are owned by the Taxpayer—unless there is an impediment preventing the transfer of ownership—and that they are used in the activity.' Furthermore, Paragraph (3) of Article (Twentieth) of the same Regulations stipulates that: 'The burden of proof to substantiate the correctness of the items and any other data stated in the Taxpayer's Zakat declaration rests upon the Taxpayer. In the event that the Taxpayer is unable to substantiate the correctness of what is stated in its declaration, the Authority may disallow the item whose correctness has not been substantiated by the Taxpayer, or conduct a deemed assessment in accordance with the Authority's perspective in light of the circumstances, facts associated with the case, and the information available to it.' Based on the foregoing, whereas the dispute lies in the Taxpayer's request to deduct the assets held for disposal in the amount of (101,250,000) Riyals from the Zakat base for the year 2014 AD; and upon the Circuit's review of the case file, it became evident to it that these assets represent electricity generators that the Taxpayer decided to sell during the year subject of dispute due to the cessation of their use, which demonstrates that these assets do not constitute fixed assets held for use (assets of qvnya) and may not



be deducted from the Zakat base pursuant to the provisions of Paragraph (1) of Article (Fourth) of the aforementioned Implementing Regulations for Zakat Collection. Accordingly, the Circuit concludes to reject the Taxpayer's appeal and affirm the Resolution Circuit's decision regarding the item of (disallowance of the deduction of assets held for disposal in the amount of 101,250,000 Riyals from the Zakat base for the year 2014 AD).

Regarding the Taxpayer's appeal concerning the item of (addition of long-term provisions balance in the amount of [5,099,000] Riyals to the Zakat base for the year 2014 AD), and whereas Paragraph No. (9) of Article (Fourth) of the Implementing Regulations for Zakat Collection, issued by Ministerial Resolution No. (2082) dated 01/06/1438 AH, stipulates: 'First: The Zakat base consists of all the Taxpayer's funds subject to Zakat, including: 9- Provisions at the beginning of the year [excluding doubtful debt provisions for banks] after deducting the utilized amounts thereof during the year.' Furthermore, Paragraph (3) of Article (Twentieth) of the same Regulations stipulates that: 'The burden of proof to substantiate the correctness of the items and any other data stated in the Taxpayer's Zakat declaration rests upon the Taxpayer. In the event that the Taxpayer is unable to substantiate the correctness of what is stated in its declaration, the Authority may disallow the item whose correctness has not been substantiated by the Taxpayer, or conduct a deemed assessment in accordance with the Authority's perspective in light of the circumstances, facts associated with the case, and the information available to it.' Based on the foregoing, whereas provisions constitute one of the components of the Zakat base if a full Zakat year has passed over them (Hawalan al-Hawl); and upon reviewing the appeal brief submitted by the Taxpayer, it became evident to the Circuit that it did not dispute the passage of a full Zakat year over those amounts, but merely pleaded that they are amounts allocated to cover costs. Whereas those allocated amounts—over which a full Zakat year has passed, totaling (5,099,000) Riyals—are within the Taxpayer's liability, which demonstrates that Zakat is due upon them. Accordingly, since the Taxpayer did not introduce any new elements in its appeal brief, the Circuit concludes to reject the Taxpayer's appeal and affirm the Resolution Circuit's decision regarding the item of (addition of long-term provisions balance in the amount of [5,099,000] Riyals to the Zakat base for the year 2014 AD).

Regarding the Taxpayer's appeal concerning the item of (other adjustments in the amount of 780 Riyals), and whereas Paragraph (3) of Article (Twentieth) of the Implementing Regulations for Zakat Collection, issued by Ministerial Resolution No. (2082) dated 01/06/1438 AH, stipulates: 'The burden of proof to substantiate the correctness of the items and any other data stated in the Taxpayer's Zakat declaration rests upon the Taxpayer. In the event that the Taxpayer is unable to substantiate the correctness of what is stated in its declaration, the Authority may disallow the item whose correctness has not been substantiated by the Taxpayer, or conduct a deemed assessment in accordance with the Authority's perspective in light of the circumstances, facts associated with the case, and the information available to it.' Based on the foregoing, whereas the decision of the appealed Circuit concluded to dismiss the item due to the Taxpayer's failure to provide proof of submitting an objection before the Authority initially; and upon the Circuit's review of the Taxpayer's appeal brief, it



became evident to it that it was devoid of any defenses, and it merely referred to objecting to the amount of (780) Riyals. Accordingly, the Circuit concludes to reject the Taxpayer's appeal and affirm the Resolution Circuit's decision regarding the item of (other adjustments in the amount of 780 Riyals).

Regarding the Taxpayer's appeal concerning the item of (donations), and whereas Paragraph No. (5) of Clause (First) of Article (Fourth) of the Implementing Regulations for Zakat Collection, issued by Ministerial Resolution No. (2082) dated 01/06/1438 AH, stipulates: 'The Zakat base consists of all the Taxpayer's funds subject to Zakat, including: 5- Government and commercial loans and their equivalents of other financing sources, such as creditors (accounts payable), notes payable, and bank overdrafts within the Taxpayer's liability, in accordance with the following: a- What remains of them in cash and a full Zakat year has passed over it (Hawalan al-Hawl). b- What was utilized of them to finance what is deemed fixed assets held for use (acquired for use). c- What was utilized of them in goods for trade and a full Zakat year has passed over it.' Furthermore, Paragraph (3) of Article (Twentieth) of the same Regulations stipulates that: 'The burden of proof to substantiate the correctness of the items and any other data stated in the Taxpayer's Zakat declaration rests upon the Taxpayer. In the event that the Taxpayer is unable to substantiate the correctness of what is stated in its declaration, the Authority may disallow the item whose correctness has not been substantiated by the Taxpayer, or conduct a deemed assessment in accordance with the Authority's perspective in light of the circumstances, facts associated with the case, and the information available to it.'

Based on the foregoing, whereas the dispute lies in the Taxpayer's request not to add the accrued donations to the Zakat base on the grounds that they do not fall under the items stipulated in Paragraph No. (5) of Clause (First) of Article (Fourth) of the aforementioned Implementing Regulations for Zakat Collection; and upon the Circuit's review of the case file and the documents submitted by the Taxpayer, it became evident to it that the amounts are not in a bank account that the Company cannot dispose of, given that the item is classified within accounts payable, and accordingly, they are not deemed as non-disposable amounts. This was confirmed by the Taxpayer in its supplementary memorandum, in which it indicated that the contested amounts are in a separate account, held in the nature of a trust, and are disposed of for charitable works whenever necessary. Therefore, Zakat is due upon these amounts whenever a full Zakat year passes over them. This conclusion is not undermined by the Taxpayer's mention that these are amounts paid to the poor and for supporting schools, since the Authority's procedure consisted of adding the beginning balance minus the settled or paid amounts against those donations. Consequently, the Circuit concludes to reject the Taxpayer's appeal and affirm the Resolution Circuit's decision regarding the item of (donations).

Regarding the Taxpayer's appeal concerning the item of (deferred contributions), and whereas Paragraph No. (5) of Clause (First) of Article (Fourth) of the Implementing Regulations for Zakat Collection, issued by Ministerial Resolution No. (2082) dated 01/06/1438 AH, stipulates: 'The Zakat base consists of all the Taxpayer's funds subject to Zakat, including: 5- Government and commercial loans and their equivalents of other financing sources, such as creditors (accounts payable), notes payable, and bank overdrafts within the



Taxpayer's liability, in accordance with the following: a- What remains of them in cash and a full Zakat year has passed over it. b- What was utilized of them to finance what is deemed fixed assets held for use. c- What was utilized of them in goods for trade and a full Zakat year has passed over it.' Furthermore, Paragraph (3) of Article (Twentieth) of the same Regulations stipulates that: 'The burden of proof to substantiate the correctness of the items and any other data stated in the Taxpayer's Zakat declaration rests upon the Taxpayer. In the event that the Taxpayer is unable to substantiate the correctness of what is stated in its declaration, the Authority may disallow the item whose correctness has not been substantiated by the Taxpayer, or conduct a deemed assessment in accordance with the Authority's perspective in light of the circumstances, facts associated with the case, and the information available to it.' Based on the foregoing, whereas deferred contributions constitute one of the components of the Zakat base provided that a full Zakat year has passed over them; and whereas the Authority's procedure consists of adding the portion over which a full Zakat year has passed from the contested item; and whereas the Taxpayer submitted an appeal brief that contained a repetition of what it had previously raised before the Resolution Circuit when considering the dispute regarding this item; and whereas there is no blame for adopting the conclusion reached by the decision regarding the item under consideration, as we found nothing that necessitates rectifying or commenting on the conclusion reached by that decision with respect to the objection to the item under consideration; consequently, the Circuit concludes to reject the Taxpayer's appeal and affirm the Resolution Circuit's decision regarding the item of (deferred contributions).

Regarding the appeal of both parties concerning the item of (long-term loans), and whereas Article (70) of the Law of Sharia Procedures, issued by Royal Decree No. (M/1) dated 22/01/1435 AH, stipulates that: 'The litigants may request the court, at any stage of the lawsuit, to record what they have agreed upon by way of acknowledgment, settlement, or otherwise in the hearing minutes, and the court shall issue a deed in respect thereof.' Furthermore, Paragraph (1) of Article (70) of the Implementing Regulations of the Law of Sharia Procedures, issued by Decision of the Minister of Justice No. (39933) dated 19/05/1435 AH, stipulates that: 'If the agreement is reached prior to recording the lawsuit, the substance of the lawsuit and the response must be recorded before documenting the agreement, taking into account that the subject matter of the lawsuit must fall within the jurisdiction of the circuit, even if the substance of the agreement falls within the jurisdiction of another court or circuit, provided that the subject matter of the lawsuit, or part thereof, is among the agreed-upon matters.' Based on the foregoing, whereas it has been established to this Circuit the Authority's acceptance of the Taxpayer's objection regarding this item pursuant to its supplementary defense memorandum dated 25/08/2025 AD, which stated: 'The Authority informs your esteemed Circuit that, following study and verification, it accepts the Taxpayer's objection regarding this item, whereby the dispute between the Authority and the Taxpayer in this respect is deemed expired.' The Taxpayer also submitted a supplementary memorandum dated 09/09/2025 AD, which included the following: 'As clarified in the aforementioned Authority's memorandum, the Authority has kindly stated that, following study and verification, it accepts the Company's objection relating to the item of long-term loans; therefore, the dispute over the item is considered



expired between the Company and the Authority.' Consequently, the Circuit must establish the expiration of the dispute regarding the appeal of both parties concerning (long-term loans).

Regarding the Taxpayer's appeal concerning the item of (impairment provision), and whereas Paragraph (3) of Article (Twentieth) of the Implementing Regulations for Zakat Collection, issued by Ministerial Resolution No. (2082) dated 01/06/1438 AH, stipulates that: 'The burden of proof to substantiate the correctness of the items and any other data stated in the Taxpayer's Zakat declaration rests upon the Taxpayer. In the event that the Taxpayer is unable to substantiate the correctness of what is stated in its declaration, the Authority may disallow the item whose correctness has not been substantiated by the Taxpayer, or conduct a deemed assessment in accordance with the Authority's perspective in light of the circumstances, facts associated with the case, and the information available to it.' Based on the foregoing, and upon the Circuit's review of the case file, it became evident to it that the Authority accepted the deduction of the amounts associated with the impairment in the amount of capital work-in-progress, as demonstrated in the financial statements for the year 2013 AD. As for the remaining amount, whereas the Taxpayer submitted the financial statements for the years from 2011 AD to 2013 AD, through which it did not become clear that those provisions are actually related to the capital work-in-progress; and it further failed to submit the financial statements for the year 2010 AD, which is the year of the creation of the provision and through which the reduction of the amount could be verified; and the Taxpayer merely submitted an analysis of the movement of the impairment provision. Accordingly, it is impossible through the statement alone to verify that the provisions disallowed by the Authority were utilized to reduce the capital work-in-progress. Consequently, the Circuit must reject the Taxpayer's appeal and affirm the Resolution Circuit's decision regarding the item of (impairment provision).

Regarding the Taxpayer's appeal concerning the item of (trade payables), and whereas Paragraph No. (5) of Clause (First) of Article (Fourth) of the Implementing Regulations for Zakat Collection, issued by Ministerial Resolution No. (2082) dated 01/06/1438 AH, stipulates: 'The Zakat base consists of all the Taxpayer's funds subject to Zakat, including: 5- Government and commercial loans and their equivalents of other financing sources, such as creditors (accounts payable), notes payable, and bank overdrafts within the Taxpayer's liability, in accordance with the following: a- What remains of them in cash and a full Zakat year has passed over it (Hawalan al-Hawl). b- What was utilized of them to finance what is deemed fixed assets held for use. c- What was utilized of them in goods for trade and a full Zakat year has passed over it.' Based on the foregoing, whereas the dispute lies in the addition of the portion over which a full Zakat year has passed from the credit balances, and the Taxpayer requests the addition of the portion over which a full Zakat year has passed from those balances in accordance with the movement schedule submitted by it; and upon the Circuit's review of the case file, it became evident to it that the Taxpayer pleads that the amounts over which a full Zakat year has passed are less than what the Authority added; and furthermore, the document submitted by the Taxpayer is a statement not extracted from the system, and the correctness of the amounts contained therein cannot be verified, nor can it be reconciled with the financial statements to verify the correctness of those balances.



Accordingly, whereas the dispute is a documentary dispute, and the Taxpayer did not introduce any new elements other than what it had submitted before the Resolution Circuit, consequently, the Circuit must reject the Taxpayer's appeal and affirm the Resolution Circuit's decision regarding the item of (trade payables).

Based on the foregoing, and adopting the aforementioned grounds, the Circuit unanimously rendered the following decision:

Decision:

First: Acceptance of the appeal procedurally, submitted by the Taxpayer / () Company, Commercial Registration No. (), TIN (_____), and the appeal submitted by the Zakat, Tax and Customs Authority, against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Jeddah Governorate, No. (IZJ-2025-239265), issued in Lawsuit No. (Z-239265-2024) relating to the Zakat assessment for the year 2014 AD.

Second: On the Merits:

- 1- Rejecting the Taxpayer's appeal and affirming the Resolution Circuit's decision regarding the item of (disallowance of the deduction of assets held for disposal in the amount of 101,250,000 Riyals from the Zakat base for the year 2014 AD).
- 2- Rejecting the Taxpayer's appeal and affirming the Resolution Circuit's decision regarding the item of (addition of long-term provisions balance in the amount of 5,099,000 Riyals to the Zakat base for the year 2014 AD).
- 3- Rejecting the Taxpayer's appeal and affirming the Resolution Circuit's decision regarding the item of (other adjustments in the amount of 780 Riyals).
- 4- Rejecting the Taxpayer's appeal and affirming the Resolution Circuit's decision regarding the item of (donations).
- 5- Rejecting the Taxpayer's appeal and affirming the Resolution Circuit's decision regarding the item of (deferred contributions).
- 6- Establishing the expiration of the dispute regarding the appeal of both parties concerning (long-term loans).
- 7- Rejecting the Taxpayer's appeal and affirming the Resolution Circuit's decision regarding the item of (impairment provision).
- 8- Rejecting the Taxpayer's appeal and affirming the Resolution Circuit's decision regarding the item of (trade payables).



Appeal Committee for Tax Violations and Disputes
First Appeal Circuit for Income Tax Violations and Disputes
in Riyadh City

Decision No. IR-2025-246516
Case No. Z-2024-246516

Keywords:

Zakat – Deductions from the Zakat Base – Investments – Investments in Funds – Acceptance of the Authority's Appeal

Summary:

The Authority objected to the Resolution Circuit's conclusion regarding the recalculation of the Zakat on investment in a number of funds pursuant to the Certified Public Accountant's (CPA) certificate. It maintained that the calculation submitted by the Taxpayer was built on financial statements of the funds ending on 31/03/2020 AD, despite the fact that the Taxpayer's financial year ends on 31/12/2020 AD, which necessitates adopting the closest financial statements ending on 31/03/2021 AD in accordance with the Guiding Manual Regulating Zakat Collection from Investors in Investment Funds. The Circuit concluded to accept the Authority's appeal and annul the Resolution Circuit's decision, following the establishment that the certified public accountant's certificate is insufficient when built on an incorrect financial year, and that the benchmark for calculating the Zakat on funds shall be the end of the fund's financial year closest to the Taxpayer's year.

Document:

- Paragraph (4) of Article (5) of the Implementing Regulations for Zakat Collection, issued by Decision of His Excellency the Minister of Finance No. (2216) dated 07/07/1440 AH.

Facts:

This is to consider the appeal submitted on 05/12/2024 AD, by the Zakat, Tax and Customs Authority, against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Dammam City, No. (IZD-2024-239419), issued in Lawsuit No. (Z-239419-2024) relating to the Zakat assessment for the year 2020 AD, in the lawsuit filed by the Taxpayer against the Zakat, Tax and Customs Authority, wherein the decision of the Resolution Circuit ruled as follows:

- 1- With respect to the item of disallowance of the deduction of the cost of financial investments held in the amount of (13,729,413) Riyals from the Zakat base:



- a. Obligating the Defendant to recalculate the Zakat on investment for the following funds: (_____ Fund - _____ Fund - _____ Fund) pursuant to the approved certified public accountant's certificate.
 - b. Rejecting the Plaintiff's objection relating to the disallowance of the deduction of the investment balance in () Fund Company.
 - c. Annuling the Defendant's decision relating to the disallowance of the deduction of the Plaintiff's share in the investment in () Company.
- 2- Rejecting the Plaintiff's objection regarding the item of disallowance of the deduction of dividends received from the current year's profit from local investments.
 - 3- Establishing the expiration of the dispute regarding the item of amounts due to partners (related parties).

Whereas this decision did not meet the acceptance by the Appellant (the Zakat, Tax and Customs Authority), it submitted an appeal brief which included a summary of the following:

As the Authority objects to the contested Resolution Circuit's decision, it claims that with respect to the item of (disallowance of the deduction of the cost of financial investments held from the Zakat base), the Authority clarifies that during the objection stage, it requested the Taxpayer to submit supporting documents, and the Taxpayer completed the documentation, strictly with the certified public accountant's endorsement of the Zakat calculation for the funds only. The Taxpayer requested a grace period from the Authority to complete the documents required from it, but they were not submitted. Accordingly, the Authority studied the objection, and it became evident that the investments in the funds also include internal investments within each fund, making it difficult to verify the correctness of the calculation. Upon reviewing the financial statements for the year 2021 AD, it became evident therefrom that all investments were disposed of in the year 2021 AD, which confirms that these investments are for trading. Therefore, the objection was rejected on the grounds that these investments are for trading purposes and not held for use (not acquired for use) and consequently cannot be deducted from the Zakat base, pursuant to Paragraph (4) of Article (Fifth) of the Implementing Regulations regulating Zakat Collection, issued by Ministerial Resolution No. (2216) dated 07/07/1440 AH. The Authority further pointed out that the Circuit that issued the contested decision had obligated the Authority to recalculate the Zakat on investment for the following funds: (_____ Fund - _____ Fund - _____ Fund), giving the grounds that the Respondent submitted a Zakat calculation for those funds pursuant to a certified public accountant's certificate. Accordingly, the Authority reviewed that certificate submitted by the certified public accountant, Office of / (), License No. (), which confirms that the Company's calculation of the Zakat on investment for () Fund, () Fund, and (_____) Fund was properly conducted in all material respects and in accordance with the relevant regulations, and the calculation came as illustrated in Appendix No. (1) below. However, it became evident that the submitted calculation was built on the financial statements of the funds whose financial years end on 31/03/2020 AD, whereas the Taxpayer's year subject of the appeal ends on 31/12/2020 AD. Consequently, the Taxpayer was required to submit the calculation based on the financial



statements of the funds ending on 31 March 2021 AD, with the application of the calculation mechanism stipulated by the extracted and approved principles concerning the treatment of investment funds, issued under No. (Z-22-14) dated 14 November 2022 AD. Therefore, the Authority maintains the correctness and validity of its procedure in accordance with the statutory requirements.

On Tuesday, dated 20/05/2025 AD, at 11:01 AM, the First Appeal Circuit for Income Tax Violations and Disputes held its hearing in the presence of its members whose names are recorded in the minutes, via video conferencing in accordance with the remote litigation procedures; pursuant to the provisions of Paragraph (1) of Article (15) of the Rules of Operation for Zakat, Tax, and Customs Committees, issued by Royal Decree No. (25711) dated 08/04/1445 AH. Upon calling upon the litigants, there appeared the representative of the Appellant / (), National ID No. (), pursuant to an authorization issued by the Deputy Governor of the Zakat, Tax and Customs Authority for Legal Affairs under No. () dated 19/03/1445 AM. There also appeared / (), National ID No. (), in his capacity as an attorney-in-fact for the Respondent pursuant to Power of Attorney No. () issued on 11/04/1445 AH, and Law Practice License No. (_____). Upon asking the Respondent's attorney-in-fact if he wished to add anything, he stated that he stands by what was previously submitted in this lawsuit. Upon presenting this to the Authority's representative, she responded by standing by what was previously submitted in this lawsuit. Upon asking both parties if they wished to add anything, they decided to rest their case on what was previously submitted. Following the closing of the pleading stage and deliberation.

Grounds:

Upon reviewing the case documentation and the appeal brief submitted by the Authority, it became evident to the Circuit that the requirements for considering the appeal procedurally have been satisfied in accordance with the conditions stipulated in the relevant laws, regulations, and resolutions. Accordingly, the appeal request is accepted procedurally, as it was submitted by a qualified capacity and within the prescribed statutory deadline.

On the Merits:

Regarding the Authority's appeal concerning the item of (obligating the Authority to recalculate the Zakat on investment for the following funds: [_____ Fund - _____ Fund - _____ Fund] pursuant to the certified public accountant's certificate); and pursuant to Paragraph (4) of Article (Fifth) of the Implementing Regulations for Zakat Collection, issued by Ministerial Resolution No. (2216) dated 07/07/1440 AH, which stipulates that: 'The following items shall be deducted from the Zakat base of a Taxpayer who maintains commercial books: 4- Investments in an entity inside the Kingdom not held for trading, provided that such entity is registered with the Authority and is subject to Zakat under the Regulations. Leased assets under finance leases in the commercial books of the lessor shall not be deemed an investment to be deducted from the Zakat base, regardless of their classification in the financial statements. Likewise, debit loans, subordinate or additional financing, and their equivalents granted to the investee entity shall not be deemed an investment to



be deducted from the Zakat base.' Based on the foregoing, the Authority appeals the contested decision and stated that, upon reviewing the certified public accountant's certificate—which confirms that the Company's calculation of the Zakat on investment for the contested funds (_____ Fund - _____ Fund - _____ Fund) was properly conducted in all material respects and in accordance with the relevant regulations—it became evident that the submitted calculation was built on the financial statements of the funds whose financial years end on 31/03/2020 AD, whereas the financial year of the Taxpayer subject of the appeal ends on 31/12/2020 AD. The Authority pleads that the Zakat on those funds must be calculated based on the financial statements of the funds for the financial year ending on 31/03/2021 AD, and not 31/03/2020 AD. Upon the Circuit's review of the case file, including the defenses and documents contained therein, the correctness of the Authority's plea became evident to the Circuit, as the Taxpayer was required to submit the Zakat calculation for the funds in accordance with the financial statements of the funds ending on 31/03/2021 AD, being the closest to the Taxpayer's financial year. This conclusion is not undermined by the Taxpayer's plea in its defense memorandum that the fund's approved statements as of 31/03/2020 AD are the closest financial statements for calculating the fund's Zakat, and not the approved financial statements as of 31/03/2021 AD; for this plea is incorrect given that the Taxpayer's financial year begins on 01/01/2020 AD and ends on 31/12/2020 AD. Therefore, the Authority's plea that Zakat must be calculated according to the fund's statements ending on 31/03/2021 AD is deemed a correct plea, and it also conforms with the text of the Guiding Manual for the Rules of Zakat Collection from Investors in Investment Funds, which includes: 'The difference between the financial year of the investor and the financial year of the fund: When the financial year of the investment fund differs from the financial year of the investment unit owners, the end of the fund's financial year shall be adopted.' Consequently, the Circuit concludes to accept the Authority's appeal and annul the Resolution Circuit's decision regarding the item of (obligating the Authority to recalculate the Zakat on investment for the following funds: [_____ Fund - _____ Fund - _____ Fund] pursuant to the certified public accountant's certificate).

Based on the foregoing, and adopting the aforementioned grounds, the Circuit unanimously rendered the following decision:

Decision:

First: Acceptance of the appeal procedurally, submitted by the Zakat, Tax and Customs Authority, against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Dammam City, No. (IZD-2024-239419), issued in Lawsuit No. (Z-239419-2024) relating to the Zakat assessment for the year 2020 AD.

Second: On the Merits:



Accepting the Authority's appeal and annulling the Resolution Circuit's decision regarding the item of (obligating the Authority to recalculate the Zakat on investment for the following funds: [_____ Fund - _____ Fund - _____ Fund] pursuant to the certified public accountant's certificate).



Appeal Committee for Tax Violations and Disputes First Appeal Circuit for Income Tax Violations and Disputes in Riyadh City

Decision No IR-2025-246628

Case No. Z-2024-246628

Keywords:

Zakat – Deductions from the Zakat Base – Investments – Ministry of Finance Sukuk – Acceptance of the Authority's appeal.

Summary:

The Taxpayer filed its appeal against several items, most notably company sukuk, maintaining that they were acquired for investment purposes and by virtue of the regulatory restrictions on the investments of insurance companies, and that the apparent exclusions do not constitute trading but rather a partial redemption by the sukuk issuer in accordance with the prospectus. On the other hand, the Authority filed its appeal against the Ministry of Finance sukuk, maintaining the non-applicability of the decision on the State bearing Zakat because the sukuk are denominated in a foreign currency rather than Saudi Riyals. Upon examining the case file and documents, the Circuit concluded to accept the Authority's appeal regarding the Ministry of Finance sukuk and annul the adjudication decision thereon. It also accepted the Taxpayer's appeal regarding the corporate sukuk of a company and annulled the adjudication decision after it was proven that the exclusions constitute a partial redemption, not trading. The Circuit rejected the remaining appeals of the Taxpayer and upheld the adjudication decision regarding other sukuk, foreign sukuk, insurance surplus, Zakat provision, and the change in fair value, keeping their amounts as stated in the decision.

Document

- Paragraph (4) of Article (5) of the Implementing Regulations for Zakat Collection, issued by Ministerial Resolution of His Excellency the Minister of Finance No. (2216) dated 07/07/1440 AH.

Facts

This is to consider the appeal filed on 17/12/2024 AD by [.....], National ID No. [.....], in his capacity as the proxy of the Appellant Company by virtue of Power of Attorney No. [.....] dated 16/09/1445 AH, and the appeal filed by the Zakat, Tax and Customs Authority against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Jeddah Governorate No. (IZJ-2024-241231), issued in Case No. (Z-



241231-2024) concerning the Zakat assessment for the year 2020 AD, in the lawsuit filed by the Taxpayer against the Zakat, Tax and Customs Authority, wherein the decision of the Resolution Circuit ruled as follows:

First: Acceptance of the case procedurally.

Second: On the Merits:

First: (a) Domestic Investment Sukuk:

A/(1): Rejection of the Plaintiff's objection to the item deducting the balance of of [.....] Company sukuk amounting to SAR (19,208,659) for the year 2020 AD.

A/(2): Acceptance of the Plaintiff's objection to the item deducting the Ministry of Finance sukuk amounting to SAR (5,903,432) for the year 2020 AD.

A/(3 and 4): To record the end of the dispute regarding the disallowance of deducting the investment balance of (a- [.....] Company sukuk amounting to SAR (2,973,061) for the year 2020 AD, b- [.....] Company sukuk amounting to SAR (10,679,376) for the year 2020 AD).

A/(5): Rejection of the Plaintiff's objection to the item deducting the investment balance in the of [.....] Company sukuk amounting to SAR (2,947,760) for the year 2020 AD.

(b) Foreign Investment Sukuk: Rejection of the Plaintiff's objection to the item deducting the investment balance in foreign investment sukuk amounting to SAR (45,082,266) for the year 2020 AD.

Second: Rejection of the Plaintiff's objection to the item adding an accumulated surplus from insurance operations amounting to SAR (39,696) to the Zakat base for the year 2020 AD.

Third: Rejection of the Plaintiff's objection to the item adding the Zakat and income tax provision amounting to SAR (2,969,630) to the Zakat base for the year 2020 AD.

Fourth: Rejection of the Plaintiff's objection to the item adding the balance of change in the fair value of investments amounting to SAR (3,496,687) to the Zakat base for the year 2020 AD.

Whereas this decision did not meet the acceptance by either party, each filed an appeal brief that included the following summary:

The Taxpayer appeals the decision of the Resolution Circuit. Its appeal concerning the item of [.....Company sukuk]amounting to SAR (19,208,659) for the year 2020 AD) requests the annulment of the Circuit's decision regarding this item on the grounds that the Taxpayer, in its capacity as an insurance company, is restricted in the investments it makes pursuant to the statutory provisions prescribed by the Saudi Arabian Monetary Authority and those prescribed by the Implementing Regulations of the Law on Supervision of Cooperative Insurance Companies. It is only permitted to invest in specific investments despite having a documented intent to invest for acquisition purposes rather than trading purposes. It stated that according to Clause (1) of Article (61) of the Implementing Regulations of the Law on Supervision of Cooperative Insurance Companies, insurance



companies are obligated to ensure that the maturity period of the invested assets matches the company's liabilities according to the issued policies. Furthermore, the Saudi Arabian Monetary Authority determines limited investment avenues that may not be deviated from. Consequently, this constitutes a restriction on the Taxpayer's freedom to invest in the avenues specified by the Implementing Regulations for Zakat Collection issued by Ministerial Resolution No. (2216) dated 07/07/1440 AH. Therefore, the Taxpayer resorted to investing in sukuk with the intent to hold them in execution of the statutory requirements. It indicated that the investments in these sukuk were acquired to be held until maturity, and they are long-term investments funded from the capital and reserves that the Authority added to the Zakat base, and that the Taxpayer's intent is to hold these investments to obtain their returns, not for trading purposes, and the revenues realized therefrom were included in the financial statements. The Taxpayer illustrates the movement of investments in the corporate sukuk of [.....] Company during the year 2020 AD as follows: Beginning-of-period balance: SAR (21,623,237); Exclusions (Redemption): SAR (2,244,539); End-of-period balance: SAR (19,208,659). It stated that [.....] Company issued, pursuant to the sukuk prospectus dated 15/01/2013 AD, sukuk denominated in Saudi Riyals, with a face value of fifty thousand Riyals per sukuk, and these sukuk mature on a final maturity date of 15/12/2028 AD. Furthermore, according to the prospectus, the sukuk issuer ([.....] Company) partially redeems the sukuk on a pro-rata basis according to their outstanding nominal value starting from 15/06/2018 AD. During the year 2020 AD, [.....] Company made a partial redemption of the value of the Company's investments in the sukuk, which resulted in a decrease in the amount of the investment portfolio in those sukuk. Therefore, the argument that the movement of exclusions during the year in the investment—namely the corporate sukuk of [.....] Company—constitutes an investment for trading purposes rather than acquisition is incorrect; as the movement of exclusions represents a partial redemption by the sukuk issuer, meaning it is the maturity of these sukuk and their redemption by their issuer, and the Taxpayer did not exclude them for trading purposes. Accordingly, the Taxpayer requests the acceptance of deducting the balance of corporate sukuk of [.....] Company in the amount of SAR (19,208,659) and the annulment of the Resolution Circuit's decision.

Regarding the item of (corporate sukuk of [.....] Company in the amount of SAR (2,947,760) for the year 2020 AD), the Taxpayer requests the annulment of the Circuit's decision on this item on the grounds that the Taxpayer is entitled to deduct its investments in domestic sukuk, relying on the provisions of Paragraph (3) of Article (4) of the Implementing Regulations for Zakat Collection issued by Ministerial Resolution No. (2216) dated 07/07/1440 AH. Regarding the item of (Foreign Investment Sukuk in the amount of SAR (45,082,266) for the year 2020 AD), the Taxpayer requests the annulment of the Circuit's decision on this item on the grounds that the Taxpayer is entitled to deduct its investments in foreign sukuk, relying on the provisions of Paragraph (5) of Article (5) of the Implementing Regulations for Zakat Collection, as the Taxpayer subjected the minimum Zakat base—which is its share of the net accounting profit stated in the financial statements of these investments—to Zakat, and therefore the Taxpayer has the right to deduct its foreign investments. Regarding the item of



(Adding the accumulated surplus from insurance operations in the amount of SAR (39,696) to the Zakat base for the year 2020 AD), the Taxpayer requests the annulment of the Circuit's decision on this item on the grounds that the surplus from insurance operations represents the remainder of the insurance premiums paid by policyholders and their returns, after settling claims and expenses and setting aside reserves and provisions, and it is owned by the policyholders. Therefore, the Taxpayer may not dispose of it, and accordingly pleads the impermissibility of adding the balance to the Zakat base. Regarding the item of (Adding the Zakat and income tax provision in the amount of SAR (2,969,630) to the Zakat base for the year 2020 AD), the Taxpayer requests the annulment of the Circuit's decision on this item on the grounds that the Authority failed to consider that the Zakat provision differs from other provisions, as the Zakat provision is created at the end of the year after reviewing the financial statements and is not charged to expenses; thus, the Zakat provision is not subject to Zakat, because Zakat is not levied on Zakat itself.

Likewise, the decision was not accepted by the Zakat, Tax and Customs Authority, which filed its appeal against the contested decision by virtue of an appeal brief that included the following summary:

The Authority appeals the decision of the Resolution Circuit. Regarding the item of (Ministry of Finance sukuk in the amount of SAR (5,903,432) for the year 2020 AD), the Authority states that it disallowed the deduction of the investment in the sukuk as they are non-deductible pursuant to Article (5) of the Implementing Regulations for Zakat Collection issued by Ministerial Resolution No. (2216) dated 07/07/1440 AH, wherein the deductions from the Zakat base are listed exhaustively. In addition, according to the analysis of investments, the sukuk are issued by several non-governmental entities and do not fall under Ministerial Resolution No. (2218) dated 07/07/1440 AH. As for the sukuk issued by the Ministry of Finance, and according to the sukuk purchase documents [.....], it became evident that the sukuk was issued by the Ministry of Finance on the Dublin Stock Exchange, and based on Ministerial Resolution No. (1343) dated 28/03/1441 AH, on 04/06/2024 AD, a meeting was held with the Taxpayer's representatives, and the Authority requested the submission of a statement of sukuk showing the full name of the fund, its issuer/source (domestic/foreign), and its movement during the year, in addition to the unique identification numbers of the domestic sukuk if registered with the Authority, and the Taxpayer submitted a statement of sukuk movement. Pursuant to Paragraph (8) of Article (6) of the Implementing Regulations for Zakat Collection issued by Ministerial Resolution No. (2216) dated 07/07/1440 AH, the Taxpayer is entitled to deduct the invested sukuk and bonds if they are held for purposes other than trading and have been subject to Zakat in the base of the issuing company. The Authority also states that the Taxpayer indicated during the examination phase that the sukuk is traded on the Dublin Stock Exchange. Pursuant to Ministerial Resolution No. (2218) dated 07/07/1440 AH, as amended by Ministerial Resolution No. (1343) dated 28/03/1441 AH, the State bears the Zakat and income tax resulting from investment in sukuk and bonds issued locally by the Ministry of Finance in Saudi Riyals; accordingly, this resolution does not apply to these sukuk, and the Authority emphasizes the rejection of the Taxpayer's objection and the disallowance of their deduction from the Zakat base.



On Tuesday, 20/05/2025 AD, the First Appeal Circuit for Income Tax Violations and Disputes held its session at exactly 11:30 AM, in the presence of its members whose names are recorded in the minutes, via video conferencing in accordance with the remote litigation procedures; pursuant to the provisions of Paragraph (1) of Article (Fifteen) of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Order No. (25711) dated 08/04/1445 AH; Upon calling the litigants, Mr. (.....), holding National ID No. (.....), attended in his capacity as the proxy of the Taxpayer by virtue of Power of Attorney No. (.....) issued on 15/11/1446 AH, and Legal Practice License No. (.....). Also in attendance was the representative of the Authority /, holding National ID No. (.....), by virtue of a delegation issued by the Deputy Governor for Legal Affairs of the Zakat, Tax and Customs Authority under No. (.....) dated 19/03/1445 AH. Upon asking the Taxpayer's proxy what he wished to add, he stated that he adheres to what was previously submitted in this lawsuit. Upon presenting this to the Authority's representative, she referred to the memorandum of reply she attached on 19/05/2025 AD under Ticket No. (.....) and requested the Circuit to accept its inclusion in the case file. Upon presenting this to the Taxpayer's proxy, he responded by requesting a grace period to review the Authority's memorandum. Accordingly, the Circuit decided to grant the Taxpayer a grace period ending on 01/06/2025 AD, and the Circuit shall not accept any additional documents after the aforementioned date, provided that the next session scheduled on 24/06/2025 AD shall be a session for pronouncing the decision.

On Tuesday, 24/06/2025 AD, the First Appeal Circuit for Income Tax Violations and Disputes held its session at exactly 12:20 PM, in the presence of its members whose names are recorded in the minutes, via video conferencing in accordance with the remote litigation procedures; pursuant to the provisions of Paragraph (1) of Article (Fifteen) of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Order No. (25711) dated 08/04/1445 AH; Upon calling the litigants, Mr. (.....), holding National ID No. (.....), attended in his capacity as the proxy of the Taxpayer by virtue of Power of Attorney No. (.....) issued on 15/11/1446 AH, and Legal Practice License No. (.....). Also in attendance was the representative of the Authority / (.....), holding National ID No. (.....), by virtue of a delegation issued by the Deputy Governor for Legal Affairs of the Zakat, Tax and Customs Authority under No. (.....) dated 19/03/1445 AH. Whereas this session is dedicated to pronouncing the decision.

Grounds:

Whereas, upon reviewing the case documents and the appeal brief submitted by the Taxpayer and by the Zakat, Tax and Customs Authority, it became evident to the Circuit that the conditions for considering the appeal procedurally have been met in accordance with the conditions stipulated in the relevant laws, regulations, and decisions. Accordingly, both appeal requests are accepted procedurally, as they were submitted by a person having capacity and within the statutory period prescribed for undertaking such procedures.

On the merits, with regard to the Authority's appeal concerning the item of (Ministry of Finance sukuk amounting to SAR (5,903,432) for the year 2020 AD), and whereas Paragraph (4) of Article (Five) of the



Implementing Regulations for Zakat Collection issued by Ministerial Resolution No. (2216) dated 07/07/1440 AH stipulates the following: "Investments in an establishment inside the Kingdom for purposes other than trading shall be deducted from the Zakat base, provided that such establishment is registered with the Authority and is subject to Zakat under the Regulations." Furthermore, Paragraph (8) of Article (Six) thereof stipulates the following: "For Zakat purposes, the Taxpayer may treat the sukuk and bonds it issues as capital, regardless of their classification in its financial statements. In this case, such sukuk and bonds shall be deducted from the Zakat base of the investors therein if they are for purposes other than trading, and the issuing Taxpayer may not revoke such treatment during the maturity period of the sukuk and bonds." Based on the foregoing, the dispute lies in the deduction of the Ministry of Finance sukuk amounting to SAR (5,903,432) from the Zakat base, wherein the Authority's appeal posits that the Ministerial Resolution does not apply to the case of the aforementioned sukuk as they are issued in US Dollars rather than Saudi Riyals, whereas the Taxpayer stated that the Kingdom bears the Zakat on its investment in those sukuk issued by the Ministry of Finance in accordance with what is stated in the prospectus. By referring to Ministerial Resolution No. (2218) dated 07/07/1440 AH, as amended by Ministerial Resolution No. (1343) dated 28/03/1441 AH, the State bears the Zakat and income tax resulting from investment in sukuk and bonds issued locally by the Ministry of Finance in Saudi Riyals until their maturity date. Upon the Circuit's review of the case file and the submitted documents, it became evident that the Authority provided proof that the Ministry of Finance sukuk were issued in US Dollars and not in Saudi Riyals. Accordingly, the disputed sukuk are not subject to the aforementioned Ministerial Resolution. This is not affected by what the appealed decision relied upon in accepting the Taxpayer's objection based on a copy of the sukuk issued by Bank (on behalf of the Ministry of Finance), through which it appeared to the Circuit that the sukuk were issued by the Ministry of Finance in Saudi Riyals. Upon the Circuit's review of the attachment titled (Ministry of Finance Sukuk), it became evident that it represents a confirmation issued by Bank indicating that the value of the purchase order for the Ministry of Finance sukuk amounted to (5) million Saudi Riyals. However, this confirmation in itself does not constitute presumption that the sukuk issued by the Ministry of Finance were in Saudi Riyals. The Authority stated that it had accepted the deduction of a sukuk in the assessment of the case file, and by referring to the attachment titled (Objection Review Report - Company /), it became evident that the Authority accepted the deduction of the investment in the sukuk of Bank (.....) amounting to SAR (1,933,956), as they were issued locally by the Ministry of Finance in Saudi Riyals in application of the Ministerial Resolution. Therefore, and whereas it became evident that the sukuk issued by the Ministry of Finance amounting to SAR (5,903,432) were in US Dollars and not in Saudi Riyals, the Circuit concludes to accept the Authority's appeal and annul the decision of the Resolution Circuit regarding the item of (Ministry of Finance sukuk amounting to SAR (5,903,432) for the year 2020 AD).

With regard to the Taxpayer's appeal concerning the item of (sukuk of Company (.....) amounting to SAR (19,208,659) for the year 2020 AD), and whereas Paragraph (4) of Article (Five) of the Implementing Regulations for Zakat Collection issued by Ministerial Resolution No. (2216) dated 07/07/1440 AH stipulates the following:



"Investments in an establishment inside the Kingdom for purposes other than trading shall be deducted from the Zakat base, provided that such establishment is registered with the Authority and is subject to Zakat under the Regulations." Furthermore, Paragraph (8) of Article (Six) thereof stipulates the following: "For Zakat purposes, the Taxpayer may treat the sukuk and bonds it issues as capital, regardless of their classification in its financial statements. In this case, such sukuk and bonds shall be deducted from the Zakat base of the investors therein if they are for purposes other than trading, and the issuing Taxpayer may not revoke such treatment during the maturity period of the sukuk and bonds." Based on the foregoing, the dispute lies in the deduction of the sukuk of Company amounting to SAR (19,208,659), wherein the Taxpayer requests the acceptance of the deduction of the sukuk balance of Company (.....), while the Authority's viewpoint, according to its memorandum of reply submitted before the Resolution Circuit, is that they are investments for trading purposes, as the investment movement revealed the existence of exclusions. Upon the Circuit's review of the case file and the documents contained therein, it became evident to the Circuit that the exclusion movement referred to by the Authority is very negligible and represents (10%) of the total sukuk amount. Furthermore, the validity of the Taxpayer's pleading regarding partial redemption was established; by referring to the prospectus in the attachment titled (.....), and upon reviewing page No. (64) of the prospectus, paragraph (8-6), it became evident that it included partial redemption, as it stipulated: "On each periodic distribution date, the Issuer shall partially redeem the sukuk (on a pro-rata basis according to their outstanding nominal value) by an aggregate amount equal to the sum of (a) the fixed distribution amounts (if any) and (b) the early distribution amounts (if any)." Accordingly, it became evident to the Circuit the validity and soundness of the Taxpayer's defenses that the exclusion movement is not a trading movement, but rather constitutes a partial redemption by the sukuk issuer. Since the Taxpayer submitted the sukuk prospectus and the bank statement of Company (.....) in the attachment titled (.....), and proof of redemption of the sukuk and coupon amounts through Company (.....) in the attachment titled (.....), the Circuit concludes to accept the Taxpayer's appeal and annul the decision of the Resolution Circuit regarding the item of (sukuk of Company (.....) amounting to SAR (19,208,659) for the year 2020 AD).

Whereas, with regard to the Taxpayer's appeal concerning the remaining disputed items; and whereas The Circuit is not precluded from adopting the reasons of the appealed decision without adding to it whenever it deems that those reasons suffice without citing any new ones, because by endorsing it with what those reasons carried, it is confirmed that it found nothing in the challenges directed at the decision that deserves a response beyond what those reasons included. And since it is established that the appealed decision regarding the dispute concerning the appealed items was consistent with the sound reasons upon which it was based and which are sufficient to carry its ruling, as the issuing Circuit undertook the examination of the merits of the dispute therein and concluded regarding it to the result reached in its operative part. And whereas this Circuit has not noticed anything requiring correction or comment regarding it in light of the defenses raised before it. This leads the



Circuit to conclude the Rejection of the Taxpayer's appeal and affirming the appealed Resolution Circuit's decision regarding the result it reached in the remaining items subject of the lawsuit, based on its reasons.

Based on the foregoing, and adopting the aforementioned grounds, the Circuit unanimously rendered the following decision:

Decison

First: Acceptance of the appeal procedurally, filed by the Taxpayer/ Company (.....), Commercial Registration No. (.....), TIN (.....), and the appeal filed by the Zakat, Tax and Customs Authority, against the decision of the First Resolution Circuit for Income Tax Violations and Disputes in Jeddah Governorate No. (IZJ-2024-241231), issued in Case No. (Z-241231-2024) concerning the Zakat assessment for the year 2020 AD.

Second: On the Merits:

- 1- Acceptance of the Authority's appeal and annulment of the Resolution Circuit's decision regarding the item of (Ministry of Finance sukuk amounting to SAR (5,903,432) for the year 2020 AD).
- 2- Acceptance of the Taxpayer's appeal and annulment of the Resolution Circuit's decision regarding the item of (sukuk of Company) amounting to SAR (19,208,659) for the year 2020 AD).
- 3- Rejection of the Taxpayer's appeal and affirming of the Resolution Circuit's decision regarding the item of (sukuk of Company/) amounting to SAR (2,947,760) for the year 2020 AD).
- 4- Rejection of the Taxpayer's appeal and affirming of the Resolution Circuit's decision regarding the item of (Foreign investment sukuk amounting to SAR (45,082,266) for the year 2020 AD).
- 5- Rejection of the Taxpayer's appeal and affirming of the Resolution Circuit's decision regarding the item of (Adding an accumulated surplus from insurance operations amounting to SAR (39,696) to the Zakat base for the year 2020 AD).
- 6- Rejection of the Taxpayer's appeal and affirming of the Resolution Circuit's decision regarding the item of (Adding the Zakat and income tax provision amounting to SAR (2,969,630) to the Zakat base for the year 2020 AD).
- 7- Rejection of the Taxpayer's appeal and affirming of the Resolution Circuit's decision regarding the item of (Adding the balance of change in the fair value of investments amounting to SAR (3,496,687) to the Zakat base for the year 2020 AD).



Appeal Committee for Tax Violations and Disputes First Appeal Circuit for Income Tax Violations and Disputes in Riyadh City

Decision No IR-2025-246702

Case No. Z-246702-2024

Keywords:

**Zakat - Deductions from the Zakat Base - Profits - Retained Earnings Differences - Prior Year Errors
- Acceptance of the Authority's Appeal**

Summary:

The Taxpayer appealed the Zakat assessment for the years 2008–2014, claiming the assessments were unreasoned. Conversely, the Authority appealed the Resolution Circuit's decision regarding the "Expiration of the Term" for the years 2012–2014, as well as multiple substantive items. The Circuit accepted the Authority's appeal and annulled the Resolution Circuit's decision regarding the "Expiration of the Term" item, as well as the item of: (Advance Payments, Bank Share Portfolio [...], Provisions, Earnings from Subsidiaries, Available-for-Sale Investments, and Prior Years' Errors). Furthermore, the Circuit rejected the Taxpayer's appeal for the years 2008–2011 due to the prior abandonment of the litigation, and rejected it for the years 2012–2014 because it was proven that the Taxpayer had actual knowledge of the grounds for the adjustments and the objection correspondence. Consequently, the Circuit concluded rejection of the Taxpayer's appeal regarding the Zakat assessment item for the years 2008–2014.

Document

- Paragraph (4/a) of Article (4) of the Implementing Regulations for Zakat Collection, issued by Ministerial Resolution No. (2082) dated 01/06/1438 AH.

Facts

This is to consider the appeal filed on 23/12/2024 AD by / (.....), National ID No. (.....) in his capacity as the legal representative of the Appellant Company pursuant to the Commercial Registration and Articles of Association, and the appeal filed by the Zakat, Tax and Customs Authority on 26/12/2024 AD against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Dammam City No. (IZD-2024-239975) issued in Case No. (Z-239975-2024) relating to the Zakat assessment for the years 2008 AD to 2014 AD, in the lawsuit filed by the Taxpayer against the Zakat, Tax and Customs Authority, wherein the decision of the Resolution Circuit ruled as follows:



The Circuit lacks Jurisdictional Competence to hear the Plaintiff's lawsuit.

Whereas the decision of the Resolution Circuit issued in Case No. (Z-2019-9853) dated 19/08/2020 AD was not accepted by the Taxpayer, it filed an appeal registered under No. (Z-28200-2020) and dated 26/06/2022 AD, which resulted in remanding the case to the Resolution Circuit to be considered on its merits. Whereas the decision of the Resolution Circuit issued in Case No. (IZD-153168-2023) and dated 10/04/2023 AD was not accepted by the Authority, it filed an appeal against it, and this Circuit issued a decision remanding the case to the Resolution Circuit to consider it on its merits pursuant to Decision No. (IR-196742-2024) dated 25/07/2024 AD. Subsequently, the Resolution Circuit issued Decision No. (IZD-2024-239975) dated 26/11/2024 AD, stipulating the following: "The Circuit lacks Jurisdictional Competence to hear the Plaintiff's lawsuit." Accordingly, the Circuit decided to continue considering the lawsuit, and the Taxpayer filed an appeal brief that included the following summary:

Regarding the Taxpayer's appeal against the Resolution Circuit's decision concerning the item (Zakat assessment for the years 2008 AD to 2014 AD), the Taxpayer pleaded that upon reviewing the Resolution Circuit's decision, the operative part of which stipulated the Circuit's lack of Jurisdictional Competence, the Company adheres to its lawsuit and supports the Resolution Circuit's Decision No. (IZD-2023-153168) in annulling the Defendant's decision in all items of the lawsuit. It maintains its defenses that the Authority issued the Zakat assessments for the years 2008 AD to 2014 AD without clarifying the grounds for the assessment and mentioning the Taxpayer's right to object and the statutory period for submitting the objection, violating thereby the provisions of the Implementing Regulations for Zakat Collection issued by Ministerial Resolution No. (2082) dated 01/06/1438 AH. Therefore, it requests the rejection of the Authority's appeal and the affirming of the Resolution Circuit's Decision No. (IZD-2023-153168).

Likewise, the decision was not accepted by the Zakat, Tax and Customs Authority, which filed an appeal against the contested decision pursuant to an appeal brief that included the following summary:

Regarding the Authority's appeal against the Resolution Circuit's decision concerning the item (Expiration of the Statutory Period for the years 2012 AD to 2014 AD), the first Resolution Circuit's Decision No. (IZD-2023-153168) was issued in Case No. (153168-2022-Z), the operative part of which concluded to annul the Authority's procedure relating to the item of failure to clarify the grounds and details of the adjustments to the objection items and all related items. Accordingly, the Authority filed its appeal registered under No. (196742-2023-Z) against the decision issued by the Resolution Circuit, and the Appellate Circuit issued Decision No. (IR-2024-196742), the operative part of which concluded to accept the Authority's appeal, annul the Resolution Circuit's decision, and remand the case back to it to be considered on its merits for the years 2012 AD to 2014 AD. Based on the Appellate Circuit's decision, the case was remanded to the Resolution Circuit to implement the Appellate Circuit's decision to hear the case according to the explained grounds. However, the Resolution Circuit issued its second Decision No. (IZD-2024-239975) in Case No. (Z-239975-2024), the operative part of which



concluded that the Resolution Circuits lack Jurisdictional Competence to hear the Plaintiff's lawsuit, as the Resolution Circuit considered that it had previously ruled on the case formally and substantively, relying on Article (Thirty-Seven) of the Rules of Operation for Zakat, Tax, and Customs Committees. Consequently, the Authority emphasizes the invalidity of the conclusion reached by the Circuit's decision and that it clearly and explicitly contradicted the conclusion reached by the Appellate Circuit's decision. The Authority pleaded that the principle of Exhaustion of Jurisdiction means the removal of judicial jurisdiction from the judicial circuit after exhausting efforts in the substantive issue it ruled on with a final decision, which implies that if the judicial circuit has not exhausted its effort in the presented issue, the lawsuit does not fall outside its jurisdiction. Therefore, the Appellate Circuit has the right to remand the case to the same circuit that issued the decision if it deems that there is a necessity to review the judgment and correct any error or shortcoming it suffers, so that it may reconsider its decision in light of the Appellate Circuit's remarks. On the other hand, it was stated in the reasoning of the Appellate Circuit's decision: "... It became evident to the Circuit the validity of the Authority's procedure in re-assessing in terms of the Authority's right to execute the assessment, as it became clear that the statutory text provides that the Authority has the right to execute the assessment if it deems that the tax it previously accepted is incorrect. Furthermore, it became evident to the Circuit that the response memorandum submitted by the Appellee against the Authority's supplementary memorandum did not contain a different interpretation of the text whose validity the Authority adheres to. It also became evident to the Circuit that the new assessments are likewise reasoned by the Authority, an outcome which leads the Circuit to accept the Authority's appeal, annul the Resolution Circuit's decision, and remand the case back to it to be considered on its merits." In light of the remarks stated by the Appellate Circuit, it decided to remand the case to the circuit that issued the decision to reconsider its decision, and consequently, the Resolution Circuit was required to execute the appellate decision as it is a higher instance and rule on the merits of the case. On another note, when the Resolution Circuit refrains from ruling on the items substantively, as is the case in the contested decision, and if the Appellate Circuit decides to rule on the item substantively, this results in a violation of the principle of litigation at two levels, which is one of the fundamental principles of the judicial system that the Circuit may not violate and the litigants may not waive, and which the Circuit must address suo motu. The contested decision prejudiced the Authority's right, as a ruling on reasoning is not deemed a ruling on the merits of the item. Had the Appellate Circuit ruled on the merits of the item, the Authority would not have been granted the opportunity to have it considered again, and this is what must be clarified to the Circuit. As for what was stated in the reasoning of the contested decision that it ruled on the merits of the case, it is incorrect, and the reason is that the Resolution Circuit, in its decision annulled by the Appellate Circuit, ruled on the procedural aspect only and annulled the Authority's procedure on this basis. Regarding the item (Advance Payments), the Authority clarifies that it added an item of advance payments from tenants in the amount of SAR (1,168,134) for the years 2013 AD and 2014 AD respectively to the Zakat base for the Completion of one Zakat year (Al-Hawl) according to the financial statements at beginning or ending balances, whichever is lower, due to the failure to submit the account movement during the year, based on Paragraph (4) of Article (Four) of the Implementing Regulations for Zakat Collection.



Regarding the item (Investments in shares in the Bank portfolio /.....), the Authority did not accept the deduction of investments in the shares of the Bank portfolio (.....) for the year 2012 AD in the amount of SAR (58,033,793) from the Zakat base as they are trading shares and due to the existence of sales operations during the year, which means that the purpose of the investment is trading, in addition to the fact that the Taxpayer did not provide what clarifies the nature of the investment or a resolution from the authorized person regarding the company's intention to invest before making the decision. Regarding the item (Allowance for doubtful accounts), the Authority adjusted the net result with the formed balance of the allowance for doubtful accounts for the years 2013 AD and 2014 AD respectively in the amount of SAR (2,058,752), because provisions are among the non-deductible expenses, and the base was also adjusted with the carried-forward balance of the provision for the years 2013 AD and 2014 AD respectively in the amount of SAR (4,115,492) and SAR (6,174,244), as it became apparent that the Taxpayer creates an amount equivalent to (20%) of the allowance for doubtful accounts from the total value of accounts receivable from the tenants of the (.....) complex. Furthermore, (20%) was calculated for the year 2011 AD, and it was also revealed from the Taxpayer's financial statements that there is insufficient disclosure about the item during the years 2013 AD and 2014 AD, which is due to the fact that the Taxpayer did not present the debtors and the allowance for doubtful accounts correctly according to the applied standards. Consequently, the disclosure of the item for the year 2012 AD was relied upon. Since the Taxpayer did not submit an analytical statement of the movement of provisions from the accounts, and the financial statements did not properly display the debtors and provision item for the two years, the same treatment stated in the financial statements for the year 2012 AD was adopted, based on Paragraph (9) of Article (Four) of the Implementing Regulations for Zakat Collection. Regarding the item (Provision for end-of-service benefits), the Authority clarifies that it adjusted the net result with the formed balance of the end-of-service provision for the year 2013 AD in the amount of SAR (784,129) because provisions are among the non-deductible expenses. The Authority points out that the Taxpayer did not submit any new documents in the case, and since the dispute lies in the Authority's treatment of the item according to the movement of provisions, while the Taxpayer argues the validity of the formed provision balance, which represents a balance of SAR (483,032), the Authority clarifies that upon referring to the financial statements, it became evident that the amount of SAR (483,032) is the net movement during the year (addition - utilization) as in the statement of cash flows. Furthermore, the financial statements did not include a disclosure for this provision, in addition to the fact that the Taxpayer did not provide any details or movement in its statement of claim. Therefore, the beginning-of-year provision balance can be compared with the end-of-year provision balance to produce a variance amounting to SAR (483,032).

Consequently, the Authority maintains the validity of its procedure, based on Paragraph (9) of Article (Four) of the Implementing Regulations for Zakat Collection. Regarding the item of (Earnings from investments in subsidiaries for the year 2013 AD), it clarifies that it deducted earnings from investments in subsidiaries for the year 2013 AD in the amount of SAR (21,680,111.00) from the net result, which represents earnings that have



already been subject to Zakat in the companies in which the investment was made. Whereas what the Taxpayer is requesting is the deduction of dividend revenues in the amount of SAR (2,154,184), which represent earnings from investments in associate companies that were previously subject to Zakat, and whereas the Authority has deducted the Taxpayer's share in the results of the subsidiaries and associated companies that are treated according to the equity method correctly, the dispute lies in the amount of SAR (2,154,184) of dividend revenues from investments accounted for using the cost method, which are the available-for-sale investments. The dividends received therefrom are considered revenues that appear in the Taxpayer's income statement in the year of receipt and are therefore subject to Zakat, unless they are part of the year's earnings in the company in which the investment is made. Whereas the Taxpayer did not submit any documents indicating that they are distributions from the current year's earnings, the Authority maintains the validity and soundness of its procedure, based on Paragraph (4/a) of Article (Four) of the Implementing Regulations for Zakat Collection. Regarding the item of (Available-for-sale investments for the year 2014 AD), the Authority did not accept the deduction of available-for-sale investments for the year 2014 AD in the amount of SAR (60,944,613) from the Zakat base, due to the existence of movement operations therein during the year, which means that the purpose of the investment is trading. Furthermore, the Taxpayer did not submit a resolution from the authorized person regarding the company's intention to invest before making the decision. The Authority clarifies that the Taxpayer did not submit any new documents in the lawsuit; therefore, the Authority maintains the validity and soundness of its procedure, based on Paragraph (4) of Article (Four) of the Implementing Regulations for Zakat Collection. Regarding the item of (Errors related to prior years for the year 2014 AD), the Authority clarifies that it added the item of errors related to prior years 2014 AD to the net result, which consists of adding the difference in the balance of retained earnings at the beginning of the period for the year 2014 AD and the end of the period for the year 2013 AD in the amount of SAR (3,877,355). The Authority states that by referring to the financial statements for the year 2014 AD, it became clear that the balance of retained earnings at the beginning of the year was SAR (836,785,663), while the account balance at the end of the year in the financial statements for the year 2013 AD reached SAR (832,908,308). Consequently, the difference was added to the adjusted profit for the year 2013 AD and to the Zakat base in the year 2014 AD as it pertains to a prior year. The Authority clarifies that the Taxpayer did not submit any new documents in the lawsuit. Furthermore, through the treatment of the item, the item was added as a result of calculating the difference in the balance of retained earnings at the beginning of the period and the end of the period for the years 2013 AD and 2014 AD due to the existence of an adjustment in the financial statements for the year 2013 AD. Therefore, the Authority confirms the validity and legality of its procedure. It concluded by requesting the acceptance of the appeal and the annulment of the Resolution Circuit's decision.

On Monday, 30/06/2025 AD, the First Appeal Circuit for Income Tax Violations and Disputes held its session at 12:30 PM, in the presence of its members whose names are recorded in the minutes, via video conferencing in accordance with the remote litigation procedures; pursuant to the provisions of Paragraph (1) of Article (Fifteen)



of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Order No. (25711) dated 08/04/1445 AH. Upon calling the litigants, Ms. (.....), holding National ID No. (.....), attended in her capacity as the proxy for the Taxpayer by virtue of Power of Attorney No. (.....) issued on 25/04/1446 AH, and Legal Practice License No. (.....). The Authority's representative, (.....), attended, holding National ID No. (.....), by virtue of a delegation issued by the Deputy Governor for Legal Affairs of the Zakat, Tax and Customs Authority under No. (.....) dated 19/03/1445 AH. After reviewing the refusal of the Circuit that issued the Adjudication decision to implement the directive of the Appellate Circuit to re-examine the lawsuit and its adherence to its opinion, and based on the provisions of Paragraph (3) of Article Thirty-Seven of the Rules of Operation for Zakat, Tax, and Customs Committees, and after reviewing the papers and documents contained in the case file, and after deliberation and discussion, the Circuit decided to take cognizance of the lawsuit. Upon asking the Taxpayer's proxy what she wished to add, she stated that she adheres to what was previously submitted in this lawsuit. Upon presenting this to the Authority's representative, he responded by adhering to what was previously submitted in this lawsuit. Upon asking the two parties what they wished to add, they decided to suffice with what was previously submitted. Whereas the lawsuit is ready for adjudication in its current state, and after closing the pleading and deliberation phase.

Grounds:

Whereas, upon reviewing the case documents and the appeal brief submitted by the Taxpayer and by the Zakat, Tax and Customs Authority, it became evident to the Circuit that the conditions for considering the appeal procedurally have been met in accordance with the conditions stipulated in the relevant laws, regulations, and decisions. Accordingly, both appeal requests are accepted procedurally, as they were submitted by a person having capacity and within the statutory period prescribed for undertaking such procedures.

On the merits, and whereas regarding the Authority's appeal concerning the item of (Expiration of the statutory period for the years 2012 AD to 2014 AD), and whereas Resolution Circuit Decision No. (IZD-153168-2023) dated 10/04/2023 AD was issued in Case No. (Z-153168-2022) without the Resolution Circuit exhausting its full jurisdiction to rule on all of the Plaintiff's requests, as it did not rule on the following items: (Partner Current Account - Credit), (Accounts Payable), (Advance Payments), (Investments in shares in the Bank portfolio), (Allowance for doubtful accounts), (End-of-service provision), (Earnings from investments in subsidiaries), (Available-for-sale investments), (Errors related to prior years). Whereas the Circuit did not exhaust its jurisdiction, the First Appeal Circuit for Income Tax Violations and Disputes issued its Decision No. (IR-2024-196742) dated 25/07/2024 AD in Case No. (Z-2023-196742), which stipulated the acceptance of the Authority's appeal, the annulment of the Resolution Circuit's decision, and the remanding of the case back to it to be considered on its merits regarding the years 2012 AD to 2014 AD. Accordingly, the Resolution Circuit issued its Decision No. (IZD-2024-239975) dated 26/11/2024 AD in Case No. (Z-2024-239975), which stipulated (The Circuit lacks Jurisdictional Competence to hear the Plaintiff's lawsuit). Whereas the Authority



filed its appeal against this decision in Case No. (Z-2024-246702) dated 23/12/2024 AD, and whereas Resolution Circuit Decision No. (IZD-2024-239975) dated 26/11/2024 AD in Case No. (Z-2024-239975) concluded that it lacked Jurisdictional Competence to hear the lawsuit, which necessitated that the Resolution Circuit issue a decision encompassing all the Authority's requests and ruling on them substantively so that the Circuit would exhaust its jurisdiction by issuing a decision covering all the Authority's requests. Whereas Paragraph (3) of Article (Thirty-Seven) of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Order No. (25711) dated 08/04/1445 AH stipulates that "3- If the Appellate Circuit decides to annul the Resolution Circuit's decision issued on lack of jurisdiction, or on accepting a preliminary plea that resulted in preventing the proceedings of the lawsuit, or on the inadmissibility of hearing the lawsuit due to prior adjudication, or on its non-hearability due to the lapse of time, or on its non-acceptance procedurally, or on the inadmissibility of the lawsuit for lack of formalization, it shall remand the lawsuit to the Resolution Circuit that issued the decision to consider the merits, unless the circumstances of the lawsuit are ready for adjudication, or the circumstances of the lawsuit necessitate adjudication with urgency, or its subject matter is one for which decisions or principles of the Appellate Circuits have been established; in which case, it may be adjudicated without remanding." Based on the foregoing, and whereas the decision subject to appeal concluded on the lack of jurisdiction to hear the lawsuit, and whereas this case is among the cases provided for within the provisions of the aforementioned Article, and whereas the circumstances of the lawsuit are ready for adjudication, the Circuit decides to continue the consideration of the lawsuit; which leads the Circuit to accept the Authority's appeal and annul the Resolution Circuit's decision regarding the item of (Expiration of the statutory period for the years 2012 AD to 2014 AD).

Regarding the Authority's appeal concerning the item of (Advance Payments), and whereas Paragraph (4) of Item (First) of Article (Four) of the Implementing Regulations for Zakat Collection issued by Ministerial Resolution No. (2082) dated 01/06/1438 AH stipulates: "The Zakat base shall consist of all of the Taxpayer's assets subject to Zakat, including: 4- Advance revenues upon which one Zakat year (Al-Hawl) has passed." Based on the foregoing, whereas the dispute between the parties is limited to adding the item of advance payments from tenants in the amount of SAR (1,168,134) for the years 2013 AD and 2014 AD to the Zakat base for the passing of one Zakat year (Al-Hawl) according to the financial statements at the lower balance, due to the Taxpayer's failure to provide account movement during the year, and whereas payments received in advance are considered a source of financing, and those upon which one Zakat year (Al-Hawl) has passed are added to the Zakat base. Upon the Circuit's review of the case file, it became evident that the Taxpayer submitted the financial statements for the year 2013 AD in Arabic and for the year 2014 AD in English, and the detailed movement for the year 2013 AD, without providing any statements related to the year 2014 AD. Whereas the Authority challenged the validity of the submitted detailed movement, due to the mismatch of the ending balance of the financial statements while the beginning balances do not match the financial statements, and since the Taxpayer did not submit the detailed movement for the year 2013 AD matching the financial



statements, and did not submit any account movement for the year 2014 AD, and whereas it did not submit documents through which the validity of its claim regarding the non-passing of one Zakat year (Al-Hawl) on those balances could be verified, this leads the Circuit to accept the Authority's appeal and annul the Resolution Circuit's decision regarding the item of (Advance Payments).

Regarding the Authority's appeal concerning the item of (Investments in shares in the Bank portfolio), and whereas Paragraph (4/a) of Article (Four) of the Implementing Regulations for Zakat Collection issued by Ministerial Resolution No. (2082) dated 01/06/1438 AH stipulates: "Investments in establishments inside the Kingdom – participation with others – if those investments are subject to Zakat under these Regulations, then if the investment in those establishments is not subject to Zakat, it shall not be deducted from the base." Based on the foregoing, whereas the dispute between the parties is limited to the Authority's non-acceptance of the deduction of investments in the shares of the Bank portfolio (.....) in the amount of SAR (58,033,793) from the Zakat base, as they are trading shares and due to the existence of sales operations during the year, while the Taxpayer pleads that they are long-term investments and the reduction movement that occurred therein was not a sale but a valuation difference according to fair value. Upon the Circuit's review of the case file, it became evident that the Taxpayer submitted the financial statements for the year under dispute without submitting a statement for the Bank portfolio (.....), and by reviewing the financial statements and their notes related to long-term investments, it became evident to the Circuit that these investments represent securities (company shares) traded in the Saudi Stock Exchange, and the Taxpayer did not submit the portfolio movement to prove the absence of sales movements during the year. Furthermore, the Taxpayer did not submit what clarifies the nature of the investment or a resolution from the authorized person regarding the company's intention to invest. Given the Taxpayer's failure to submit documents supporting its viewpoint, this leads the Circuit to accept the Authority's appeal and annul the Resolution Circuit's decision regarding the item of (Investments in shares in the Bank portfolio).

Regarding the Authority's appeal concerning the item of (Allowance for doubtful accounts), and whereas Paragraph (6) of Article (Six) of the Implementing Regulations for Zakat Collection issued by Ministerial Resolution No. (2082) dated 01/06/1438 AH, concerning expenses that may not be deducted, stipulates: "6- All provisions except: a- Allowance for doubtful accounts for banks, provided that the bank submits a certificate from its board of directors including determining the amount of doubtful debts and that the Saudi Arabian Monetary Authority (SAMA) approves that. b- Unearned premium reserve, and outstanding risks reserve in insurance and/or reinsurance companies (technical reserves), provided that they are returned to the Zakat base in the following Zakat year and that their determination is in accordance with the professional standards followed in this activity." Based on Paragraph (2) thereof, which stipulated: "Expenses that the Taxpayer is unable to prove were incurred by virtue of supporting documents or other evidentiary presumptions." Based on the foregoing, the dispute lies in the Authority's addition of a balance of the allowance for doubtful accounts to the adjusted net profit, whereas the Taxpayer pleads that the provision was fully utilized, and the Authority



pleads that the formed provisions are not considered among the deductible expenses, therefore they were added to the adjusted net 9++9+profit, in addition to the fact that it is evident through the Taxpayer's financial statements that there is insufficient disclosure about the item during the two years 2013 AD and 2014 AD, which is due to the fact that the Taxpayer did not display the debtors and the allowance for doubtful accounts correctly according to the applied standards. Upon the Circuit's review of the case file, it became evident that the Taxpayer submitted financial statements for the year 2013 AD in Arabic and for the year 2014 AD in English, and regarding the accounts receivable, it was found that the disclosure did not clearly include the allowance for doubtful accounts within the notes. As the Taxpayer did not provide evidence to support the validity of its pleas, the Circuit concludes to accept the Authority's appeal and annul the Resolution Circuit's decision regarding the item of (Allowance for doubtful accounts).

Regarding the Authority's appeal concerning the item of (Provision for end-of-service benefits), and whereas Paragraph (6) of Article (Six) of the Implementing Regulations for Zakat Collection issued by Ministerial Resolution No. (2082) dated 01/06/1438 AH, concerning non-deductible expenses, stipulates: "6- All provisions except: a- Allowance for doubtful accounts for banks, provided that the bank submits a certificate from its board of directors including determining the amount of doubtful debts and that the Saudi Arabian Monetary Authority (SAMA) approves that. b- Unearned premium reserve, and outstanding risks reserve in insurance and/or reinsurance companies (technical reserves), provided that they are returned to the Zakat base in the following Zakat year and that their determination is in accordance with the professional standards followed in this activity." Based on the foregoing, the dispute lies in calculating the balance of the end-of-service provision at a value higher than that shown in the financial statements. The Taxpayer pleads that the correct calculation of the balance for the provision in dispute is (483,032) SAR, while the Authority replied that the financial statements did not show a disclosure for this provision. Upon studying the statement of cash flows, the Circuit found that the net movement during the year (addition - utilization) amounts to (483,032) SAR, and that the Taxpayer did not provide any details or movement in its statement of claim. The Authority stated that if the Circuit has another opinion, the amount claimed by the Taxpayer (483,032) SAR shall be added to the net profit as a formed provision, and the beginning balance of the provision shall be added to the Zakat base in the amount of (679,155) SAR. Upon the Circuit's review of the case file, it became evident that there is no disclosure regarding the item in dispute to verify its movement during the period, nor did the Taxpayer provide a statement of the provision's movement to confirm its plea regarding the incorrectness of the calculation. As the Taxpayer did not provide the documents supporting its viewpoint, the Circuit concludes to accept the Authority's appeal and annul the Resolution Circuit's decision regarding the item of (Provision for end-of-service benefits).

Regarding the Authority's appeal concerning the item of (Earnings from investments in subsidiaries for the year 2013 AD), and whereas Paragraph (4/a) of Article (Four) of the Implementing Regulations for Zakat Collection issued by Ministerial Resolution No. (2082) dated 01/06/1438 AH stipulates: "Investments in establishments inside the Kingdom – participation with others – if those investments are subject to Zakat under these



Regulations, then if the investment in those establishments is not subject to Zakat, it shall not be deducted from the base." Based on the foregoing, the dispute lies in the Authority's non-deduction of dividend revenues in the amount of (2,154,184) SAR for the year 2013 AD, which the Taxpayer pleads represent earnings from investments in associate companies previously subject to Zakat. Conversely, the Authority pleads that dividend revenues from investments accounted for using the cost method are considered revenues that appear in the Taxpayer's income statement in the year of receipt and are thus subject to Zakat, unless they are part of the year's earnings in the company in which the investment was made, and the Taxpayer did not provide any documents indicating they are distributions from the current year's earnings. Upon the Circuit's review of the case file, it became evident that it is impossible to verify the Taxpayer's plea that the item in dispute relates to subsidiary dividends; by referring to the cash flow statement, it is revealed that dividend revenues received from subsidiaries were disclosed independently of the item in dispute and at a different value, which serves as a presumption that the item in dispute is not related to subsidiaries. Additionally, the Taxpayer has other available-for-sale investments. Regarding what the Taxpayer mentioned about the Authority deducting associate company investment earnings in the amount of (21,680,111) SAR, upon referring to the financial statements, the Circuit found that the amount mentioned by the Taxpayer relates to its share in the results of subsidiaries and an associated company, not as dividends received. Consequently, the Circuit concludes to accept the Authority's appeal and annul the Resolution Circuit's decision regarding the item of (Earnings from investments in subsidiaries for the year 2013 AD).

Regarding the Authority's appeal concerning the item of (Available-for-sale investments for the year 2014 AD), and whereas Paragraph (4/a) of Article (Four) of the Implementing Regulations for Zakat Collection issued by Ministerial Resolution No. (2082) dated 01/06/1438 AH stipulates: "The following shall be deducted from the Zakat base: Investments in establishments inside the Kingdom – participation with others – if those investments are subject to Zakat under these Regulations, then if the investment in those establishments is not subject to Zakat, it shall not be deducted from the base." Paragraph (4/b) thereof stipulates: "The following shall be deducted from the Zakat base: Investments in establishments outside the Kingdom – participation with others – on the condition that the Taxpayer calculates in its Zakat Declaration the Zakat due on these investments in accordance with the rules stipulated in these Regulations and remits it to the Authority, while attaching audited accounts from a licensed public accountant in the country of investment and certified by official authorities; if it does not commit to calculating and remitting Zakat accordingly, they shall not be deducted from the Zakat base." Based on the foregoing, the dispute lies in not accepting the deduction of the full value of available-for-sale investments for the year 2014 AD in the amount of (60,944,613) SAR. The Taxpayer pleads that the item in dispute represents long-term investments for holding purposes and not for trading, while the Authority indicated in its response memorandum that it did not accept the deduction because there was a sale movement during the year, meaning the purpose is trading. Upon reviewing the financial statements and their notes, the Circuit found a sale movement on the investments listed in the stock market, meaning they are for trading and



therefore not deducted. Regarding the investments not listed in the stock market, they were found to be investments in two foreign companies and one local company only. As for the foreign companies, it is clear that the Taxpayer did not submit financial statements audited by a public accountant and certified by official authorities, nor documentation of Zakat calculation and payment; therefore, they are not deducted. Regarding the local company, the Taxpayer did not provide evidence that it is a partner in the company, nor did it provide details related to the investment. As the Taxpayer did not provide documents supporting its pleas, nor a statement detailing the movement and specifics of these investments, nor evidence of meeting all the mentioned requirements, the Circuit concludes to accept the Authority's appeal and annul the Resolution Circuit's decision regarding the item of (Available-for-sale investments for the year 2014 AD).

Regarding the Authority's appeal concerning the item of (Errors related to prior years for the year 2014 AD), the dispute lies in the reversal of errors related to prior years for the invested companies. The Taxpayer objects to the Authority's procedure, explaining that this item represents earnings previously subject to Zakat, being an adjustment of certain accounting errors for the company (.....) where fixed assets purchased from the replacement and renewal provision were transferred to fixed assets and considered as asset additions, as stated in the financial statements and notes of company (.....) for the year 2014 AD. Conversely, the Authority pleads that it added the item of errors related to prior years 2014 AD to the net result, represented by adding the difference in the balance of retained earnings at the beginning of the period for 2014 AD and the end of the period for 2013 AD in the amount of (3,877,355) SAR. It also became clear upon reviewing the 2014 AD financial statements that the beginning retained earnings balance was (836,785,663) SAR, while the account balance at the end of the year in the 2013 AD financial statements was (832,908,308) SAR. Consequently, the difference was added to the adjusted profit for 2013 AD and the Zakat base in 2014 AD as it pertains to a prior year. The Authority does not object to transferring the addition of this difference and the adjustment to the book net profit for 2013 AD instead of 2014 AD, because this difference contested by the Taxpayer in the amount of (3,877,355) SAR resulted from the variance between the ending retained earnings balance shown in the 2013 AD financial statements at (832,908,308) SAR and the beginning retained earnings balance shown in the 2014 AD financial statements at (836,785,663) SAR; meaning it was not subject to Zakat in 2013 AD because it did not appear in the financial statements until 2014 AD, Upon the Circuit's review of the case file, consisting of the financial statements for the year 2013 AD (in Arabic) and 2014 AD (in English), the Zakat assessment statement submitted by the Taxpayer for the year in dispute, and the financial statements of (.....) company for the year 2014 AD, it became evident by comparing the Taxpayer's financial statements that there was an increase in the ending balance of retained earnings for the year 2013 AD appearing in the 2014 AD financial statements compared to the ending balance of retained earnings for the year 2013 AD appearing in the 2013 AD financial statements. The Authority's procedure in calculating the difference and adding it to the net profit for the year 2014 AD was based on the fact that it had not been subject to Zakat in the previous year. Whereas the effect of this difference will not be limited to increasing the Zakat base additions (retained earnings) but will also appear



as an increase in the amount of the investment in (.....) company by the Plaintiff, which will affect the Zakat base deductions for the year in dispute. Given that the principle in accounting standards is that the effect of correcting errors for prior periods is the restatement of opening balances in the financial statements for the current period, it follows that the Zakat effect of this difference occurs in the year in dispute (2014 AD) rather than the assessment of the previous year. Consequently, the Circuit concludes to accept the Authority's appeal and annul the Resolution Circuit's decision regarding the item of (Errors related to prior years for the year 2014 AD).

Regarding the Taxpayer's appeal concerning (Zakat assessment for the years 2008 AD to 2014 AD), and upon reviewing the case file, the Circuit found that the Authority abandoned its appeal in Appellate Decision No. (IR-2024-196742) for the years 2008 AD to 2011 AD regarding the item (Annulment of the Authority's procedure related to the expiration of the statutory period for the assessment for the years 2008 AD to 2011 AD), in which the decision concluded to accept the abandonment of litigation. Therefore, the Taxpayer's appeal for the years 2008 AD to 2011 AD has no merit, and the Circuit concludes to reject the Taxpayer's appeal regarding the years 2008 AD to 2011 AD. Regarding the years 2012 AD to 2014 AD, it was proven that the Taxpayer had actual knowledge of the grounds for adjustment, as the Authority submitted proof of the grounds for adjustment directed to the Taxpayer and attached its objection letter regarding those items; therefore, the Circuit concludes to reject the Taxpayer's appeal.

Based on the foregoing and incorporating the aforementioned grounds, the Circuit unanimously rendered the following decision:

Decision

First: Acceptance of the appeal procedurally, filed by the Taxpayer, (.....) Company, Commercial Registration No. (.....), Distinguished Number (.....), and the appeal submitted by the Zakat, Tax and Customs Authority, against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Dammam City No. (IZD-2024-239975) issued in Case No. (Z-239975-2024) related to the Zakat assessment for the years 2008 AD to 2014 AD.

Second: On the merits:

1. Acceptance of the Authority's appeal and annulment of the Resolution Circuit's decision regarding the item of (Expiration of the statutory period for the years 2012 AD to 2014 AD).
2. Acceptance of the Authority's appeal and annulment of the Resolution Circuit's decision regarding the item of (Advance Payments).
3. Acceptance of the Authority's appeal and annulment of the Resolution Circuit's decision regarding the item of (Investments in shares in the Bank portfolio).



4. Acceptance of the Authority's appeal and annulment of the Resolution Circuit's decision regarding the item of (Allowance for doubtful accounts).
5. Acceptance of the Authority's appeal and annulment of the Resolution Circuit's decision regarding the item of (Provision for end-of-service benefits).
6. Acceptance of the Authority's appeal and annulment of the Resolution Circuit's decision regarding the item of (Earnings from investments in subsidiaries for the year 2013 AD).
7. Acceptance of the Authority's appeal and annulment of the Resolution Circuit's decision regarding the item of (Available-for-sale investments for the year 2014 AD).
8. Acceptance of the Authority's appeal and annulment of the Resolution Circuit's decision regarding the item of (Errors related to prior years for the year 2014 AD).
9. Rejection of the Taxpayer's appeal regarding the item of (Zakat assessment for the years 2008 AD to 2014 AD).



Appeal Committee for Tax Violations and Disputes First Appeal Circuit for Income Tax Violations and Disputes in Riyadh City

Decision No IR-2025-246748

Case No Z-2024-246748

Keywords:

Zakat – Deductions from the Zakat Base – Loans – Short-term Loans – Acceptance of Taxpayer's Appeal

Summary:

The Taxpayer appealed against the Zakat assessment for the years 2019 and 2020. The Taxpayer challenged the addition of short-term loans in the amount of SAR (183,219,146), contending that they were revolving loans. Upon review of the case file, it was observed that the Taxpayer submitted financial statements, facility agreements with several banks, bank statements, and the detailed transaction ledger. By tracing the commencement and maturity dates of the loans, it was proven to the Circuit that the loans subject to the dispute were not revolving. Accordingly, the Circuit accepted the Taxpayer's appeal and annulled the decision of the Resolution Circuit regarding this item. Regarding the Zakat assessment for the year 2020, it was established to the Circuit that the Taxpayer requested the abandonment of litigation in application of Ministerial Resolution No. (1007). Consequently, the Circuit accepted the abandonment of litigation in application thereof. The Circuit concluded to (accept the abandonment of litigation for the year 2020) and (accept the Taxpayer's appeal and annul the adjudication decision regarding the short-term loans item for the year 2019).

Document

- Paragraph (3) of Article (4) of the Implementing Regulations for Zakat Collection, issued by Ministerial Resolution of His Excellency the Minister of Finance No. (2216) dated 07/07/1440 AH.

Facts

This is to consider the appeal filed on 25/12/2024 by [.....], National ID No. [.....], in his capacity as the proxy of the Appellant Company by virtue of Power of Attorney No. [.....] dated 17/06/1446 AH and Legal Practice License No. [.....], against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Dammam City No. (IZD-2024-233970), issued in Case No. (Z-233970-2024) concerning the Zakat assessment for the years 2019 and 2020, in the lawsuit filed by the Taxpayer against the Zakat, Tax and Customs Authority, wherein the decision of the Resolution Circuit ruled as follows:

1. Rejection of the Plaintiff's objection regarding the item of long-term loans for the year 2020.



2. Rejection of the Plaintiff's objection regarding the item of short-term loans for the years 2019 and 2020.

Whereas this decision did not meet the acceptance by the Taxpayer, it submitted an appeal brief which was reviewed by the Circuit, the substance of which is that the Taxpayer requests the acceptance of its appeal and the annulment of the Resolution Circuit's decision.

On Sunday, 23/03/2025, the First Appeal Circuit for Income Tax Violations and Disputes held its session at 12:45 PM in the presence of its members whose names are recorded in the minutes, via visual communication in accordance with the procedures for remote visual litigation, pursuant to the provisions of Paragraph (1) of Article (Fifteen) of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Order No. (25711) dated 08/04/1445 AH. After reviewing the request submitted by the Taxpayer to abandon the lawsuit in application of Ministerial Resolution No. (1007), and the proof of the Authority's approval thereof, and after deliberation, and whereas the lawsuit is ready for adjudication in its current state, the Circuit decided to close the pleadings and reserve the case for adjudication.

Grounds:



Whereas, upon reviewing the case documents and the appeal brief submitted by the Taxpayer, it became evident to the Circuit that the conditions for considering the appeal procedurally have been met in accordance with the conditions stipulated in the relevant laws, regulations, and decisions. Accordingly, the appeal request is accepted procedurally, as it was submitted by a person having capacity and within the statutory period prescribed for undertaking such procedures.

On the merits, and regarding the Taxpayer's appeal concerning the item of (Short-term loans in the amount of 183,219,146 SAR for the year 2019 AD), whereas Paragraph (3) of Article (4) of the Implementing Regulations for Zakat Collection issued by Ministerial Resolution No. (2216) dated 07/07/1440 AH stipulates: "The Zakat base for a Taxpayer who maintains commercial books shall consist of all of its assets subject to Zakat, including the following: 3- Debts due from the Taxpayer classified as long-term and the like from other base components, such as: government financing, commercial financing, creditors, bills payable, Bank Overdrafts, and loans from owners or partners (including their current accounts), provided the following is observed: a- If the debts owed by the Taxpayer or other funding sources have a term of three hundred and fifty-four (354) days or more overlapping during the Zakat year and the following year, they shall be added to the Zakat base for each year in proportion to the number of days of each Zakat year. b- The Zakat year for debts is not interrupted by their renewal or rescheduling with the same creditor, or by replacing these debts with other debts or funding sources that finance what these debts were financing. c- The additions mentioned in this paragraph shall not exceed the total amount deducted from the base in accordance with Article (Five) of the Regulations." Additionally, Article (18) of the same Regulations stipulates: "...The burden of proof regarding the correctness of the items and any other data contained in the return lies with the Taxpayer, and in the event that the Taxpayer is unable to prove the correctness of what is contained in the return, the Authority may not approve the item that the Taxpayer fails



to prove, or it may conduct an Presumptive Assessment according to the Authority's view in light of the circumstances and facts associated with the case and the information available to it." Based on the foregoing, whereas the crux of the dispute between the parties is the Authority's procedure of adding short-term loans for the years 2019 AD and 2020 AD in the amount of (183,219,146) SAR, considering them as revolving loans, while the Adjudication decision upheld the Authority's procedure—despite the Circuit confirming that the loans were not revolving based on the provided movement—the Resolution Circuit deemed the documents submitted by the Taxpayer insufficient. Upon referring to the case file and its contents, it became evident that the Taxpayer submitted financial statements, facility agreements with banks (..... Bank , Bank , Bank , Bank , Bank , Bank , Bank , Bank), bank statements, repayment operations, and the detailed movement for short-term loans for each individually. By tracking the loan movement and comparing the start and end dates of each loan per bank, it became evident that the loans in dispute are not revolving loans, which the Resolution Circuit confirmed in its decision. Therefore, as the dispute lies in determining whether the short-term loans are revolving or not, and whereas this Circuit has verified that they are not revolving loans, the Circuit concludes to accept the Taxpayer's appeal and annul the Resolution Circuit's decision regarding the item of (Short-term loans in the amount of 183,219,146 SAR for the year 2019 AD).

Regarding the Taxpayer's appeal concerning the Zakat assessment for the year 2020 AD, whereas Article (70) of the Law of Sharia Procedures issued by Royal Decree No. (M/1) dated 22/01/1435 AH stipulates: "Litigants may request the court at any stage of the lawsuit to record what they have agreed upon regarding acknowledgment, settlement, or otherwise in the lawsuit minutes, and the court shall issue an instrument accordingly." Furthermore, Paragraph (1) of Article (70) of the Implementing Regulations for the Law of Sharia Procedures issued by the Minister of Justice's Resolution No. (39933) dated 19/05/1435 AH stipulates: "If an agreement is reached before the lawsuit is recorded, the substance of the lawsuit and the response must be documented before recording the agreement, taking into account that the original lawsuit falls within the jurisdiction of the Circuit, even if the content of the agreement falls within the jurisdiction of another court or circuit, provided that the subject of the lawsuit or part of it is among those agreed upon." Based on the foregoing, and whereas this Circuit has verified the Taxpayer's request to abandon the appeal, which stated: "The company wishes to withdraw the lawsuit in order to apply Ministerial Resolution No. 1007 for the Zakat Regulations for the year 1445 AH to the Zakat Declaration for the year 2020 AD." Therefore, it is incumbent upon the Circuit to accept the Taxpayer's request to abandon the litigation in application of Ministerial Resolution No. (1007) for the year 2020 AD.

Based on the foregoing and incorporating the aforementioned grounds, the Circuit unanimously rendered the following decision:



Decision

First: Acceptance of the appeal procedurally, filed by the Taxpayer, (.....) Company, Commercial Registration No. (.....), Distinguished Number (.....), against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Dammam City No. (IZD-2024-233970) issued in Case No. (Z-233970-2024) related to the Zakat assessment for the years 2019 AD and 2020 AD.

On the merits:

1. Acceptance of the Taxpayer's request to abandon the litigation in application of Ministerial Resolution No. (1007) for the year 2020 AD.
2. Acceptance of the Taxpayer's appeal and annulment of the Resolution Circuit's decision regarding the item of (Short-term loans in the amount of 183,219,146 SAR for the year 2019 AD).



Appeal Committee for Tax Violations and Disputes
First Appeal Circuit for Income Tax Violations and Disputes
in Riyadh City

Decision No IR-2025-234529
Case No Z-2024-234529

Zakat – Deductions from the Zakat Base – Investments – Real Estate Investments Under Development
– Acceptance of the Taxpayer’s Appeal

Summary:

Both the Taxpayer and the Authority filed two respective appeals against the assessments for the years from 2013 AD to 2018 AD. The Circuit accepted the abandonment of litigation in the Authority’s appeal regarding the dues from investors in real estate portfolios, construction in progress, and land investments. It amended the addition of amounts due to related parties to SAR 906,875 for the year 2014 AD, and amended the addition of the capital increase and share premium by adding the amount utilized to settle financing installments, totaling SAR 68,959,971, for the financing of lands deducted from the Zakat base. Furthermore, the Circuit accepted the Taxpayer’s appeal regarding several deductions, including local investments for the year 2018 AD and foreign investments, following the submission of audited financial statements and the Zakat calculation. It also recorded the settlement of the dispute regarding the deduction of an investment amounting to SAR 33,000,000, accepted the deduction of an investment fund for the year 2018 AD, rejected certain other requests of the Taxpayer, and upheld the contested adjudication decision issued thereon.

Document

- Article (4) of the Implementing Regulations for Zakat Collection, issued by Ministerial Resolution No. (2082) dated 01/06/1438 AH.

Facts

This is to consider the appeal submitted on 20/01/2022 AD by (.....), and the appeal filed on 23/01/2022 AD by the Zakat, Tax and Customs Authority, against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Riyadh City, No. (IFR-2021-2316), issued in Case No. (Z-16637-2020) relating to the Zakat assessment for the years from 2013 AD to 2018 AD, in the lawsuit brought by the Taxpayer against the Zakat, Tax and Customs Authority, wherein the operative part of the Resolution Circuit’s decision ruled as follows:



First: To amend the action taken by the Defendant / Zakat, Tax and Customs Authority, against the Plaintiff / (.....), Tin No. (.....), relating to the amounts due to related parties for the year 2014 AD, subject matter of the lawsuit, in accordance with the underlying grounds.

Second: To annul the decision of the Defendant / Zakat, Tax and Customs Authority, against the Plaintiff / (.....), Tin No. (.....), relating to the dues from investors in real estate portfolios for the year 2018 AD, subject matter of the lawsuit.

Third: To reject the objection of the Plaintiff / (.....), Tin No. (.....), against the decision of the Defendant / Zakat, Tax and Customs Authority, relating to available-for-sale investments for the years from 2013 AD to 2018 AD, subject matter of the lawsuit.

Fourth: To amend the action taken by the Defendant / Zakat, Tax and Customs Authority, against the Plaintiff / (.....), Tin No. (.....), relating to the construction in progress item for the years from 2013 AD to 2018 AD, subject matter of the lawsuit, in accordance with the underlying grounds.

Fifth: To amend the action taken by the Defendant / Zakat, Tax and Customs Authority, against the Plaintiff / (.....), Tin No. (.....), relating to the land investments item for the years from 2013 AD to 2018 AD, subject matter of the lawsuit, in accordance with the underlying grounds.

Sixth: To amend the action taken by the Defendant / Zakat, Tax and Customs Authority, against the Plaintiff / (.....), Tin No. (.....), relating to the addition of the capital increase, share premium, and related parties items to the Zakat base for the year 2014 AD, subject matter of the lawsuit, in accordance with the underlying grounds.

Seventh: To record the settlement of the dispute between the Plaintiff / (.....), Tin No. (.....), and the Defendant / Zakat, Tax and Customs Authority, relating to the addition of gains from changes in subsidiary ownership for the year 2013 AD, subject matter of the lawsuit, based on the Plaintiff's acceptance of the Defendant's action in this regard.

Eighth: To record the settlement of the dispute between the Plaintiff / (.....), Tin No. (.....), and the Defendant / Zakat, Tax and Customs Authority, relating to written-off amounts due from subsidiaries for the year 2015 AD, subject matter of the lawsuit, based on the Plaintiff's acceptance of the Defendant's action in this regard.

Ninth: To record the settlement of the dispute between the Plaintiff / (.....), Tin No. (.....), and the Defendant / Zakat, Tax and Customs Authority, relating to written-off amounts and the company's share of losses in associates for the year 2015 AD, subject matter of the lawsuit, based on the Plaintiff's acceptance of the Defendant's action in this regard.

Whereas this decision was not acceptable to the Taxpayer, it submitted an appeal brief which was reviewed by the Circuit, the substance of which requested the acceptance of its appeal and the reversal of the Resolution



Circuit's decision regarding the items subject to its appeal. Similarly, as this decision was not acceptable to the Authority, it submitted an appeal brief which was reviewed by the Circuit, the substance of which requested the acceptance of its appeal and the reversal of the Resolution Circuit's decision regarding the items subject to its appeal.

On Tuesday, dated 28/01/2025 AD, the First Appeal Circuit for Income Tax Violations and Disputes held its hearing at 12:25 PM, in the presence of its members whose names are recorded in the minutes, via visual communication channels in accordance with remote litigation procedures. This was based on the provisions of Clause (1) of Article (15) of the Rules of Operation for Zakat, Tax, and Customs Committees, issued by Royal Order No. (25711) dated 08/04/1445 AH. Upon calling upon the litigants, there appeared Mr. (.....), National ID No. (.....), in his capacity as the authorized representative of (..... Company) pursuant to Power of Attorney No. (.....) issued on 07/03/1446 AH, and Legal Practice License No. (.....); there also appeared the Authority's representative, Ms. (.....), National ID No. (.....), pursuant to Authorization No. (.....) issued by the Deputy Governor of the Zakat, Tax and Customs Authority for Legal Affairs dated 19/03/1445 AH. Upon asking the Authority's representative if she wished to add anything further, she stated that she adheres to all prior submissions made in this lawsuit. This was presented to the Taxpayer's representative, who likewise responded that he adheres to all prior submissions made in this lawsuit. Upon asking both parties if they wished to add anything further, they resolved to rest their case on the prior submissions. Whereupon, the pleadings were closed and the case was reserved for deliberation.

Grounds

Whereas, upon reviewing the case documents and the appeal briefs submitted by the Taxpayer and the Zakat, Tax and Customs Authority (ZATCA), it has been established to the Circuit that the conditions for reviewing the appeals procedurally have been satisfied in accordance with the conditions stipulated in the relevant laws, regulations, and decisions. Accordingly, both appeal requests are procedurally admissible, having been submitted by capacity-holding parties within the statutory period prescribed for their submission.

On the merits, and regarding the Authority's appeal concerning the item of "Due from Real Estate Portfolio Investors for the year 2018 AD", the item of "Capital Work-in-Progress for the years from 2013 AD to 2018 AD", and the item of "Investments in Land for the years from 2013 AD to 2018 AD"; Whereas Article (70) of the Law of Sharia Procedures, issued by Royal Decree No. (M/1) dated 22/01/1435 AH, stipulates that: "Litigants may, at whatever stage the case is in, request the court to record their agreement, whether an acknowledgment, settlement, or otherwise, in the hearing minutes, and the court shall Issue an instrument to that effect." Furthermore, Paragraph (1) of Article (70) of the Implementing Regulations of the Law of Sharia Procedures, issued by Minister of Justice Resolution No. (39933) dated 19/05/1435 AH, stipulates that: "If the agreement occurs prior to the recording of the case, the substance of the case and the response must be documented before recording the agreement, taking into account that the origin of the case falls within the jurisdiction of



the Circuit, even if the substance of the agreement falls within the jurisdiction of another court or Circuit, provided that the subject matter of the case, or part thereof, is among the agreed-upon matters." Based on the foregoing, and whereas it has been proven to this Circuit that the Authority requested the abandonment of litigation regarding these specific items in accordance with what was stated in its supplementary brief, which included: "The Authority wishes to inform your esteemed Circuit of the abandonment of its appeal specifically regarding the aforementioned item, and the procedures resulting from the Authority's appeal for this item, in accordance with the findings concluded by the Resolution Circuit's decision..." Therefore, the Circuit must accept the abandonment of litigation with respect to the Authority's appeal against these items.

With respect to the Authority's appeal concerning the item of "Amounts Due to Related Parties for the year 2014 AD", the Authority objects to the conclusion reached in the contested decision regarding the amendment of the Authority's assessment by adding the portion over which one Zakat year (Al-Hawl) has passed from the amounts due to related parties for the year 2014 AD in the amount of SAR 8,757,554. This objection stands despite the Authority stating in its supplementary response brief that it had adjusted the item to reflect an addition of the portion over which one Zakat year (Al-Hawl) has passed in the amount of SAR 906,875, in accordance with the transaction history submitted by the Taxpayer. Upon reviewing the contested decision, a discrepancy is found in its underlying grounds. It notes at the beginning that it was established to the Circuit that the dispute over this item had concluded; however, at the end of the reasoning, the opinion concluded to amend the Authority's procedure by adding the portion over which one Zakat year (Al-Hawl) has passed. Furthermore, the Authority's Memorandum No. (1), upon which the contested decision relied, included an adjustment to the disputed item by adding the portion over which one Zakat year (Al-Hawl) has passed in the amount of SAR 8,757,554. This does not represent the definitive view held by the Authority. By referencing the Authority's Supplementary Memorandum No. (2) submitted before the Resolution Circuit, it is revealed that the Authority partially accepted the disputed item by adding the portion over which one Zakat year (Al-Hawl) has passed in the amount of SAR 906,875 to the Zakat base for the year 2014 AD. Whereas the Taxpayer indicated in its supplementary brief submitted before the Resolution Circuit that its analytical statement demonstrates that the portion over which one Zakat year (Al-Hawl) has passed is SAR 906,875, it is evident that the contested decision erred in its reasoning and operative part. The Resolution Circuit was required to amend the Authority's decision in accordance with the Authority's Response Memorandum No. (2). Consequently, this Circuit concludes to partially accept the Authority's appeal, amend the decision of the Resolution Circuit, and add the portion over which one Zakat year (Al-Hawl) has passed under this item, in the amount of SAR 906,875, to the Zakat base for the year 2014 AD.

With regard to the Authority's appeal concerning the item of "Capital Increase, Share Premium, and Related Parties for the year 2014 AD," Paragraph (1) of Clause (First) of Article (4) of the Implementing Regulations for Zakat Collection, issued by Ministerial Resolution No. (2082) dated 01/06/1438 AH, stipulates that: "The Zakat base consists of all the Taxpayer's assets subject to Zakat, including: 1- Capital over which one Zakat year (Al-



Hawl) has passed, as well as any increase therein even if one Zakat year (Al-Hawl) has not passed, if the source of this increase is one of the equity components or if it financed a fixed asset deducted from the Zakat base." Based on the foregoing, and whereas the Authority's objection to the contested decision lies in its acceptance of the Taxpayer's request not to add the capital increase due to the lack of evidence that it was utilized to finance assets deducted from the Zakat base; upon reviewing the case file and referencing the Appellant's responsive memorandum dated 26/01/1442 AH (corresponding to 14/09/2020 AD), the Appellant provided the details of utilizing the proceeds of the subscription that resulted in the capital increase and share premium. It was revealed that an amount of SAR 68,959,971 from the proceeds was utilized to settle financing installments. Furthermore, upon reviewing Note No. (15) of the financial statements for the year 2014 AD regarding term Murabaha financings, it is evident that the purpose of the financing was to purchase plots of land. Since the Taxpayer deducted the lands from the Zakat base, it follows that the amount utilized from the capital increase to settle the financing installments, totaling SAR 68,959,971, must be added back.

As for the Authority's defense regarding the failure of the contested decision to clarify the sources of financing for the asset additions valued at SAR 390 million, a reference to the Circuit's decision reveals that its underlying grounds cited the existence of an agreement with [.....] Bank in the amount of SAR 199.9 million to finance [.....] Center—the value of which stood at SAR 189.4 million at the end of the year 2014 AD and which is classified under additions to investments for lease purposes. The balance of that financing was included within the loans added to the Zakat base, totaling SAR 321.3 million according to the Zakat Declaration for the year 2014 AD. Consequently, the total value of asset additions amounting to SAR 390 million was financed through loans in the amount of SAR 321.3 million and from the capital increase in the amount of SAR 68.9 million. Accordingly, the Circuit concludes to partially accept the Authority's appeal and amend the decision of the Resolution Circuit by adding the amount utilized from the capital increase to settle financing installments, totaling SAR 68,959,971, to the Zakat base. With regard to the Taxpayer's appeal concerning the item of "Disallowance of Deducting Available-for-Sale Investments for the years from 2013 AD to 2018 AD," Paragraph (4/a) of Clause (Second) of Article (4) of the Implementing Regulations for Zakat Collection, issued by Ministerial Resolution No. (2082) dated 01/06/1438 AH, stipulates: "Investments in establishments inside the Kingdom – participation with others – if those investments are subject to Zakat under these Regulations; however, if the investment in those establishments is not subject to collection, it shall not be deducted from the base." Furthermore, Paragraph (4/b) of Clause (Second) of Article (4) of the same Regulations stipulates: "Investments in establishments outside the Kingdom – participation with others – on the condition that the Taxpayer calculates in its Zakat Declaration the Zakat due on these investments in accordance with the rules stipulated in these Regulations and remits it to the Authority, while attaching audited accounts from a licensed public accountant in the country of investment and certified by official authorities; if it does not commit to calculating and remitting Zakat accordingly, they shall not be deducted from the Zakat base." With respect to the investments in [.....] Company, and upon reviewing the supplementary brief submitted by the Authority



before the Resolution Circuit, which stated: "...Accordingly, the item will be partially accepted by allowing the investment in [.....] Company for the years from 2013 AD up to 2017 AD, given that they are investments in an establishment inside the Kingdom..."; it is evident that the Authority accepted the deduction of this investment for all disputed years except for the year 2018 AD, without providing a reason for such exclusion. Since the Authority conceded that this investment represents an investment in a domestic company, it must consequently be deducted from the Zakat base for the year 2018 AD. Therefore, the Circuit concludes to accept the Taxpayer's appeal and annul the decision of the Resolution Circuit regarding the item of "Investment in [.....] Company for the year 2018 AD."

With regard to the item of "Investments in Companies Outside the Kingdom," the Taxpayer's appeal lies in objecting to the disallowance of deducting this investment from the Zakat base. The decision of the Resolution Circuit based its rejection of the objection on the Taxpayer's failure to submit the financial statements of the companies to prove they were subject to Zakat. However, the Taxpayer has now submitted the audited financial statements for the foreign investments in both [.....] International Bank, [.....] Company, and [.....] Company, alongside its Zakat calculation for those companies for all disputed years. Since the directives concerning assessments on foreign investments dictate subjecting them to Zakat if they are not taxed in the country of investment, and since the Authority is now in possession of the documents enabling it to calculate the Zakat due from the Taxpayer regarding its investment in the aforementioned companies, it is decided to allow the deduction of the foreign investments in these companies. Consequently, the Authority shall calculate the Zakat based on those financial statements and include the Taxpayer's share of that company's Zakat in the assessment. Accordingly, the Circuit concludes to accept the Taxpayer's appeal and annul the decision of the Resolution Circuit regarding the item of "Investments in Companies Outside the Kingdom."

With regard to the item of "Deduction of the Investment in [.....] Fund in the amount of SAR 33,000,000," Article (70) of the Law of Sharia Procedures, issued by Royal Decree No. (M/1) dated 22/01/1435 AH, stipulates that: "Litigants may, at whatever stage the case is in, request the court to record their agreement, whether an acknowledgment, settlement, or otherwise, in the hearing minutes, and the court shall Issue an instrument to that effect." Furthermore, Paragraph (1) of Article (70) of the Implementing Regulations of the Law of Sharia Procedures, issued by Minister of Justice Resolution No. (39933) dated 19/05/1435 AH, stipulates that: "If the agreement occurs prior to the recording of the case, the substance of the case and the response must be documented before recording the agreement, taking into account that the origin of the case falls within the jurisdiction of the Circuit, even if the substance of the agreement falls within the jurisdiction of another court or Circuit, provided that the subject matter of the case, or part thereof, is among the agreed-upon matters." Based on the foregoing, and whereas it has been proven to this Circuit that the Authority accepted the Taxpayer's appeal as set forth in its letter included in the supplementary brief, stating: "...Accordingly, the Authority wishes to inform of adopting the deduction of the investment in [.....] Fund for the year 2018 AD



in the amount of SAR 33,000,000..." , it is incumbent upon the Circuit to record the end of the dispute regarding the Taxpayer's appeal concerning the item of "Deduction of the Investment in [.....] Fund in the amount of SAR 33,000,000."

With regard to the item of "[.....] Fund for the year 2018 AD," the Taxpayer submitted a Zakat calculation for the fund along with the audited financial statements, and this calculation did not result in any Zakat payable. Accordingly, the Circuit concludes to accept the Taxpayer's appeal and annul the decision of the Resolution Circuit regarding the item of "[.....] Fund for the year 2018 AD."

With regard to the Taxpayer's appeal concerning the item of "Disallowance of Deducting Projects Under Development – B: Deduction of [.....] Project from the Zakat Base for the year 2014 AD," Paragraph (2) of Clause (Second) of Article (4) of the Implementing Regulations for Zakat Collection, issued by Ministerial Resolution No. (2082) dated 01/06/1438 AH, stipulates that: "The following shall be deducted from the Zakat base: 2- The Taxpayer's capital construction-in-progress constructed for use in the activity and not for the purpose of sale." Based on the foregoing, and referencing the financial statements for the year 2015 AD, Note No. (9) regarding "Projects under Construction and Development" reveals transfers to the item of "Investments in Land" in the amount of SAR 13,579,750, which represents the value of the project land that the Taxpayer requests to deduct. By referencing Note No. (5) regarding investments in land, it is noted that lands held for sale are classified under current assets, whereas lands held for long-term investment are classified under non-current assets. Since the reclassification of the project into land investments took place during the year 2015 AD, this serves as a presumption that the Taxpayer's intent shifted from acquisition to sale in the year 2015 AD. Consequently, the Taxpayer has the right to deduct the value of the project from the Zakat base for the year 2014 AD, as the sale process was not established to have occurred in the year 2015 AD. Accordingly, the Circuit concludes to accept the Taxpayer's appeal and annul the decision of the Resolution Circuit regarding the item of "Deduction of [.....] Project from the Zakat Base for the year 2014 AD."

With respect to the Taxpayer's appeal regarding the item "(Non-deduction of Investments in Land)", and whereas Article (4) of the Implementing Regulations for Zakat Collection stipulates that "The Zakat base shall be calculated for Taxpayers who maintain regular books and records in accordance with the following: Second: The following shall be deducted from the Zakat base: 1 - Fixed assets, which include the following: the net value of fixed assets (assets acquired for acquisition/holding purposes), any payments made for the purchase of fixed assets, and the value of spare parts not intended for sale, provided that these assets are owned by the Taxpayer—unless there is an impediment preventing the transfer of ownership—and that they are used in the activity"; and with respect to the "(Deduction of [...] Land from the Zakat base for the years 2015 AD and 2016 AD)";

Upon reviewing the case file and the documents contained therein, it was revealed that the dispute concerning this item is documentary in nature. The contested decision based its refusal to deduct this land on the



Taxpayer's failure to submit the land purchase contract. However, since the Appellant attached the land purchase contract (Appendix 25) dated 28/02/2015 AD, the Circuit concludes to accept the Taxpayer's appeal and annul the decision of the Resolution Circuit regarding the item "(Deduction of [...] Land from the Zakat base for the years 2015 AD and 2016 AD)".

With respect to "(Deduction of [...] Land for the year 2013 AD)", and upon reviewing the case file and the documents contained therein, it was revealed that the core of the contested decision in refusing to deduct this land lies in the Taxpayer's failure to submit evidence proving that the land was held for acquisition purposes, as well as the exclusion of the land in the year 2014 AD. By referencing the documents attached to the case file, it is revealed that the Appellant attached the title deeds for [...] lands proving that the ownership of the lands in [...] neighborhood was transferred to the name of the Appellant Company on 26/12/1413 AH and 24/11/1438 AH. The Appellant also attached the financing agreement for the purchase of the land. Consequently, the deduction of [...] Land from the Zakat base for the year 2013 AD is accepted due to the submission of proof of land ownership and its non-exclusion from the company's accounts in the year 2014 AD. Accordingly, the Circuit concludes to accept the Taxpayer's appeal and annul the decision of the Resolution Circuit regarding the item "(Deduction of [...] Land for the year 2013 AD)".

With respect to the Taxpayer's appeal regarding the item "(Deduction of [...] – [...] Land for the years from 2013 AD to 2018 AD)", and whereas the Resolution Circuit issued its Decision No. (IFR-2021-2316) dated 03/05/1443 AH in Lawsuit No. (Z-16637-2020) without the Resolution Circuit exhausting its full jurisdiction to rule on all of the Plaintiff's requests, as it did not adjudicate the item "(Deduction of [...] – [...] Land for the years from 2013 AD to 2018 AD)"; and whereas the Circuit did not exhaust its jurisdiction, the First Appeal Circuit for Income Tax Violations and Disputes issued its Decision No. (IR-2023-91741) dated 22/05/1445 AH in Lawsuit No. (Z-2022-91741), which ruled to accept the Taxpayer's appeal and remand the case back to the Resolution Circuit for consideration regarding the item "(... Neighborhood)". Based thereon, the Resolution Circuit issued its Decision No. (IFR-2024-16637) dated 08/08/1445 AH in Lawsuit No. (Z-2020-16637), which ruled to "(Reject the objection of the Plaintiff / [...] Company)", Distinguished Number ([...]), against the decision of the Defendant / Zakat, Tax and Customs Authority, relating to the item of deducting investments in land) [...] Neighborhood for the years from 2013 AD to 2018 AD, in an amount of SAR (2,939,986) (Two Million Nine Hundred Thirty-Nine Thousand Nine Hundred Eighty-Six Saudi Riyals). And whereas the Taxpayer filed its appeal against this decision in Lawsuit No. (Z-2024-234529) dated 28/07/1446 AH; and whereas Resolution Circuit Decision No. (IFR-2024-16637) dated 08/08/1445 AH in Lawsuit No. (Z-2020-16637) was limited to ruling on the item that the Resolution Circuit had not initially completed its jurisdiction to consider and did not encompass the rest of the Taxpayer's requests—which required the issuance of a decision by the Resolution Circuit encompassing all of the Taxpayer's requests so that the Circuit would exhaust its jurisdiction over all requests of the Plaintiff by issuing a decision covering all its requests—the Circuit decided to complete the consideration of the lawsuit. With regard to the Taxpayer's appeal concerning the item "(Deduction of [...])



Land for the year 2015 AD)", and whereas Article (4) of the Implementing Regulations for Zakat Collection stipulates that "The Zakat base shall be calculated for Taxpayers who maintain regular books and records in accordance with the following: Second: The following shall be deducted from the Zakat base: 1 - Fixed assets, which include the following: the net value of fixed assets (assets acquired for acquisition/holding purposes) and any payments made for the purchase of fixed assets, and the value of spare parts not intended for sale, provided that these assets are owned by the Taxpayer—unless there is an impediment preventing the transfer of ownership—and that they are used in the activity." Based on the foregoing, and whereas the core of the contested decision in refusing to deduct this land ([...] Land) lies in the Taxpayer's failure to submit documents proving ownership of the land and evidence that it was held for acquisition purposes; and upon reviewing the facts of the case, and whereas the Authority's refusal to deduct this item is based on the Taxpayer's failure to submit proof of the purpose of the investment, while the Taxpayer argues that the investment is classified as long-term and indicates that Granada land was classified as non-current for the year 2015 AD, and subsequently these lands were transferred to current assets (inventory) during the following years; and upon reviewing the case file and the defenses and documents contained therein, and whereas it is also clear that the dispute regarding the Authority's non-acceptance of its deduction is due to the Taxpayer not submitting proof that it was for acquisition purposes; and by referencing the Taxpayer's appeal brief, it is clear that the Taxpayer admits that the investment in that land in the year 2015 AD was for long-term investment purposes, unlike the other years in which it transferred it to inventory—which clarifies that they are current lands held for trading purposes; and by referencing the land movement statement in Appendix (8), it is clear that no sale occurred during the year 2015 AD, whereas in the following years the Taxpayer transferred it to current assets (inventory); and furthermore, the general analysis of land movement in Appendix (5) demonstrates that the land was for acquisition purposes in the year 2015 AD only. Accordingly, the Circuit concludes to accept the Taxpayer's appeal and annul the decision of the Resolution Circuit regarding the item "(Deduction of [...] Land for the year 2015 AD)".

With respect to the remaining years, and whereas The Circuit is not precluded from adopting the grounds of the contested decision without any additions, whenever it assesses that those grounds preclude the need to introduce any new ones—for in affirming the decision based on the grounds it carried, it is confirmed that the Circuit found nothing in the challenges directed at the decision that merits a response beyond what those grounds already contained; and given the aforementioned, and since it is established that the contested decision regarding the dispute over the remaining challenged years was consistent with the sound grounds upon which it was built and which are sufficient to carry its judgment, as the issuing Circuit undertook the examination of the merits of the dispute therein and concluded in its regard to the result reached in its operative part; and whereas this Circuit has not noted anything requiring remediation or commentary in light of the raised defenses presented before it, this Circuit concludes to reject the Taxpayer's appeal and uphold the decision of



the Resolution Circuit regarding the item "(Deduction of Granada – Al-Kharj Land with respect to the remaining years)".

And whereas with respect to the Taxpayer's appeal concerning the item "(Adding the Capital Increase, Share Premium, and Related Parties for the year 2014 AD)", and whereas Paragraph (1) of Item (First) of Article (4) of the Implementing Regulations for Zakat Collection issued by Ministerial Resolution No. (2082) dated 01/06/1438 AH stipulates that: "The Zakat base shall consist of all of the Taxpayer's assets subject to Zakat, including: 1- Capital over which one Zakat year (Al-Hawl) has passed, as well as any increase therein even if one Zakat year (Al-Hawl) has not passed, if the source of this increase is one of the equity components or if it financed an asset acquired for acquisition purposes deducted from the Zakat base." Based on the foregoing, and whereas it appears that the Taxpayer's appeal lies in its request not to add the consideration for financing investments held for leasing purposes; and by referencing Item No. (5) of the Authority's appeal above regarding this item, the opinion concluded to amend the adjudication decision after reviewing the Appellant's response brief dated 26/01/1442 AH corresponding to 14/09/2020 AD, which contained the details of utilizing the IPO proceeds that resulted in the capital increase and share premium, where it was revealed that an amount of SAR 68,959,971 of the proceeds was used to settle financing installments; and upon reviewing Note No. (15) of the financial statements for the year 2014 AD regarding term Murabaha financings, it is revealed that the purpose of the financing was to purchase plots of land; and whereas the Taxpayer deducted the lands from the Zakat base, which consequently requires adding the amount utilized from the capital increase to settle the financing installments in the amount of SAR 68,959,971; accordingly, the Circuit concludes to amend the decision of the Resolution Circuit regarding the Taxpayer's appeal concerning "(Adding the Capital Increase, Share Premium, and Related Parties for the year 2014 AD)".

With respect to the Taxpayer's appeal regarding the remaining items subject of the case, and whereas The Circuit is not precluded from adopting the reasons of the appealed decision without adding to it whenever it deems that those reasons suffice without citing any new ones, because by endorsing it with what those reasons carried, it is confirmed that it found nothing in the challenges directed at the decision that deserves a response beyond what those reasons included. And since it is established that the appealed decision regarding the dispute concerning the appealed items was consistent with the sound reasons upon which it was based and which are sufficient to carry its ruling, as the issuing Circuit undertook the examination of the merits of the dispute therein and concluded regarding it to the result reached in its operative part. And whereas this Circuit has not noticed anything requiring correction or comment regarding it in light of the defenses raised before it; This leads the Circuit to conclude the Rejection of the Taxpayer's appeal and affirming the appealed Resolution Circuit's decision regarding the result it reached in the remaining items subject of the challenge, based on its reasons.

Based on the foregoing, and adopting the aforementioned grounds, The Circuit unanimously rendered the following decision:



Decision

First: Acceptance of the appeal procedurally, filed by the Taxpayer / Company (.....), Commercial Registration No. (.....), Distinguished Number (.....), and the appeal submitted by the Zakat, Tax and Customs Authority, against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Riyadh City No. (IFR-2021-2316), issued in Case No. (Z-16637-2020) relating to the Zakat assessment for the years from 2013 AD to 2018 AD.

Second: On the Merits:

1. Acceptance of the Authority's appeal partially and amendment of the Resolution Circuit's decision regarding the item of (Amounts due to related parties for the year 2014 AD).
2. Acceptance of the abandonment of litigation regarding the Authority's appeal on the item of (Dues from investors in real estate portfolios for the year 2018 AD).
3. Acceptance of the abandonment of litigation regarding the Authority's appeal on the item of (Construction in progress for the years from 2013 AD to 2018 AD).
4. Acceptance of the abandonment of litigation regarding the Authority's appeal on the item of (Investments in land for the years from 2013 AD to 2018 AD).
5. Acceptance of the Authority's appeal partially and amendment of the Resolution Circuit's decision regarding the item of (Capital increase, share premium, and related parties for the year 2014 AD).
6. Regarding the Taxpayer's appeal on the item of (Disallowance of deducting available-for-sale investments for the years from 2013 AD to 2018 AD):
 - A- Acceptance of the Taxpayer's appeal and annulment of the Resolution Circuit's decision regarding the item of (Investment in Company (.....), 2018 AD).
 - B- Acceptance of the Taxpayer's appeal and annulment of the Resolution Circuit's decision regarding the item of (Investment in companies outside the Kingdom).
 - C- Recording the end of the dispute regarding the Taxpayer's appeal on (Deducting the investment in Fund (.....) in the amount of SAR 33,000,000).
 - D- Acceptance of the Taxpayer's appeal and annulment of the Resolution Circuit's decision regarding (Fund (.....) for the year 2018 AD).
 - E- Rejection of the Taxpayer's appeal and affirming of the Resolution Circuit's decision regarding (Other funds).
7. Regarding the Taxpayer's appeal on the item of (Disallowance of deducting real estate projects under development):



- A- Rejection of the Taxpayer's appeal and affirming of the Resolution Circuit's decision regarding (Deducting project (.....) from the Zakat base for the year 2017 AD).
 - B- Acceptance of the Taxpayer's appeal and annulment of the Resolution Circuit's decision regarding the item of (Deducting project (.....) from the Zakat base for the year 2014 AD).
8. Regarding the Taxpayer's appeal on the item of (Disallowance of deducting investments in land):
- A- Acceptance of the Taxpayer's appeal and annulment of the Resolution Circuit's decision regarding the item of (Deducting land (.....) from the Zakat base for the years 2015 AD and 2016 AD).
 - B- Acceptance of the Taxpayer's appeal and annulment of the Resolution Circuit's decision regarding the item of (Deducting land (.....) for the year 2013 AD).
 - C- Rejection of the Taxpayer's appeal and affirming of the Resolution Circuit's decision regarding the item of (Deducting land in (.....) neighborhood for the years from 2015 AD to 2018 AD).
 - D- Rejection of the Taxpayer's appeal and affirming of the Resolution Circuit's decision regarding the item of (Deducting land (.....) and land (.....) for the years from 2013 AD to 2018 AD).
 - E- Regarding the Taxpayer's appeal on the item of (Deducting land (.....) for the years from 2013 AD to 2018 AD):
 - 1) Acceptance of the Taxpayer's appeal and annulment of the Resolution Circuit's decision regarding the item of (Deducting land (.....) for the year 2015 AD).
 - 2) Rejection of the Taxpayer's appeal and affirming of the Resolution Circuit's decision regarding (Deducting land (.....) relating to the remaining years).
9. Amendment of the Resolution Circuit's decision regarding the Taxpayer's appeal on (Adding the capital increase, share premium, and related parties for the year 2014 AD).



Appeal Committee for Tax Violations and Disputes Third Appeal Circuit for Income Tax Violations and Disputes in Riyadh City

Decision No. IR-2025-239339

Case No. Z-2024-239339

Zakat – Deductions from the Zakat Base – Investments – Foreign investments – Partial acceptance of the Taxpayer's appeal.

Summary:

The Taxpayer filed its appeal against the refusal to deduct foreign investments, arguing that the classification of "Available-for-Sale" is an accounting description that does not denote trading. The Taxpayer maintained its right to the deduction upon submitting audited financial statements or proof of payment of Zakat on the investment. The Circuit relied on the requirements for deducting foreign investments and the burden of proof, determining that the dispute is documentary and that the deduction is contingent upon submitting approved financial statements or their equivalent for Zakat calculation purposes. It was proven to the Circuit to accept the deduction of one investment after the submission of an annual report containing signed and approved financial statements sufficient for calculation purposes. The Circuit rejected the deduction of another investment due to the submission of an unapproved draft, and rejected the remaining investments due to the failure to submit financial statements or proof of payment. The Circuit concluded to accept the appeal partially regarding the foreign companies item, while affirming the adjudication decision regarding the remaining related items.

Document

- Paragraph (4/b) of Item (Second) of Article (4) of the Implementing Regulations for Zakat Collection, issued by Ministerial Resolution of His Excellency the Minister of Finance No. (2082) dated 01/06/1438 AH.

Facts

This is to consider the appeal filed on 07/07/2024 AD by /, National ID No. (.....), in his capacity as the proxy of the Appellant Company by virtue of Power of Attorney No. (.....) dated 22/06/2023 AD, and Legal Practice License No. (.....), against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Dammam City No. (IZD-2024-222603), issued in Case No. (Z-222603-2023) concerning the Zakat assessment for the year 2017 AD, in the lawsuit filed by the Appellant against the Zakat, Tax and Customs Authority, wherein the decision of the Resolution Circuit ruled as follows:



- 1- Rejection of the Plaintiff's objection regarding the current liabilities item.
- 2- Rejection of the Plaintiff's objection regarding the investments in domestic companies item.
- 3- Rejection of the Plaintiff's objection regarding the investments in subsidiaries item.
- 4- Regarding the projects under development item:
 - A- Annulment of the Defendant's decision relating to the (.....) Jubail project.
 - B- Annulment of the Defendant's decision relating to the (.....) project.
 - C- Rejection of the Plaintiff's objection relating to the construction of a residential villa belonging to one of the partners.

Whereas this decision did not meet the acceptance by the Taxpayer, it submitted an appeal brief which was reviewed by the Circuit, the substance of which is summarized as follows: Regarding the item of (investments in domestic and foreign companies – b/ foreign companies), the Taxpayer clarified that the amounts represent share investments in several companies as mentioned in Note No. (6) to the audited financial statements for the year 2017 AD. The Taxpayer also pointed out that it submitted an analytical statement regarding available-for-sale investments inside and outside the Kingdom, noting its disagreement with the Authority's procedure in refusing to deduct the aforementioned investments from the Zakat base. The Taxpayer argued that Clause "Third" of Ministerial Resolution No. (1005) stipulates that any other domestic or foreign investments in forward transactions, bonds representing debts, or securities shall not be deducted from the Taxpayer's Zakat base, regardless of the issuing entity and the duration of the investment. This implies that all other investments are approved as a deduction from the Zakat base, since the aforementioned Ministerial Resolution set forth an exception, which is that investments in forward transactions and bonds are not approved as a deduction from the Zakat base. The Taxpayer noted that the Authority refused to deduct the clicks above in foreign companies because they were disclosed as "available-for-sale investments" under Note No. (6) in the audited financial statements for the year 2017 AD, as the Authority deemed those investments to be goods for trade (offers of trade). The Taxpayer pointed out that the Authority misunderstood the purpose of the investments, clarifying that it invested in shares from a long-term investment perspective, and that the phrase "Available-for-Sale" mentioned above was a mandatory description pursuant to the accounting standard issued by the Saudi Organization for Certified Public Accountants (SOCPA), which the Taxpayer was obliged to comply with. This mandatory description covers both types of investments—namely long-term and short-term purposes, or for trading purposes. Furthermore, long-term investments can also be sold after several years if a good market price is available; therefore, the description "Available-for-Sale" does not mean they constitute goods for trade. The Taxpayer added that the Authority refused to deduct the available-for-sale investments inside/outside the Kingdom under the pretext of failure to submit the financial statements for the year 2017 AD. In this regard, the Taxpayer indicated that it submitted a copy of the audited financial statements of the available-for-sale



investments for each of (.....), (.....), and (.....), clarifying that it is in the process of securing the audited financial statements for the remaining investments. Finally, the Taxpayer explained that the above investments were made in securities unlisted on financial markets and were classified as "available-for-sale investments" in accordance with the SOCPA standard. It also indicated that the majority of the investments were still owned by it as of 31/12/2017 AD, which proves that they are investments aimed at long-term purposes and were not held for commercial purposes. The Taxpayer also objects to the (current liabilities) item, the (investments in subsidiaries) item, and the (projects under development - villa) item. Accordingly, the Taxpayer requests the annulment of the Resolution Circuit's decision regarding the items subject to the appeal for the grounds set forth above.

On Wednesday, corresponding to 29/01/2025 AD, the First Appeal Circuit for Income Tax Violations and Disputes held its session at exactly 02:01 PM in the presence of its members whose names are recorded in the minutes, via visual communication in accordance with the remote litigation procedures, pursuant to the provisions of Paragraph (1) of Article (Fifteen) of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Order No. (25711) dated 08/04/1445 AH. Upon reviewing the appeal request, the submitted memoranda, and the papers and documents contained in the case file, and after deliberation, and whereas the lawsuit is ready for adjudication in its current state, the Circuit decides to close the pleadings and reserve the case for adjudication.

Grounds



Whereas upon reviewing the case documents and the appeal brief submitted by the Taxpayer, it has been established to the Circuit that the conditions for reviewing the appeal procedurally have been satisfied in accordance with the conditions stipulated in the relevant laws, regulations, and decisions; accordingly, the appeal is procedurally admissible, having been submitted by a capacity-holding party within the statutory period prescribed for its submission.

On the merits, and regarding the Taxpayer's appeal concerning the item of (Investments in Local and Foreign Companies – B/ Foreign Companies), the core and crux of its appeal lies in its contention that the amounts represent stock investments in several companies. The Taxpayer noted that it had provided an analytical schedule regarding the available-for-sale investments inside and outside the Kingdom. It further pointed out the Authority's misunderstanding of the purpose of these investments, clarifying that it invested in these shares from a long-term investment perspective, and that the aforementioned phrase "available-for-sale" was a mandatory description pursuant to the accounting standard issued by the Saudi Organization for Certified Public Accountants. Whereas Paragraph (4/b) of Clause (Second) of Article (4) of the Implementing Regulations for Zakat Collection, issued by Ministerial Resolution No. (2082) dated 01/06/1438 AH, stipulates that: "The following shall be deducted from the Zakat base: Investments in entities outside the Kingdom – jointly with others – provided that the Taxpayer calculates within its Zakat Declaration the Zakat due on these investments



in accordance with the rules stipulated in these Regulations and remits it to the Authority, while attaching audited financial statements from a certified public accountant in the country of investment, which must be certified by the official authorities. If the Taxpayer does not comply with calculating and remitting the Zakat accordingly, such investments shall not be deducted from the Zakat base." Whereas Paragraph (3) of Article (20) of the same Regulations stipulates that: "The burden of proving the accuracy of the items included in the Taxpayer's Zakat Declaration and any other data falls on the Taxpayer. If the Taxpayer is unable to prove the accuracy of what is included in its return, the Authority may disallow the item whose accuracy the Taxpayer fails to prove, or it may issue a presumptive assessment based on the Authority's perspective in light of the circumstances and facts related to the case and the information available to it." Furthermore, Paragraph (4/a) of Article (4) of the same Regulations stipulates that: "Investments in entities within the Kingdom – jointly with others – if such investments are subject to Zakat under these Regulations; however, if the investment in such entities is not subject to collection, it shall not be deducted from the base." Based on the foregoing, the Taxpayer is entitled to deduct foreign investments from its Zakat base, provided that it complies with the conditions set forth therein, which require submitting audited financial statements to the Authority from a certified public accountant in the country of investment. This is for the purpose of calculating the Zakat due on these investments and remitting it to the Authority, or providing proof of Zakat payment thereon in the country of investment, so that these investments can then be deducted from the investing company's base to avoid the double imposition of Zakat. If the Taxpayer fails to provide the aforementioned documentation, such investments shall not be deducted from its Zakat base. Whereas the dispute over this item is a documentary dispute, and upon the Circuit's review of the submitted lawsuit documents, it was established that the Taxpayer provided the annual report for Company, which contains the signed and certified financial statements from which Zakat can be calculated; accordingly, the Taxpayer's appeal regarding this company must be accepted. As for Company, and upon reviewing the attachments, it is evident that the Taxpayer submitted a draft of the financial statements. Since the Regulations explicitly stipulate that the financial statements must be certified, the Taxpayer's appeal regarding this company must be rejected. Regarding the remaining companies, it is evident that the Taxpayer did not provide the financial statements of the investee company outside the Kingdom from a certified public accountant, nor did it provide proof of Zakat payment on that investment. Consequently, the Circuit concludes to partially accept the Taxpayer's appeal and amend the decision of the Resolution Circuit regarding the item of investments in foreign companies.

Whereas with respect to the remaining items subject of the lawsuit, and whereas The Circuit is not precluded from adopting the reasons of the appealed decision without adding to it whenever it deems that those reasons suffice without citing any new ones, because by endorsing it with what those reasons carried, it is confirmed that it found nothing in the challenges directed at the decision that deserves a response beyond what those reasons included. And since it is established that the appealed decision regarding the dispute concerning the appealed items was consistent with the sound reasons upon which it was based and which are sufficient to



carry its ruling, as the issuing Circuit undertook the examination of the merits of the dispute therein and concluded regarding it to the result reached in its operative part. And whereas this Circuit has not noticed anything requiring correction or comment regarding it in light of the defenses raised before it. This leads the Circuit to conclude the Rejection of the Taxpayer's appeal and affirming the appealed Resolution Circuit's decision regarding the result it reached in the remaining items subject of the lawsuit, based on its reasons.

Based on the foregoing, and adopting the aforementioned grounds, the Circuit unanimously rendered the following decision:

Decision

First: Acceptance of the appeal procedurally, filed by the Taxpayer / Company, Commercial Registration No. (.....), Taxpayer Identification Number (.....), against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Dammam City, No. (IZD-2024-222603), issued in Case No. (Z-222603-2023) relating to the Zakat assessment for the year 2017 AD.

Second: On the Merits:

1. To reject the Taxpayer's appeal and uphold the decision of the Resolution Circuit regarding the item of (Current Liabilities).
2. Regarding the Taxpayer's appeal against the item of (Investments in Local and Foreign Companies in the amount of SAR 31,535,387):
 - a. To reject the Taxpayer's appeal and uphold the decision of the Resolution Circuit regarding the item of (Investments in Local Companies in the amount of SAR 2,890,355).
 - b. To partially accept the Taxpayer's appeal and amend the decision of the Resolution Circuit regarding the item of (Investments in Foreign Companies: Company, Bahrain, in the amount of SAR 291,000; Company, Bahrain, in the amount of SAR 12,267,660;, Bahrain, in the amount of SAR 14,175,413; Fund, United Arab Emirates, in the amount of SAR 321,051; and Company, Bahrain, in the amount of SAR 1,589,908).
3. To reject the Taxpayer's appeal and uphold the decision of the Resolution Circuit regarding the item of (Investments in Subsidiaries).
4. To reject the Taxpayer's appeal and uphold the decision of the Resolution Circuit regarding the item of (Projects Under Development – Villa, in the amount of SAR 19,597,246).



Appeal Committee for Tax Violations and Disputes First Appeal Circuit for Income Tax Violations and Disputes in Riyadh City

Decision No. IR-2025-239557

Case No. Z-2024-239557

Keywords:

Zakat – Deductions from the Zakat Base – Investments – Real estate investments – Acceptance of the Authority's appeal.

Summary:

The Taxpayer filed an appeal regarding several items, while the Authority filed an appeal concerning the item of "Real Estate Investments for the year 2017 AD". The Authority maintained that the adjudication decision overlooked its supplementary memorandum and its amendment to the calculation. The Authority had decided to accept the deduction of the investment conditional upon the payment of the Zakat share due from the fund, amounting to SAR 167,547; however, the Taxpayer rejected this conditional acceptance. Upon the Circuit's review, a variance of SAR 209,780,634 was identified, which the Authority disallowed on the grounds that it constitutes an investment in debt instruments. Furthermore, the Taxpayer failed to establish that Zakat had been paid or settled on this amount, despite the investment being proven via a portfolio in accordance with the financial statements. Consequently, the Circuit concluded to accept the Authority's appeal, reverse the adjudication decision regarding this investment, reject the Taxpayer's appeal regarding the remaining items, and uphold the adjudication decision thereon.

Document

- Paragraph (4/b) of Clause (Second) of Article (4) of the Implementing Regulations for Zakat Collection, issued by Ministerial Resolution No. (2082) dated 01/06/1438 AH.

Facts :

This case was scheduled for review to consider the appeal filed on 11/07/2024 AD by /, holding National ID No. (.....), in his capacity as the legal representative of the Appellant Company by virtue of its Articles of Association; and the appeal filed by the Zakat, Tax and Customs Authority on 14/07/2024 AD, against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Dammam City, No. (IZD-2024-225444), issued in Case No. (Z-225444-2023) relating to the Zakat assessment for the year 2017 AD, in the lawsuit initiated by the Taxpayer against the Zakat, Tax and Customs Authority, wherein the Resolution Circuit ruled as follows:



- 1- Rejection of the Claimant's objection regarding the item of adding current liabilities.
- 2- Rejection of the Claimant's objection regarding the item of short-term loans.
- 3- With respect to the item of real estate investments:
 - A- Rejection of the Claimant's objection regarding the investment in
 - B- Rejection of the Claimant's objection regarding the investment in
 - C- Annulment of the Defendant's decision regarding the investments in
 - D- Recording the conclusion of the dispute regarding the investment in

Whereas this decision did not meet the acceptance of the Taxpayer, the Taxpayer submitted an appeal brief, which was reviewed by the Circuit, requesting the acceptance of its appeal and the reversal of the Resolution Circuit's decision regarding the appealed items for the grounds set forth therein.

Similarly, the decision did not meet the acceptance of the Zakat, Tax and Customs Authority, which submitted an appeal against the contested decision by virtue of an appeal brief reviewed by the Circuit, the summary of which is as follows:

Regarding the Authority's appeal against the decision of the Resolution Circuit, its appeal centers on the item of "Real Estate Investments for the year 2017 AD: a- Investment in (.....)." The Authority contends that the Resolution Circuit's reasoning in its decision was incorrect, as the Authority had submitted its supplementary memorandum No. (2) to the circuit prior to the issuance of the decision. In that memorandum, the Authority clarified the portion that had been calculated erroneously and expressed its conditional acceptance to deduct the investment after recalculation. However, the Resolution Circuit failed to consider the Authority's Response Memorandum. Furthermore, the investment in the portfolio was not deducted because it is legally impermissible to deduct it from the Zakat base, as this portfolio was not subjected to Zakat and the Taxpayer did not submit a Zakat calculation for it. Additionally, a portion of it represents an investment in debt instruments according to the financial statement disclosures (as detailed below). The Authority bases its position on Article (4/Second/4/b & c) of the Implementing Regulations for Zakat Collection. Accordingly, the Authority requests the acceptance of its appeal and the reversal of the Resolution Circuit's decision regarding the appealed item for the grounds stated above.

On Wednesday, 05/02/2025 AD, the First Appeal Circuit for Income Tax Violations and Disputes convened its session at 08:00 AM, in the presence of its members whose names are recorded in the minutes. The session was conducted via visual communication in accordance with the procedures for remote litigation, pursuant to Clause (1) of Article (15) of the Rules of Operation for Zakat, Tax, and Customs Committees, issued by Royal Order No. (25711) dated 08/04/1445 AH. Following a review of the appeal request, the submitted memoranda, and the papers and documents contained within the case file, and after due deliberation, and



whereas the case is ripe for judgment in its current state, the Circuit decided to close the pleadings and reserve the case for adjudication..

Grounds

Whereas, Upon reviewing the case documents and the appeal briefs submitted by both the Taxpayer and the Zakat, Tax and Customs Authority, it has been established to the Circuit that the procedural requirements for reviewing the appeals have been satisfied in accordance with the conditions stipulated in the relevant laws, regulations, and decisions. Accordingly, both appeal requests are procedurally admissible, having been submitted by capacity-holding parties within the prescribed statutory period.

On the merits, and regarding the Authority's appeal concerning the item of "Real Estate Investments for the year 2017 AD: a- Investment in (.....)": Whereas Article (4), Clause (Second), Paragraph (4/a) of the Implementing Regulations for Zakat Collection, issued by Ministerial Resolution No. (2082) dated 01/06/1438 AH, stipulates that: "The following shall be deducted from the Zakat be: 4- (a): Investments in entities within the Kingdom – jointly with others – if such investments are subject to Zakat under this Regulation; however, if the investment in such entities is not subject to collection, it shall not be deducted from the base." Furthermore, pursuant to Paragraph (3) of Article (20) of the same Regulations: "The burden of proving the accuracy of the items included in the Taxpayer's Zakat Declaration and any other data falls on the Taxpayer. If the Taxpayer is unable to prove the accuracy of what is included in its return, the Authority may disallow the item whose accuracy the Taxpayer fails to prove, or it may issue a presumptive assessment based on the Authority's perspective in light of the circumstances and facts related to the case and the information available to it." Based on the foregoing, two essential conditions must be met for investments to be considered capital assets (assets held for personal use) and thus eligible for deduction from the Zakat base: A documented intent from the authorized signatory clarifying the purpose of the investment. And The absence of any sale transactions executed on those investments during the year. By referencing the case file and the documents contained therein, it appears that the Authority stated during the adjudication phase that it found the calculation submitted by the Taxpayer to be incorrect. Consequently, the Authority correctly recalculated the Zakat and stated that it would accept the deduction of the investment on the condition that the Taxpayer pays its due share of Zakat for the fund, amounting to SAR 167,547. It also appears that the Taxpayer, in its responsive memorandum submitted during the adjudication phase in reply to the Authority, refused to accept the Authority's conditional acceptance regarding the payment of the Zakat due on the fund. Upon reviewing the calculations submitted by both the Authority and the Taxpayer, it is evident that the variance amounts to SAR 209,780,634. The Authority disallowed the deduction of this amount on the grounds that it represents an investment in debt instruments and was not subjected to Zakat. A review of the financial statements of the investee company confirms the accuracy of the Authority's position, as it is established that the Taxpayer invested in a portfolio and failed to prove that Zakat had been paid thereon. Accordingly, and since the Taxpayer did not accept the Authority's



condition to pay the Zakat due on the fund, the Circuit concludes to accept the Authority's appeal and reverse the decision of the Resolution Circuit regarding the (Investment in).

And whereas, with respect to the Taxpayer's appeal regarding the remaining items subject matter of the case; and whereas The Circuit is not precluded from adopting the reasons of the appealed decision without adding to it whenever it deems that those reasons suffice without citing any new ones, because by endorsing it with what those reasons carried, it is confirmed that it found nothing in the challenges directed at the decision that deserves a response beyond what those reasons included. And since it is established that the appealed decision regarding the dispute concerning the appealed items was consistent with the sound reasons upon which it was based and which are sufficient to carry its ruling, as the issuing Circuit undertook the examination of the merits of the dispute therein and concluded regarding it to the result reached in its operative part. And whereas this Circuit has not noticed anything requiring correction or comment regarding it in light of the defenses raised before it. This leads the Circuit to conclude the Rejection of the Taxpayer's appeal and affirming the appealed Resolution Circuit's decision regarding the result it reached in the remaining items subject of the lawsuit, based on its reasons.

Based on the foregoing, and adopting the aforementioned grounds, the Circuit unanimously rendered the following decision:

Decision

First: Acceptance of the appeal procedurally, filed by the Taxpayer / Company, Commercial Registration No. (.....), Taxpayer Identification Number (.....), and the appeal filed by the Zakat, Tax and Customs Authority, against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Dammam City, No. (IZD-2024-225444), issued in Case No. (Z-225444-2023) relating to the Zakat assessment for the year 2017 AD.

Second: On the Merits:

- 1- Rejection of the Taxpayer's appeal and affirming the decision of the Resolution Circuit regarding the item of "Addition of Current Liabilities".
- 2- Rejection of the Taxpayer's appeal and affirming the decision of the Resolution Circuit regarding the item of "Short-Term Loans for the year 2017 AD".
- 3- With respect to the appeals of both parties regarding the item of "Real Estate Investments for the year 2017 AD":
 - a. Acceptance of the Authority's appeal and annulment of the decision of the Resolution Circuit regarding the (Investment in (.....)).



- b. Rejection of the Taxpayer's appeal and affirming the decision of the Resolution Circuit regarding the (Investment in (.....)) and the (Investment in).



Appeal Committee for Tax Violations and Disputes First Appeal Circuit for Income Tax Violations and Disputes in Riyadh City

Decision No IR-2025-241472

Case No Z-2024-241472

Keywords:

Zakat – Deductions from the Zakat Base – Investments – Investments in Available-for-Sale Securities – Acceptance of the Taxpayer's Appeal.

Summary:

The Taxpayer filed its appeal regarding the items of accrued expenses, accounts payable, service suppliers, related party balances, loans, and investments, contending that subjecting the outstanding balances to Zakat violates their nature as expenses charged under the accrual basis rather than being sources of financing. Conversely, the Authority adhered to the burden of proof and pleaded the insufficiency of the documentation submitted by the Taxpayer to prove the nature of certain transaction movements, particularly regarding internal investments and the loan variance subject of the dispute. The Circuit concluded to reject the Taxpayer's appeal and uphold the decision of the Resolution Circuit regarding accrued expenses, accounts payable, service suppliers, related parties, and most of the loans. However, it accepted the Taxpayer's appeal regarding the social insurance expense due to the proven reconciliation with third-party documents, and partially accepted the Authority's appeal regarding internal investments, thereby annulling the decision of the Resolution Circuit regarding a portion of the loans subject of the variance.

Document

- Paragraph (4), Clause (Second), Article (4) of the Implementing Regulations for Zakat Collection, issued by Ministerial Resolution No. (2082) dated 01/06/1438 AH.

Facts:

Appellant's ("Taxpayer's") Defenses

This case was scheduled for the review of the appeal filed on 02/09/2024 AD by /, National ID No. (.....), in his capacity as the owner of the Appellant establishment, and the appeal filed on 04/09/2024 AD by the Zakat, Tax and Customs Authority, against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Dammam City, No. (IZD-2024-234978), issued in Case No. (Z-234978-2024)



relating to the Zakat assessment for the year 2017 AD, in the lawsuit filed by the Appellant against the Zakat, Tax and Customs Authority, wherein the operative part of the Resolution Circuit's decision ruled as follows:

- 1- With respect to the item of non-deduction of investments in available-for-sale securities:
 - A- Annulment of the Defendant's decision regarding internal investments.
 - B- Rejection of the Plaintiff's objection regarding foreign investments.
- 2- Rejection of the Plaintiff's objection regarding the item of accrued expenses payable.
- 3- Rejection of the Plaintiff's objection regarding the item of trade accounts payable.
- 4- Rejection of the Plaintiff's objection regarding the item of service suppliers.
- 5- Rejection of the Plaintiff's objection regarding the item of related party balances.
- 6- Rejection of the Plaintiff's objection regarding the item of amending book profit by the social insurance expense.
- 7- With respect to the item of subjecting short-term loans and their equivalents to Zakat:
 - A- Rejection of the Plaintiff's objection regarding subjecting short-term loans and their equivalents (revolving loans) to Zakat.
 - B- Annulment of the Defendant's decision regarding subjecting short-term loans and their equivalents (the added variance) to Zakat.

Whereas this decision did not meet the acceptance of the Taxpayer, the Taxpayer filed an appeal brief, which has been reviewed by the Circuit, summarizing as follows:

Regarding the Taxpayer's appeal against the decision of the Resolution Circuit, With respect to the item of "Accrued Expenses," the Taxpayer's appeal is based on the grounds that Article (4) of the Implementing Regulations for Zakat Collection issued in 1438 AH does not apply to these expenses. Furthermore, the item of accrued expenses was not listed among the items subject to Zakat. The Taxpayer contends that the Authority's action in subjecting the unpaid balances to Zakat is deemed tantamount to a rejection of the costs charged through these items under the accrual basis of accounting, which governs the issuance of financial statements. Given that the Authority had previously approved those costs in full during those years, the Taxpayer demands the annulment of the Authority's procedure on the basis that these expenses do not constitute a source of financing. With respect to the item of "Trade Accounts Payable," the Taxpayer requests the annulment of the Circuit's decision regarding this item on the basis that Article (4) of the Implementing Regulations for Zakat Collection issued in 1438 AH does not apply to these expenses. The Taxpayer contends that the Authority's action in subjecting the unpaid balances to Zakat is deemed tantamount to a rejection of the costs charged through these items under the accrual basis of accounting, which governs the issuance of financial statements. Given that the Authority had previously approved those costs in full during those years, the Taxpayer requests



the annulment of the Authority's procedure on the basis that these expenses do not constitute a source of financing. With respect to the item of "Service Providers [Suppliers]," the Taxpayer requests the annulment of the Circuit's decision regarding this item on the basis that Article (4) of the Implementing Regulations for Zakat Collection issued in 1438 AH does not apply to these expenses. The Taxpayer contends that the Authority's action in subjecting the unpaid balances to Zakat is deemed tantamount to a rejection of the costs charged through these items under the accrual basis of accounting, which governs the issuance of financial statements. Given that the Authority had previously approved those costs in full during those years, the Taxpayer requests the annulment of the Authority's procedure on the basis that these expenses do not constitute a source of financing. With respect to the item of "Due from/to Related Parties Balance," the Taxpayer requests the annulment of the Circuit's decision regarding this item on the basis that Article (4) of the Implementing Regulations for Zakat Collection issued in 1438 AH does not apply to these expenses. The Taxpayer contends that the Authority's action in subjecting the unpaid balances to Zakat is deemed tantamount to a rejection of the costs charged through these items under the accrual basis of accounting, which governs the issuance of financial statements. Given that the Authority had previously approved those costs in full during those years, the Taxpayer requests the annulment of the Authority's procedure on the basis that these expenses do not constitute a source of financing. With respect to the item of "Adjustment of Accounting Profit by Social Insurance Expense," the Taxpayer requests the annulment of the Circuit's decision regarding this item on the basis that it had previously submitted the detailed payroll files proving the actual cost of the item, as well as the account statements extracted from the accounting software. The Taxpayer points out that the criterion for approving the salaries item is the employee's actual receipt of their salary to the exclusion of all else, and that such salary must have been determined through the concluded contract, regardless of the basic salary and housing allowance received by the employee. With respect to the item of "Non-Deduction of Investments in Available-for-Sale Securities," the Taxpayer requests the annulment of the Circuit's decision regarding this item on the basis that these investments represent long-term investments and are not held for trading or speculation purposes; consequently, they constitute investments that must be deducted from the Zakat base in accordance with Zakat regulations. The Taxpayer states that long-term investments are akin to production tools as they are primarily used to generate revenue, and must therefore be treated as assets held for personal use [non-Zakat-able assets] that are not subject to Zakat. With respect to the item of "Subjecting Short-Term Loans and Their Equivalents to Zakat," the Taxpayer requests the annulment of the Circuit's decision regarding this item on the basis that it obtained these loans to finance working capital and the operating cycle in order to bridge the financing gap resulting from the time lag between the manufacturing and sales processes. This is particularly crucial since the Taxpayer's activity consists of producing and selling cartons, which requires it to maintain constant levels of inventory to meet its market needs; thus, it obtains these loans for operational purposes. The Taxpayer stated that it became apparent to it that the Zakat treatment applied by the Authority to the loans item violates the substance of Paragraph (5) of Clause (First) of Article (4) of the Implementing Regulations for Zakat Collection.



Whereas this decision did not meet the acceptance of the Authority, the Authority filed an appeal brief, which has been reviewed by the Circuit, summarizing as follows:

Regarding Non-Deduction of Investments in Available-for-Sale Securities Item. The Circuit that issued the contested decision under appeal annulled the Authority's decision due to the classification of the item under non-current assets in the financial statements, in addition to the absence of trading activity on those investments. Accordingly, the Authority reviewed the statement of investment movements submitted with the statement of claim, which consists of investments in available-for-sale securities, classified as follows: investment fund, listed shares, and unlisted shares. Whereas the General Secretariat accepted internal investments and rejected all others, the Authority clarifies that it reviewed the statement of internal investment movements, and it was revealed that the closing balance amounted to SAR 1,540,671, whereas under listed shares in the financial statements it amounted to SAR 327,344. Consequently, a discrepancy is apparent against the value of the item as shown in Note No. (8) of the financial statements. In response to the Taxpayer's statement that the movement appearing in the financial statements resulted from investment profits and losses and the outcome of the revaluation at fair value, the Authority clarifies that it had previously discussed this with the Taxpayer during the objection phase by requesting documents to verify the Taxpayer's statement, and requesting a detailed statement of movements for the investments, a clarification of their nature, and the attachment of all daily journal entries and documents relating to investment losses, profits, revaluations, and the investment portfolio from Tadawul. However, the Taxpayer failed to submit what was requested of it during either the objection phase or the adjudication phase. Accordingly, as long as the dispute with the Taxpayer is documentary, and the Taxpayer has failed to submit an analytical statement of the internal investment portfolio matching the financial statements to verify the existence of any sale or disposal, the decision of the Resolution Circuit is rendered incorrect and must be annulled. Regarding Subjecting Short-Term Loans and Their Equivalents to Zakat Item. The Circuit that issued the contested decision under appeal annulled that item on the grounds that the added long-term loans exceeded what had completed one Zakat year (Al-Hawl). Accordingly, the Authority reviewed the loan movement statement and the submissions made by the Taxpayer, and it was revealed that the resulting variance is SAR 940,512. Therefore, what the Authority added consists of loans over which one Zakat year (Al-Hawl) had passed (long-term loans) and the Industrial Development Fund [SIDF] in the amount of SAR 121,568,105.36. The amount added from long-term loans over which one Zakat year (Al-Hawl) had passed totaled SAR 103,691,105.36. With respect to the amount added from the Saudi Industrial Development Fund loan, which is what had completed one Zakat year (Al-Hawl), it matches the Taxpayer's addition in its Zakat Declaration and conforms to the financial statements pursuant to Note No. (15) of the 2017 AD financial statements in the amount of SAR 17,877,000. Accordingly, it is evident that the variance amounting to SAR 940,512 was not within the long-term loans as stated in the Resolution Circuit's decision; rather, it is the variance resulting from (long-term loans and the Industrial Development Fund) and what the Taxpayer added in its return. The action taken by the Authority was based on Article (4), Paragraph



(5/a, b) and Paragraph (13) of the Implementing Regulations for Zakat Collection issued in 1438 AH. Therefore, the incorrectness of the adjudication decision is evident, which necessitates its annulment.

On Wednesday, corresponding to March 19, 2025 AD, the First Appeal Circuit for Income Tax Violations and Disputes convened via videoconference, in accordance with the procedures governing remote litigation. This convention was based on the provisions of Clause No. (1) of Article (15) of the Rules of Operation for Zakat, Tax, and Customs Committees, issued by Royal Order No. (25711) dated 08/04/1445 AH. Upon reviewing the appeal, examining the contents of the case file, and conducting Legal deliberations; and whereas the Circuit found no matter necessitating the presence of the parties to the appeal, the Circuit decided to close the pleadings and reserve the case for adjudication.

Grounds



Whereas, upon reviewing the case documents and the appeal briefs submitted by both the Taxpayer and the Zakat, Tax and Customs Authority, it has been established to the Circuit that the conditions for reviewing the appeal procedurally have been satisfied in accordance with the conditions stipulated in the relevant laws, regulations, and decisions. Accordingly, both appeals are procedurally admissible, having been submitted by capacity-holding parties within the prescribed statutory period.

On the merits, and regarding the Taxpayer's appeal concerning the item of "Adjustment to Book Profit for Social Insurance Expenses for the Year 2017 AD," the Taxpayer requests the annulment of the Circuit's decision regarding this item. This request is on the grounds that the Taxpayer previously submitted the detailed payroll sheets that prove the actual cost of the item, as well as the account statements from the accounting software. The Taxpayer points out that the standard for approving the payroll item is that the employee actually received his salary and nothing else, and that such salary was determined through the concluded contract, regardless of the basic salary and housing allowance received by the employee. Whereas Paragraph (2) of Article (6) of the Implementing Regulations for Zakat Collection, issued by Ministerial Resolution No. (2082) dated 01/06/1438 AH, concerning non-deductible expenses, stipulates that: "Expenses that the Taxpayer cannot prove to have been incurred by virtue of supporting documents or other presumptive evidence." Furthermore, Paragraph (3) of Article (20) thereof stipulates that: "The burden of proving the accuracy of the items included in the Taxpayer's Zakat declaration and any other data falls on the Taxpayer. In the event that the Taxpayer is unable to prove the accuracy of what is included in its declaration, the Authority may disallow the item whose accuracy is not proven by the Taxpayer, or it may perform a presumptive assessment according to the Authority's perspective in light of the circumstances and facts related to the case and the information available to it." Based on the foregoing, the certificate issued by the General Organization for Social Insurance (GOSI) is considered a key piece of presumptive evidence issued by a neutral third party, which is utilized to verify the fairness of salaries, wages, and the like charged to the accounts, unless the Taxpayer proves otherwise. Whereas the dispute between the two parties is a documentary dispute that lies within the overcharged social insurance



expenses; and upon reviewing the documents attached to the lawsuit file, it is revealed that the Taxpayer submitted the wage statement registered with social insurance, the payroll summary for all affiliated entities during the period of dispute, and the payroll details, in addition to the GOSI Certificate for each entity issued by the General Organization for Social Insurance. Upon examining the submitted documents, it was found that the wages subject to social insurance in the statement match those stated in the GOSI Certificate, and the amounts paid match the certificate. The Taxpayer also submitted a statement of the amounts paid to social insurance for each entity separately and in total, with the total amounting to SAR 1,857,409, which is the amount reported in the Taxpayer's Zakat declaration. Consequently, the Circuit concludes to accept the Taxpayer's appeal and annul the decision of the Resolution Circuit regarding the item of "Adjustment to Book Profit for Social Insurance Expenses for the Year 2017 AD."

Whereas, regarding the Authority's appeal concerning the item of "Adjustment to Book Profit for Social Insurance Expenses in the Amount of SAR 362,454 for the Year 2017 AD – Domestic Investments," the Authority pleaded that as long as the dispute with the Taxpayer is a documentary one, and the Taxpayer did not submit an analytical statement of the domestic investment portfolio that matches the financial statements to verify whether a sale or disposal took place, the decision of the Resolution Circuit is incorrect and must be annulled. Whereas Paragraph (4) of Clause (Second) of Article (4) of the Implementing Regulations for Zakat Collection, issued by Ministerial Resolution No. (2082) dated 01/06/1438 AH, stipulates that: "The following shall be deducted from the Zakat base: 4-(a): Investments in entities within the Kingdom – jointly with others – if such investments are subject to Zakat under these Regulations. If the investment in such entities is not subject to collection, it shall not be deducted from the base. (b): Investments in entities outside the Kingdom – jointly with others – provided that the Taxpayer calculates within its Zakat declaration the Zakat due on such investments in accordance with the rules stipulated in these Regulations and remits it to the Authority, while attaching audited accounts by a certified public accountant in the country of investment, which are certified by official authorities. If the Taxpayer does not comply with calculating and remitting Zakat accordingly, they shall not be deducted from the Zakat base." Furthermore, Paragraph (3) of Article (20) thereof stipulates that: "The burden of proving the accuracy of the items included in the Taxpayer's Zakat declaration and any other data falls on the Taxpayer. In the event that the Taxpayer is unable to prove the accuracy of what is included in its declaration, the Authority may disallow the item whose accuracy is not proven by the Taxpayer, or it may perform a presumptive assessment according to the Authority's perspective in light of the circumstances and facts related to the case and the information available to it." Based on the foregoing, and whereas the bulk of the Authority's defenses center around the mismatch between the submitted movement statement and the financial statements regarding the year-end balance, and whereas the Authority points out that the Taxpayer argues that the movement during the year relates to investment profits and losses and revaluation results but did not submit the portfolio from Tadawul for verification; therefore, upon reviewing the lawsuit file and its contents, and regarding the Authority's argument concerning the mismatch of balances—where it pointed out



that the year-end balance according to the submitted statement was SAR 1,540,671 while in the financial statements for listed shares it amounted to SAR 327,344—and by tracking the submitted movement and comparing it with the financial statements, it was revealed that the variance between the movement and the financial statements is due to the fact that the submitted movement was limited to domestic investments, whereas the financial statements included both domestic and foreign investments together. Regarding the existence of movement on these domestic investments, and upon reviewing the submitted movement, it was found that a movement occurred on certain shares, and the Taxpayer failed to submit the supporting documents representing the portfolio movement from the Tadawul website to prove that the movement was a revaluation as claimed. Consequently, the Circuit concludes to partially accept the Authority's appeal with respect to the shares that experienced movement during the year, reject its appeal regarding the shares that did not experience any sale transactions during the period of dispute, and amend the decision of the Resolution Circuit regarding the "Domestic Investments" item.

Whereas, regarding the Authority's appeal concerning the item of "Subjecting Short-Term Loans and the Like in the Amount of SAR 940,512 for the Year 2017 AD," the Authority pleaded that the variance amounting to SAR 940,512 was not part of long-term loans as stated in the decision of the Resolution Circuit, but rather resulted from (long-term loans and the Industrial Development Fund) and what the Taxpayer added in its declaration, which the Authority performed based on Article 4, Paragraph (5/a, b) and Paragraph (13) of the Implementing Regulations for Zakat Collection issued in the year 1438 AH; thus, it is clear that the adjudication decision is incorrect, necessitating its annulment. Whereas Paragraph (5) of Clause (First) of Article (4) of the Implementing Regulations for Zakat Collection, issued by Ministerial Resolution No. (2082) dated 01/06/1438 AH, stipulates that: "The Zakat base consists of all the Taxpayer's funds subject to Zakat, including: 5- Government and commercial loans and their equivalents from other sources of financing, such as creditors, notes payable, and Bank Overdrafts, for which the Taxpayer is liable, in accordance with the following: a- The remaining cash amount over which one Zakat year (Al-Hawl) has passed. b- Amounts used to finance assets held for personal use. c- Amounts used in trade goods over which one Zakat year (Al-Hawl) has passed." Furthermore, Paragraph (3) of Article (20) thereof stipulates that: "The burden of proving the accuracy of the items included in the Taxpayer's Zakat declaration and any other data falls on the Taxpayer. In the event that the Taxpayer is unable to prove the accuracy of what is included in its declaration, the Authority may disallow the item whose accuracy is not proven by the Taxpayer, or it may perform a presumptive assessment according to the Authority's perspective in light of the circumstances and facts related to the case and the information available to it." Based on the foregoing, it appears that the Authority indicated that the Taxpayer added the long-term loans in full at the lower balance according to the financial statements, for a total of SAR 120,627,593. Meanwhile, the Authority indicated that it recalculated the long-term loans and found that the amount over which one Zakat year (Al-Hawl) had passed was SAR 103,691,105, in addition to the Industrial Fund loan, which financed a deducted asset in the amount of SAR 17,877,000. Accordingly, it is clear that the



variance amounting to SAR 940,512 resulted from the Authority's calculation alongside what the Taxpayer added in its declaration, and that the variance arose after the Authority calculated the long-term loans and added them to the extent of the period over which one Zakat year (Al-Hawl) had passed, and not as added by the Taxpayer at the full balance, whichever is lower according to the financial statements. Consequently, the Circuit concludes to accept the Authority's appeal regarding the item of "Subjecting Short-Term Loans for the Year 2017 AD" and annul the decision of the Resolution Circuit concerning the "amount of SAR 940,512."

And whereas, regarding the Taxpayer's appeal against the remaining items subject of the case, and whereas The Circuit is not precluded from adopting the reasons of the appealed decision without adding to it whenever it deems that those reasons suffice without citing any new ones, because by endorsing it with what those reasons carried, it is confirmed that it found nothing in the challenges directed at the decision that deserves a response beyond what those reasons included. And since it is established that the appealed decision regarding the dispute concerning the appealed items was consistent with the sound reasons upon which it was based and which are sufficient to carry its ruling, as the issuing Circuit undertook the examination of the merits of the dispute therein and concluded regarding it to the result reached in its operative part. And whereas this Circuit has not noticed anything requiring correction or comment regarding it in light of the defenses raised before it. This leads the Circuit to conclude the Rejection of the Taxpayer's appeal and affirming the appealed Resolution Circuit's decision regarding the result it reached in the remaining items subject of the lawsuit, based on its reasons.

Based on the foregoing, and adopting the aforementioned grounds, the Circuit unanimously rendered the following decision:

Decision

First: Acceptance of the appeal procedurally, filed by the Taxpayer / Establishment, Commercial Registration No. (.....), Taxpayer Identification Number (.....), and the appeal filed by the Zakat, Tax and Customs Authority (ZATCA), against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Dammam City, No. (IZD-2024-234978), issued in Case No. (Z-234978-2024) relating to the Zakat assessment for the year 2017 AD.

Second: On the Merits:

- 1- Rejection of the Taxpayer's appeal and affirming the decision of the Resolution Circuit regarding the item of "Accrued Expenses for the year 2017 AD".
- 2- Rejection of the Taxpayer's appeal and affirming the decision of the Resolution Circuit regarding the item of "Trade Creditors for the year 2017 AD".
- 3- Rejection of the Taxpayer's appeal and affirming the decision of the Resolution Circuit regarding the item of "Service Suppliers for the year 2017 AD".



- 4- Rejection of the Taxpayer's appeal and affirming the decision of the Resolution Circuit regarding the item of "Related Parties Balance for the year 2017 AD".
- 5- Acceptance of the Taxpayer's appeal and annulment of the decision of the Resolution Circuit regarding the item of "Adjustment of Book Profit by Social Insurance Expenses for the year 2017 AD".
- 6- Regarding the appeal of both parties on the item of "Adjustment of Book Profit by Social Insurance Expenses in the amount of SAR 362,454 for the year 2017 AD":
 - A- A/ Rejection of the Taxpayer's appeal and affirming the decision of the Resolution Circuit regarding the item of "Foreign Investments".
 - B- B/ Partial acceptance of the Authority's appeal and amendment of the decision of the Resolution Circuit regarding the item of "Domestic Investments".
- 7- Regarding the appeal of both parties on the item of "Subjecting Short-Term Loans and the Like in the amount of SAR 17,265,105 to Zakat for the year 2017 AD":
 - A- Acceptance of the Authority's appeal and annulment of the decision of the Resolution Circuit regarding the amount of SAR 940,512.
 - B- Rejection of the Taxpayer's appeal and affirming the decision of the Resolution Circuit regarding the amount of SAR 16,324,593.



Appeal Committee for Tax Violations and Disputes First Appeal Circuit for Income Tax Violations and Disputes in Riyadh City

Decision No IR-2025-241494

Case No. Z-2024-241494

Keywords:

Zakat – Deductions from the Zakat Base – Loans – Long-Term Loans – Acceptance of the Taxpayer's Appeal.

Summary:

The Authority filed its appeal regarding the item of long-term loans, adhering to the addition of the lower balance according to the financial statements due to the insufficiency of the Taxpayer's documents and loan movement. The Taxpayer countered that it had provided the necessary supporting documents for its position and further requested the annulment of the assessment based on the Statute of Limitations. Upon examining the case file, it became evident to the Circuit that the Taxpayer submitted a detailed movement and supporting ledgers for a number of loans, and that the majority of the loans had not completed one Zakat year (Al-Hawl). Furthermore, it was established that certain loans were utilized to finance fixed assets, which are consequently added to the base without requiring the completion of one Zakat year (Al-Hawl). Accordingly, the Circuit concluded to reject the Authority's appeal regarding the addition of the entire long-term balance, and amended the amount to be added to SAR 1,429,243. The Circuit also rejected the Authority's appeal and upheld the Resolution Circuit's decision regarding the short-term loans item.

Document

- Paragraph (5), First Item, Article (4) of the Implementing Regulations for Zakat Collection, issued by Ministerial Resolution No. (2082) dated 01/06/1438 AH.

Facts:

This is for the purpose of reviewing the appeal submitted on 02/09/2024 AD by the Zakat, Tax and Customs Authority, against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Dammam City, No. (IZD-2024-4117), issued in Case No. (Z-4117-2019) relating to the Zakat assessment for the year 2011 AD, in the lawsuit filed by the Taxpayer against the Zakat, Tax and Customs Authority, wherein the operative part of the Resolution Circuit's decision ruled as follows:



"To obligate the Defendant, with respect to the loans item, to add an amount of SAR 4,420,922 to the Zakat base."

And whereas the Resolution Circuit issued its aforementioned decision and reviewed the case anew as a result of the decision of this Circuit No. (IR-2023-59103) issued on 24/07/2023 AD, which directed to remand the case to the Resolution Circuit to consider it on the merits regarding the long-term loans item; accordingly, the Circuit decided to complete the consideration of the case. And whereas the decision subject of the challenge did not meet the acceptance of the Zakat, Tax and Customs Authority, it filed an appeal brief, which this Circuit has reviewed, containing the following:

The Authority appeals the decision of the Resolution Circuit and demands the annulment of the Circuit's decision with respect to the item of (Long-Term Loans amounting to an amount of SAR (5,274,081)), as the Authority indicated that it added the balance of the item subject of the appeal after conducting a comparison between the beginning-of-the-period balance and the end-of-period balance in accordance with the financial statements and their disclosures, and adding the lower of the two balances on the basis that it has completed one Zakat year (Al-Hawl). This procedure was taken due to the Taxpayer's failure to submit the supporting documentation for the account transactions of the item under dispute. The Circuit that issued the decision subject of the appeal had ordered the Authority to add an amount of SAR (4,420,922) to the Zakat base, on the grounds that the Taxpayer submitted the documentation, which consisted of the agreement of Bank and Bank, alongside the bank statements. In response, the Authority states that this is incorrect and far from accurate. Upon reviewing what the Taxpayer submitted within its statement of claim—which consisted of copies of the banking agreements, including the agreement of Bank and Bank, and the bank statements—and upon reviewing and studying them, it was not clear to the Authority which portions thereof pertained to short-term loans and long-term loans. Furthermore, the Taxpayer did not submit a detailed transaction history extracted from the accounting system for the long-term loans in order to trace the loan movements and verify the settlements of the beginning-of-the-period balances during the year. Following the review of Note No. (9) in the financial statements under the item "Long-Term Loans", the Authority clarifies that it added the end-of-period balance from the lower long-term loans item amounting to SAR (5,274,081), whereas the decision of the Circuit subject of the appeal ruled to add the lower balance of the loan represented by the end-of-period balance after reducing it by the current portion, making the amount to be added SAR (4,420,922), without clarifying the justifications and grounds prompting this procedure, even though the current portion is a part of the principal of the loan and is merely deducted from long-term loans for disclosure purposes.

Additionally, the Circuit that issued the decision was unable to trace the movement of the long-term loan, as it did not clarify what amounts were related to the long-term loan and the short-term loan. The Circuit also confirmed in its underlying grounds that the Taxpayer did not submit the detailed transaction history extracted from the accounting system supporting the loan movement. Therefore, what must be subject [to Zakat] is the



entire loan balance after comparing it with the beginning-of-the-period or end-of-period balance, whichever is lower, to ensure it has completed one Zakat year (Al-Hawl). Based on the foregoing, the Authority affirms the correctness and validity of its procedure in subjecting the balance of the long-term loans amounting to SAR (5,274,081), which is the lower balance, for completing one Zakat year (Al-Hawl). With respect to the item of (Short-Term Loans), the Authority appeals the decision of the Resolution Circuit regarding this item, noting that it added the balance after conducting a comparison between the beginning-of-the-period balance and the end-of-period balance in accordance with the financial statements and their disclosures, and the lower of the two was added on the basis that it has completed one Zakat year (Al-Hawl). The Authority affirms that upon reviewing the submitted documentation—which consisted of an analytical statement of the short-term loans movement and letters of credit only—the Authority was unable to determine whether these loans financed a deducted asset or not, due to the failure to submit the agreements concluded between the lending banks and the company to ascertain their purpose. Given that the statement of the loans did not match the financial statements, failed to provide the transaction history clarifying whether these loans are revolving or not, and because the statement of cash flows did not reflect the addition of assets except for a minor amount constituting approximately (5%) of the amount of these loans as shown in the financial statements.

On Tuesday, dated: 22/07/2025 AD, the First Appeal Circuit for Income Tax Violations and Disputes held its session at exactly 10:30 AM in the presence of its members whose names are recorded in the minutes, via visual communication in accordance with the remote litigation procedures; based on what is stated in Clause No. (1) of Article (15) of the Rules of Operation for Zakat, Tax, and Customs Committees, issued by Royal Order No.: (25711) dated: 08/04/1445 AH. Upon calling upon the litigants, the representative of the Appellant / (National ID No.) attended, pursuant to an authorization issued by the Deputy Governor of the Zakat, Tax and Customs Authority for Legal Affairs under No. (.....) and date 19/03/1445 AH. Furthermore, /, National ID No. (.....), attended in his capacity as the representative of the Appellee pursuant to the Articles of Association. Upon asking the representative of the Appellee as to what he wished to add, he stated that he holds to what was previously submitted in this lawsuit, and added a request for the annulment of the assessment due to the statute of limitations. Upon presenting this to the representative of the Appellant, she responded by holding to what was previously submitted in this lawsuit. Upon asking both parties as to what they wished to add, they decided to suffice with what was previously submitted.

Grounds

Whereas, upon reviewing the case documents and the appeal brief submitted by the Authority, it was established to the Circuit that the procedural conditions for reviewing the appeal have been satisfied in accordance with the conditions stipulated in the relevant laws, regulations, and decisions; accordingly, the appeal request is procedurally admissible, having been submitted by a capacity-holding party within the statutory period prescribed for its execution.



On the merits, regarding the Authority's appeal concerning the item of (Long-Term Loans amounting to an amount of SAR (5,274,081)): Whereas Paragraph (First/5) of Article (Fourth) of the Implementing Regulations for Zakat Collection, issued by Ministerial Resolution No. (2082) dated 01/06/1438 AH, stipulates that: "The Zakat base consists of all the Taxpayer's funds subject to Zakat, including: 5- Government and commercial loans and their equivalents from other sources of financing, such as creditors, notes payable, and Bank Overdrafts, for which the Taxpayer is liable, in accordance with the following: a) The remaining cash amount for which one Zakat year (Al-Hawl) has passed. b) Amounts used to finance assets held for personal use. c) Amounts used in trade goods for which one Zakat year (Al-Hawl) has passed." Furthermore, Paragraph (3) of Article (Twentieth) thereof stipulates that: "The burden of proving the accuracy of the items included in the Taxpayer's Zakat Declaration and any other data falls on the Taxpayer. If the Taxpayer is unable to prove the accuracy of what is included in its return, the Authority may disallow the item whose accuracy the Taxpayer fails to prove, or it may conduct a presumptive assessment based on the Authority's perspective in light of the circumstances and facts related to the case and the information available to it." Based on the foregoing, loans constitute one of the components of the Zakat base regardless of their type, source, or classification, provided they have completed one Zakat year (Al-Hawl) or were used to finance assets deducted from the Zakat base without requiring the completion of one Zakat year (Al-Hawl). Whereas the decision of the Resolution Circuit subject of the appeal ruled to amend the Authority's procedure in accordance with the financial statements based on the beginning-of-the-period or end-of-period balance, whichever is lower; accordingly, the Authority appeals the adjudication decision and requests the addition of the end-of-period balance from the lower long-term loans item amounting to SAR (5,274,081), due to the Taxpayer's failure to submit the supporting documentation for the account transactions of the item under dispute. Upon the Circuit's review of the case file, it became evident to it that the Taxpayer submitted the detailed transaction history for the item and a bank statement for a number of (5) loans supporting the transaction history out of a total of (11) loans. It was further established to the Circuit that one Zakat year (Al-Hawl) had not been completed for the long-term loans, with the exception of the loan from Bank, which the Taxpayer conceded must be subjected to Zakat for financing fixed assets, as it became clear that the loan was obtained during the year but was used to purchase vehicles, which consequently requires its addition to the Zakat base. With respect to the loan from Bank for purchasing the machine, it became clear from the description of the loan that it was used to purchase machinery, which consequently requires its addition to the Zakat base for financing a fixed asset without requiring the completion of one Zakat year (Al-Hawl). Accordingly, the total amount to be added to the Zakat base stands at SAR (1,429,243).

Therefore, and whereas the Authority did not submit anything that contradicts the transaction history submitted by the Taxpayer in its responsive memorandum, the Circuit consequently concludes to reject the Authority's appeal wherein it requested the addition of the end-of-period balance from the lower long-term loans item amounting to SAR (5,274,081), and to amend the adjudication decision by adding SAR (1,429,243).



With respect to the Authority's appeal concerning the item of (Short-Term Loans): Whereas The Circuit is not precluded from adopting the grounds of the decision subject of the challenge without additions thereto whenever it assesses that those grounds suffice and render any new explanation unnecessary; because in affirming the decision based on the grounds it carried, it is confirmed that the Circuit found nothing in the challenges directed at the decision that merits a response beyond what those grounds already contained. This being the case, and since it is established that the decision subject of the appeal regarding the dispute over the items subject of the challenge was consistent with the sound grounds upon which it was built and which are sufficient to carry its ruling—as the issuing Circuit undertook the examination of the merits of the dispute therein and concluded to the result reached in its operative part—and whereas this Circuit has not noted anything requiring remediation or commentary in light of the defenses raised before it; consequently, this Circuit concludes to reject the Authority's appeal and uphold the decision of the Resolution Circuit subject of the appeal with respect to the item of (Short-Term Loans).

Based on the foregoing, and accompanied by the stated grounds, the Circuit unanimously rendered the following decision:

Decision

First: Acceptance of the appeal in terms of form as filed by the Zakat, Tax and Customs Authority against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Dammam City, No. (IZD-2024-4117), issued in Case No. (Z-4117-2019) relating to the Zakat assessment for the year 2011 AD.

Second: On the Merits:

1. Rejection of the Authority's appeal and amendment of the decision of the Resolution Circuit regarding the item of "Long-Term Loans amounting to SAR (5,274,081) for the year 2011 AD".
2. Rejection of the Authority's appeal and affirming of the decision of the Resolution Circuit regarding the item of "Short-Term Loans".



Appeal Committee for Tax Violations and Disputes
First Appeal Circuit for Income Tax Violations and Disputes
in Riyadh City

Decision No. IR-2025-244216

Case No. Z-2024-244216

Keywords:

Zakat – Deductions from the Zakat Base – Taxpayers – Related Parties – Acceptance of Taxpayer's Appeal.

Summary:

The Taxpayer and the Authority both appealed regarding the item of "Related Parties" for the year 2017 AD. The Taxpayer requested a offsetting between the credit balance added to the Zakat base amounting to SAR (94,474,717.91) and the group's debit balance of SAR (162,046,000). The Taxpayer argued that the subsidiaries are wholly owned and that the proper treatment permits adopting the net difference. Conversely, the Authority adhered to its refusal of the offsetting on the grounds that the regulations do not stipulate the deduction of debit related-party balances for entities other than partners, asserting that the description of a "partner" is strictly limited to a partner in the exact same enterprise subject to Zakat. The Circuit concluded that a offsetting is valid whenever it involves a single financial liability, without conditioning the formal status of a partner. However, it restricted the application of the offsetting by calculating it solely against the beginning-of-the-period balance, because the Taxpayer failed to clarify the nature of the debit transaction movements during the year. Accordingly, the Circuit partially accepted the Taxpayer's appeal by deducting an amount of SAR (34,593,000), which brought the added credit amount after the offsetting to SAR (59,881,717). It rejected the Authority's appeal and amended the decision of the Resolution Circuit regarding this item.

Document

- Paragraph (5) of Item (Second) of Article (4) of the Implementing Regulations for Zakat Collection, issued by Ministerial Resolution No. (2082) dated 01/06/1438 AH.

Facts:

This is to consider the appeal submitted on 21/10/2024 AD by /, holding National ID No. (.....), in his capacity as the Chairman of the Board of Directors of the Appellant Company, pursuant to the attached appointment resolution and in accordance with the powers prescribed in the Articles of Association. It also



considers the appeal filed by the Zakat, Tax and Customs Authority on 22/10/2024 AD against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Dammam City, No. (IZD-2024-238112), issued in Case No. (Z-238112-2024) relating to the Zakat assessment for the year 2017 AD, in the lawsuit filed by the Taxpayer against the Zakat, Tax and Customs Authority. The decision of the Resolution Circuit ruled as follows:

- 1- Rejection of the Plaintiff's objection regarding the item of adding short-term loans.
- 2- Rejection of the Plaintiff's objection regarding the item of adding bank overdrafts.
- 3- Rejection of the Plaintiff's objection regarding the item of adding accounts payable and accrued expenses.
- 4- Compelling the Defendant to amend its decision regarding the offsetting of the debit balance related to the related parties item to become SAR (89,064,717.91).

Whereas this decision did not meet the acceptance by either party, each filed an appeal brief, which summarized the following:

Regarding the Taxpayer's appeal against the decision of the Resolution Circuit, and specifically concerning the item of "Related Parties," its appeal is based on the grounds that the subsidiaries are 100% owned and possess separate financial liabilities. The Taxpayer argues that the decision of the Resolution Circuit violated the provisions of Paragraph (1) of Article (8) of the Regulations for Zakat Collection No. (2082), which mandates holding companies and their wholly owned subsidiaries (whether through direct or indirect ownership) to submit a consolidated Zakat Declaration, on the premise that such companies constitute a single financial liability. This is further demonstrated in Paragraph (4) of the same Article, which requires a holding company and its subsidiaries that are jointly owned with third parties to submit separate returns, given that each company possesses an independent legal personality and a separate financial liability. Consequently, the Taxpayer argues that 100% ownership of subsidiaries implies a single financial liability, rendering the basis relied upon by the Resolution Circuit in rejecting the offsetting of credit and debit balances between the subsidiaries and the holding company incorrect. The Taxpayer further states that the Circuit violated the provisions of Item (Second), Paragraph (a) of Article (4) of the Regulations, which requires that if a Taxpayer's declaration includes both a credit current account and a debit current account, the net difference between them must be adopted. The Taxpayer had supported the losses incurred by the company in its investments in Company and Company, resulting in a debit balance of SAR (162,046,000) pursuant to Note (9-b — Due from Related Parties) of the financial statements for the fiscal year ending December 31, 2017 (Appendix 2), which is deemed akin to investment financing. The Taxpayer adds that the Authority added the liability resulting from bearing these losses to the Zakat base, and therefore demands the deduction of this debit balance from the Zakat base. The Resolution Circuit had approved the Authority's adjustment, which added the carried-forward balance for the group of companies amounting to SAR (89,064,717.91) to the Zakat base pursuant to the transaction movement of the "Due to Related Parties" account in Note (9-a) of the audited



financial statements for the year 2017 AD. The Taxpayer notes that the Authority failed to take into account the debit balance that the Taxpayer actually bore, which appears as a debit balance for the same group under the transaction movement of the "Due from Related Parties" account in Note (9-b) of the financial statements, amounting to SAR (162,046,000). The Taxpayer adheres that the debit balance of the subsidiaries must be deducted from the Zakat base, and therefore requests the reversal of the Resolution Circuit's decision regarding the items under appeal based on the aforementioned grounds.

As the decision was also not accepted by the Zakat, Tax and Customs Authority, it submitted its appeal against the contested decision via an appeal brief that summarized the following:

Regarding the Authority's appeal against the decision of the Resolution Circuit concerning the item of "Related Parties," its appeal is based on the grounds that it added the portion of the "Due to Related Parties" account that had completed one Zakat year (Al-Hawl), totaling SAR (94,474,717.91). The Authority rejected the execution of a offsetting against the debit balance appearing under the same item in the financial statements, because the Implementing Regulations for Zakat Collection issued by Ministerial Resolution No. (2082) dated 01/06/1438 AH do not stipulate the deduction of debit related-party balances from the Zakat base for entities other than partners. Given that the Taxpayer's objection concerns performing a offsetting between the debit and credit balances of the group of companies—which are wholly owned by the partners of the company—the Authority states that it became clear to it, upon reviewing the financial statements of Company regarding its capital structure, that the partners in the company are as indicated in the Authority's appeal brief. Furthermore, the entities representing the Due from related parties are as indicated in the Authority's appeal brief, none of which include any partner in the company itself. It is established to the Authority from the text of the aforementioned Article that the term "Partner" expressed therein is not a general term under whose ruling any person acquiring the description of partnership falls. Rather, the context of the Article necessitates restricting the application of its ruling strictly to a partner in the exact same company subject to Zakat. Therefore, if this partner holds multiple capacities—such as being a partner in the exact company subject to Zakat and holding the same capacity in another subsidiary company—the ruling of the Article applies to him solely in his capacity as a partner in the company subject to Zakat, not in his capacity as a partner in the other sister companies. Consequently, the ruling of the referred Article does not apply to the partners' shares in sister companies, and therefore their shares in sister companies shall not be treated in the same manner as their shares in the company subject to Zakat. Accordingly, the Authority rejected the Taxpayer's objection, as it verified the companies whose deduction was denied and found that they are not partners in Company. Moreover, the Implementing Regulations for Zakat Collection issued by Ministerial Resolution No. (2082) dated 01/06/1438 AH did not provide for the deduction of debit related-party balances for non-partners from the Zakat base. Therefore, the Authority maintains the validity and legality of its procedure.

On Tuesday, 14/01/2025 AD, the First Appeal Circuit for Income Tax Violations and Disputes convened via virtual communication, in accordance with the procedures for remote litigation and pursuant to the provisions



of Clause (1) of Article (15) of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Order No. (25711) dated 08/04/1445 AH. Upon calling upon the litigants, there appeared: Mr. /, National ID No. (.....), in his capacity as the proxy for Company (a Closed Joint Stock Company), by virtue of Power of Attorney No. (.....), issued on 28/02/1446 AH, and Attorney License No. (.....). The Authority's representative (ZATCA), Mr. / (National ID No.), by virtue of a delegation issued by the Deputy Governor of the Zakat, Tax and Customs Authority for Legal Affairs under No. (.....), dated 19/03/1445 AH. Upon questioning the Authority's representative as to whether he wished to add anything, he stated that he adheres to everything previously submitted in this lawsuit. Upon presenting the same to the Taxpayer's proxy, he likewise responded that he adheres to everything previously submitted in this lawsuit. When both parties were asked if they wished to add anything further, they declared that they would suffice with what had been previously submitted. Consequently, the Circuit decided to close the pleadings and reserve the case for adjudication.

Grounds

After reviewing the case file documents and the appeal briefs submitted by the Taxpayer and the Zakat, Tax and Customs Authority, it has been established to the Circuit that the conditions for reviewing the appeal procedurally have been satisfied in accordance with the conditions stipulated in the relevant laws, regulations, and decisions. Accordingly, both appeals are procedurally admissible, having been submitted by capacity-holding parties within the statutory period prescribed for their submission.

On the merits, and regarding the Taxpayer's appeal and the Authority's appeal concerning the item of "Related Parties": Whereas Sub-paragraph (Second) of Paragraph (5) of Article (4) of the Implementing Regulations for Zakat Collection, issued by Ministerial Resolution No. 2082 dated 01/06/1438 AH, stipulates that: "Second: The following shall be deducted from the Zakat base: ... 5- The debit current account of the owner or partner subject to Zakat, provided it does not exceed their share of retained earnings." Based on the foregoing, and whereas the core and crux of the dispute between the two parties concerns the addition of the balance due to related parties amounting to SAR (89,064,717) to the Zakat base; and upon reviewing the case file along with the arguments, defenses, and documents contained therein, it is evident that the Taxpayer's appeal is limited to the item adding the balance due to related parties amounting to SAR (89,064,717) to the Zakat base. The Taxpayer argues that the Authority failed to take into account the debit balance that the Company actually bore, which appears as a debit balance for the same group under the transaction movement of the account due from related parties, totaling SAR (162,046,000). Upon referencing Note (9/a) of the Taxpayer's financial statements, a debit balance is shown for Company. Meanwhile, the Authority indicated in its responsive memorandum and appeal brief that the companies were treated as a single group rather than each company individually, as a balance due from a related party belonging to one of the group companies was identified. Since the Taxpayer demands a offsetting against the credit balance added by the Authority; and



whereas the requirements of sound Zakat treatment necessitate conducting a offsetting between debit and credit balances if they belong to a single financial liability; the Circuit consequently deems valid the Taxpayer's claim regarding executing a offsetting between the debit and credit balances specific to the Adams group. However, the offsetting must be performed against the balance due from related parties at the beginning of the period (opening balance), and not at the end of the period as requested by the Taxpayer, due to the Taxpayer's failure to submit documentation clarifying the nature of the debit transaction movements that occurred during the year within the debit account due from the Adams group. Consequently, the Circuit concludes to partially accept the Taxpayer's appeal by executing the offsetting through adding the balances that completed one Zakat year (Al-Hawl) according to the Authority's calculation—amounting to SAR (94,474,717)—while deducting the balance due from related parties amounting to SAR (34,593,000), which represents the balances that completed one Zakat year (Al-Hawl) for both the current and non-current portions of the group. This brings the added credit balance to the Zakat base after the offsetting to SAR (59,881,71), thereby amending the adjudication decision regarding this item. This conclusion is not undermined by the Authority's argument rejecting the offsetting between debit and credit balances on the ground that the related parties are not partners in the company. It has been established that executing a offsetting between debit and credit balances conforms to sound Zakat treatment, without conditioning that such a offsetting be restricted exclusively to the debit and credit balances of direct partners.

Regarding the Authority's Appeal: Whereas its appeal is based on its rejection of the offsetting executed in accordance with the Circuit's calculation for the disputed item, as the Authority adheres that the related parties are not partners in the company; and whereas the Authority further argues that the Circuit's calculation is incorrect regarding the exclusion of the ending credit balance of the related party (..... Company) valued at SAR (5,410,00), Upon reviewing the case file, and concerning the Authority's defense regarding the invalidity of the offsetting between the debit and credit balances of related parties, the Circuit has already concluded in its evaluation of the Taxpayer's appeal that it is valid to execute a offsetting between the debit and credit balances of a single financial liability, pursuant to the grounds detailed above. Concerning the Authority's argument regarding the inaccuracy of the Circuit's calculation of the amount added to the base after the offsetting: The amount added to the Zakat base from the credit balances that completed one Zakat year (Al-Hawl) is the recomputed figure detailed in the Taxpayer's appeal above, amounting to SAR (59,881,71), thereby necessitating that the Circuit conclude to reject the Authority's appeal regarding this item.

Based on the foregoing, and adopting the aforementioned grounds, the Circuit decided unanimously as follows:

Decision:

First: Acceptance of the appeal procedurally, filed by the Taxpayer / Company, Commercial Registration No. (.....), Taxpayer Identification Number (.....), and the appeal filed by the Zakat, Tax and Customs Authority, against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in



Dammam City, No. (IZD-2024-238112), issued in Case No. (Z-238112-2024) relating to the Zakat assessment for the year 2017 AD.

Second: On the Merits:

To accept the Taxpayer's appeal partially, amend the decision of the Resolution Circuit, and reject the Authority's appeal regarding the item of "Related Parties".



Appeal Committee for Tax Violations and Disputes First Appeal Circuit for Income Tax Violations and Disputes in Riyadh City

Decision No. IR-2025-246271

Case No. Z-2024-246271

Keywords:

Zakat – Deductions from the Zakat Base – Losses – Unrealized Losses – Acceptance of the Taxpayer's Appeal

Summary:

Both the Taxpayer and the Authority filed their respective appeals against the decision of the Resolution Circuit regarding the Zakat assessment for the year 2017 AD, where the dispute centered on the deduction of an investment in a subsidiary and the item of unrealized losses. The Circuit concluded to accept the Authority's appeal and annul the deduction of the investment in the subsidiary, after it was established to the Circuit that the financing provided represents a commercial loan subject to a commission rather than a loan-of-benevolence (Qard Hasan), in addition to being granted in a personal capacity by the partner and not directly by the Taxpayer. With respect to the item of unrealized losses, the Circuit established the end of the dispute regarding its largest part based on the agreement of both parties, and accepted the Taxpayer's appeal regarding the remaining part pursuant to the texts of the Regulation which mandate taking into account the results of the revaluation of securities according to the market value. The Circuit concluded to accept the Authority's appeal regarding the investment item, establish the end of the dispute and accept the Taxpayer's appeal regarding the losses item, while rejecting the Taxpayer's appeal and affirming the adjudication decision regarding the remaining items of the lawsuit.

Document

- Paragraph (1) of Article (70) of the Implementing Regulations of the Law of Sharia Procedures, issued by Minister of Justice Resolution No. (39933) dated 19/05/1435 AH.

Facts

This was for the consideration of the appeal submitted on 19/11/2024 AD by /, holding National Identity Card No. (.....), in his capacity as the legal representative of the appellant company pursuant to the Articles of Association, and the appeal submitted by the Zakat, Tax and Customs Authority, against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Jeddah Governorate, No. (IZJ-2024-



238597), issued in Lawsuit No. (238597-2024-Z) relating to the Zakat assessment for the year 2017 AD, in the lawsuit filed by the Taxpayer against the Zakat, Tax and Customs Authority, the operative part of which decided as follows:

First/A: To amend the decision of the Defendant regarding the item of investment in Company for the year 2017 AD, by accepting the deduction of the Claimant's share in the capital of the investee company within the Deductions from the Zakat Base.

First/B: To amend the decision of the Defendant regarding the investment in Company for the year 2017 AD, and deduct the long-term loan provided to the subsidiary, equivalent to its ownership percentage therein, from the Zakat base.

Second: To reject the Claimant's objection to the item of losses of Company for the year 2017 AD.

Third: To reject the Claimant's objection to the item of unrealized losses for the year 2017 AD.

Fourth/A: To reject the Claimant's objection regarding the item of available-for-sale investments for the year 2017 AD.

Fourth/B: To reject the Claimant's objection regarding the item of available-for-sale investments (foreign investment in Company) for the year 2017 AD.

As this decision did not find acceptance with either party, each of them submitted an appeal brief which included the following summary:

With respect to the Taxpayer's appeal against the decision of the Resolution Circuit:

Regarding the item of (Investment in Company), the Taxpayer requests the deduction of the investment in Company in the amount of SAR (21,056,500), and pleads that there are balances representing the company's share (60%) of the capital, statutory reserve, and undistributed retained earnings valued at SAR (11,133,857), and that the balance of actual advances represents SAR (16,537,739), of which the company accepts a deduction at a percentage of (60%), and accordingly the due amount at (60%) stands at a value of SAR (9,922,643). Regarding the item of (Losses of Company), the Taxpayer requests the deduction of investment losses in Company in the amount of SAR (3,364,981), and states that the Authority added back the investment losses in Company to the adjusted profit for the year 2017 AD, which means that the company has the right to deduct the investment using the cost method (beginning of the period – exclusions) included in the amount of the investment requested to be deducted from the Zakat base. Regarding the item of (Unrealized Losses), the Taxpayer requests the amendment of the Resolution Circuit's decision and the acceptance of the deduction of unrealized losses valued at SAR (9,531,378) from the Zakat base. It added that the Appellate Committee was provided with the supporting documentation from the Saudi Exchange (Tadawul) platform, given that the Resolution Circuit did not accept the company's objection due to a documentary dispute. It indicates that those unrealized losses relate to long-term investments in a stock



portfolio that the company decided to invest in for the purpose of benefiting from its dividends, where realized gains and losses are recognized within the income statement and Zakat is paid thereon; accordingly, the Taxpayer has the right to deduct the unrealized losses which directly affect owners' equity every year, and as they relate to a long-term investment, they should be treated reciprocally. Regarding the item of (Available-for-Sale Investments): First- With respect to the investments in Company valued at SAR (116,873): We inform you that we accept what was stated in the decision of the Resolution Circuit. Second- Available-for-sale investments valued at SAR (27,519,602): On 01/10/2002 AD, the partners decided to invest in a stock portfolio for the purpose of acquisition and benefiting from the business results of those investments (dividends). The partners agreed that the ownership of the shares would be in the names of some partners to facilitate the acquisition and ownership procedures of the shares at that time, provided that this portfolio be financed from the company's funds and that the results of those investments be recorded in the company's accounts every year. It states that it submitted the necessary documents supporting the validity of its plea and confirms that the decision to sell the shares was made out of necessity for the purpose of preserving the total value of the portfolio, due to the instability of the prices of the shares present in the portfolio at the time. Accordingly, the decision was made to replace the unstable shares in the portfolio with new stable shares to preserve the total value of the investment portfolio, which means that the sale was not for the purpose of turnover and profit-making—which is one of the pillars of trading—but rather for the purpose of preserving the investment portfolio. Furthermore, the partners increased the portfolio by an amount of SAR (8,758,966) during the purchase.

The decision also did not find acceptance with the Zakat, Tax and Customs Authority, which submitted its appeal against the contested decision pursuant to an appeal brief that included the following summary:

With respect to the appeal filed by the Zakat, Tax and Customs Authority against the decision of the Resolution Circuit regarding the item of "Investment in [...] Company for the year 2017 AD, by virtue of accepting the deduction of the Plaintiff's share in the capital of the investee company within the deductions of the Zakat base":

The Authority did not approve the deduction of the investment item in [...] Company, amounting to SAR 24,306,615, from the Zakat base because this item appeared under current assets. Furthermore, the debit loans of [...] Company (the investee company) were classified in its financial statements under current liabilities in [...] Company, in accordance with the statement submitted by the Taxpayer detailing the investments, which did not reconcile with the financial statements. During the objection phase, and upon reviewing the documents submitted by the Taxpayer, it became evident to the Authority that the item under dispute was not the investment in [...] Company itself, but rather the Taxpayer's request to deduct the amount due from related parties ([...] Company), which appeared in the financial statements under current assets. The Taxpayer also submitted the general framework agreement governing the relationship between the partners and the financing, which establishes the investee company's right to receive the loan amount. Upon referencing the



Taxpayer's financial statements subject to objection, it became evident that the financing amount did not match the amount requested to be deducted by the Taxpayer. Upon verifying the financial statements of the investee company ([...] Company), it was revealed that the financing is of a commercial nature and is subject to a profit rate against partner financing; therefore, it does not qualify as subordinate financing. The Authority attached Note No. (8) to the financial statements of [...] Company, which details the personal loan granted by the Taxpayer subject to objection under "current liabilities." This note indicates that the personal loan from the partner, [...], is subject to a commission of 15%. Based on the aforementioned findings and merits, and given that the loan granted by the partner, [...] ([...] Company—the Taxpayer) to the subsidiary company ([...] Company) is a personal loan subject to a 15% commission, it constitutes an interest-bearing loan for a commercial purpose. Furthermore, it was classified in the financial statements under current assets, as disclosed in the notes to the financial statements of the investee company, and is thus deemed akin to debit transactions that are non-deductible. Consequently, the Authority affirms the correctness of its procedure and the rejection of the Taxpayer's objection pursuant to Article (4) of the Implementing Regulations for Zakat Collection. The Authority added that the Resolution Circuit that issued the decision under appeal had previously amended this item, providing the reasoning that the debit amounts due from related parties—financed by [...] Company to [...] Company—should be deducted on the grounds that they had been subjected to Zakat by the investee company. The Resolution Circuit also based its merits on the fact that the financial statements of the investee company for the subsequent year disclosed transactions with related parties, characterizing them as an interest-free loan (*Qard Hasan*). In response, the Authority states that its procedure for the year under dispute was based on the audited financial statements. Insofar as the Resolution Circuit relied on the subsequent financial statements, it should not have overturned the Authority's procedure for the year under dispute, as it was based on the very same document relied upon by the Resolution Circuit. With respect to the item of "Investment in [...] Company for the year 2017 AD and the deduction of the long-term loan provided to the subsidiary company from the Zakat base, equivalent to its ownership percentage therein":

The Authority clarifies that it did not approve the deduction of the investment item in [...] Company, amounting to SAR 24,306,615, from the Zakat base because this item appeared under current assets. Furthermore, the debit loans of [...] Company (the investee company) were classified in its financial statements under current liabilities in [...] Company, in accordance with the statement submitted by the Taxpayer detailing the investments, which did not reconcile with the financial statements. During the objection phase, and upon reviewing and studying the documents submitted by the Taxpayer, it became evident that the item under dispute was not the investment in [...] Company itself, but rather the Taxpayer's request to deduct the amount due from related parties ([...] Company), which appeared in the financial statements under current assets. The Taxpayer also submitted the general framework agreement governing the relationship between the partners and the financing, which establishes the investee company's right to receive the loan amount. Upon referencing the Taxpayer's financial statements subject to objection, it became evident that the financing amount did not



match the amount requested to be deducted by the Taxpayer. Upon verifying the financial statements of the investee company ([...] Company), it was revealed that the financing is of a commercial nature and is subject to a profit rate against partner financing; therefore, it does not qualify as subordinate financing. The Authority attached a copy of Note No. (8) to the financial statements of [...] Company, which details the personal loan granted by the Taxpayer subject to objection under "current liabilities." This note indicates that the personal loan from the partner, [...], is subject to a commission of 15%. Based on the aforementioned findings and merits, and given that the loan granted by the partner, [...] ([...] Company—the Taxpayer) to the subsidiary company ([...] Company) is a personal loan subject to a 15% commission, it constitutes an interest-bearing loan for a commercial purpose. Furthermore, it was classified in the financial statements under current assets, as disclosed in the notes to the financial statements of the investee company, and is thus deemed akin to debit transactions that are non-deductible. Consequently, the Authority affirms the correctness of its procedure and the rejection of the Taxpayer's objection. The Authority further bases its procedure on Article (4) of the Implementing Regulations for Zakat Collection.

On Tuesday, 15/04/2025 AD, the First Appeal Circuit for Income Tax Violations and Disputes convened its hearing at 12:34 PM, in the presence of its members whose names are recorded in the minutes, via visual communication in accordance with remote litigation procedures, pursuant to Clause No. (1) of Article (15) of the Rules of Operation for Zakat, Tax, and Customs Committees, issued by Royal Order No. (25711) dated 08/04/1445 AH. Upon calling upon the litigants: Mr. [...], National ID No. [...], attended in his capacity as the representative of the Taxpayer, by virtue of the Articles of Association attached to the case file. The Authority's representative, Ms. [...], National ID No. [...], attended by virtue of Delegation No. [...] dated 19/03/1445 AH, issued by the Deputy Governor of the Zakat, Tax and Customs Authority for Legal Affairs and Compliance. Upon asking the Taxpayer's representative if he wished to add anything, he stated that he adheres to all previous submissions made in this case. This was presented to the Authority's representative, who responded that she also adheres to all previous submissions made in this case and noted that she had submitted a supplementary memorandum deposited in the case file. Upon asking both parties if they wished to add anything further, the Taxpayer's representative stated that he had not reviewed the supplementary memorandum deposited by the Authority, as no notification had been received; however, upon referencing it, it became evident that it was deposited in the system, and he requested a grace period to review it. Accordingly, the Circuit decided to grant the Taxpayer a period of (10) ten days to submit its response, expiring on 25/04/2025 AD. Following this date, pleadings shall be closed, and the case will be reserved for deliberation and issuance of the decision. The Circuit shall not accept any new documents or memoranda that are not submitted before the aforementioned date. The upcoming hearing for the pronouncement of the decision was scheduled for 06/05/2025 AD.

On Tuesday, 06/05/2025 AD, the First Appeal Circuit for Income Tax Violations and Disputes convened its hearing at 12:18 PM, in the presence of its members whose names are recorded in the minutes, via visual



communication in accordance with remote litigation procedures, pursuant to Clause No. (1) of Article (15) of the Rules of Operation for Zakat, Tax, and Customs Committees, issued by Royal Order No. (25711) dated 08/04/1445 AH. Upon calling upon the litigants: The Authority's representative, Ms. [...], National ID No. [...], attended by virtue of Delegation No. [...] dated 19/03/1445 AH, issued by the Deputy Governor of the Zakat, Tax and Customs Authority for Legal Affairs. Mr. [...], National ID No. [...], attended in his capacity as the representative of the Taxpayer, by virtue of Articles of Association No. [...]. Insofar as the pleadings had been closed and the case reserved for deliberation, and whereas this hearing was designated for the pronouncement of the decision, the Circuit proceeded to issue its ruling.

Grounds

Upon reviewing the case documents and the respective appeal briefs submitted by the Taxpayer and the Zakat, Tax and Customs Authority, it has been established to the Circuit that the conditions for reviewing the appeals procedurally have been satisfied in accordance with the conditions stipulated in the relevant laws, regulations, and decisions. Accordingly, both appeals are procedurally admissible, having been submitted by capacity-holding parties within the statutory period prescribed for their submission.

On the Merits, Regarding the Authority's appeal concerning the item of "Investment in [...] Company for the year 2017 AD," and pursuant to Paragraph (4/a) of Clause (Second) of Article (4) of the Implementing Regulations for Zakat Collection, issued by Ministerial Resolution No. (2082) dated 01/06/1438 AH, which stipulates that: "The following shall be deducted from the Zakat base: 4-(a): Investments in entities within the Kingdom – jointly with others – if such investments are subject to Zakat under this Regulation; however, if the investment in such entities is not subject to collection, it shall not be deducted from the base." Based on the foregoing, the core of the dispute lies in the Authority's appeal against the decision of the Resolution Circuit. The Authority maintains the validity of its procedure in refusing to deduct the investment in [...] Company, amounting to SAR 24,306,615, from the Zakat base. Upon the Circuit's review of the case file, the pleadings, and the submitted documentation, it was revealed that this financing is subject to a commission rate of 15%. This characterizes it as a commercial loan rather than a non-interest-bearing loan (*Qard Hasan*), contrary to the Taxpayer's defense. Although the Taxpayer presented a copy of the financial statements of [...] Company indicating that the loan was a *Qard Hasan*, the Authority submitted evidence proving that the financing is subject to a commission and does not qualify as subordinated financing. Furthermore, the Authority stated in its supplementary memorandum that a review of the 2017 AD financial statements of the investee company ([...] Company) reveals that its net equity is negative, enclosing a copy of the financial statements to its memorandum. According to Note No. (8) for the year 2017 AD, and Notes No. (13) and No. (9) for subsequent years of the investee company, it was demonstrated that the loan was a personal loan from the partner / [...], and did not originate from the Taxpayer, who is a third party to the agreement. This confirms that the loan is personal, granted by the partner in his personal capacity. Consequently, the Circuit concludes to accept the



Authority's appeal and annul the decision of the Resolution Circuit regarding the item of "Investment in [...] Company for the year 2017 AD".

Regarding the Taxpayer's appeal concerning the item of "Unrealized Losses," Article (70) of the Law of Sharia Procedures, issued by Royal Decree No. (M/1) dated 22/01/1435 AH, stipulates that: "Litigants may, at whatever stage the case is in, request the court to record their agreement, whether an acknowledgment, settlement, or otherwise, in the hearing minutes, and the court shall Issue an instrument to that effect." Furthermore, Paragraph (1) of Article (70) of the Implementing Regulations of the Law of Sharia Procedures, issued by Minister of Justice Resolution No. (39933) dated 19/05/1435 AH, states that: "If the agreement occurs prior to the recording of the case, the substance of the case and the response must be documented before recording the agreement, taking into account that the origin of the case falls within the jurisdiction of the Circuit, even if the substance of the agreement falls within the jurisdiction of another court or Circuit, provided that the subject matter of the case, or part thereof, is among the agreed-upon matters." Pursuant to Paragraph (4/Second) of Article (4) of the Implementing Regulations for Zakat Collection, issued by Ministerial Resolution No. (2082) dated 01/06/1438 AH, and relying specifically on Paragraph (h/Second) thereof, which stipulates: "h- For Zakat purposes, the results of the revaluation of securities, whether profit or loss, shall be taken into account in accordance with the market value." Based on the above, with respect to the Taxpayer's appeal concerning the amount of SAR 9,147,669.65, it has been proven to this Circuit that the Authority accepted the Taxpayer's objection in its submitted supplementary memorandum, which stated: "The Authority hereby states that it partially accepts the Taxpayer's objection within the limits of the documents submitted for unrealized losses in the amount of SAR 9,147,669.65, and requests to record the settlement of the dispute..." Accordingly, the Circuit concludes to record the settlement of the dispute regarding the Taxpayer's appeal concerning the amount of SAR 9,147,669.65. As for the remaining amount of SAR 383,708.35, and based on the provisions of Article (4) of the Implementing Regulations for Zakat Collection issued by Ministerial Resolution No. (2082) dated 01/06/1438 AH, this amount must be deducted in accordance with the text of the Article. The results of the revaluation of investments must be taken into account based on the fair value appearing in the financial statements. Therefore, the Circuit concludes to accept the Taxpayer's appeal and annul the decision of the Resolution Circuit regarding the remaining amount of SAR 383,708.35. Regarding the Taxpayer's appeal against the remaining items, and whereas The Circuit is not precluded from adopting the reasons of the appealed decision without adding to it whenever it deems that those reasons suffice without citing any new ones, because by endorsing it with what those reasons carried, it is confirmed that it found nothing in the challenges directed at the decision that deserves a response beyond what those reasons included. And since it is established that the appealed decision regarding the dispute concerning the appealed items was consistent with the sound reasons upon which it was based and which are sufficient to carry its ruling, as the issuing Circuit undertook the examination of the merits of the dispute therein and concluded regarding it to the result reached in its operative part. And whereas this Circuit has not noticed anything



requiring correction or comment regarding it in light of the defenses raised before it. This leads the Circuit to conclude the Rejection of the Taxpayer's appeal and affirming the appealed Resolution Circuit's decision regarding the result it reached in the remaining items subject of the lawsuit, based on its reasons.

Based on the foregoing, and adopting the aforementioned grounds, the Circuit unanimously rendered the following decision:

Decision

First: To accept procedurally the appeal filed by the Taxpayer / [...] Company, Commercial Registration No. [...], Taxpayer Identification Number [...], and the appeal filed by the Zakat, Tax and Customs Authority, against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Jeddah Governorate No. (IZJ-2024-238597), issued in Case No. (238597-2024-Z) relating to the Zakat assessment for the year 2017 AD.

Second (On the Merits)

- 1- Regarding the appeal of both parties on the item "Investment in [...] Company for the year 2017 AD":
 - a. To accept the Authority's appeal and annul the decision of the Resolution Circuit.
 - b. To reject the Taxpayer's appeal and uphold the decision of the Resolution Circuit.
- 2- To reject the Taxpayer's appeal and uphold the decision of the Resolution Circuit regarding the item "Losses of [...] Company".
- 3- Regarding the Taxpayer's appeal on the item "Unrealized Losses":
 - a. To record the settlement of the dispute regarding the Taxpayer's appeal concerning the amount of SAR 9,147,669.65.
 - b. To accept the Taxpayer's appeal and annul the decision of the Resolution Circuit regarding the remaining amount of SAR 383,708.35.
- 4- To reject the Taxpayer's appeal and uphold the decision of the Resolution Circuit regarding the item "Available-for-Sale Investments".



Appeal Committee for Tax Violations and Disputes First Appeal Circuit for Income Tax Violations and Disputes in Riyadh City

Decision No. IR-2025-245831

Case No. Z-2024-245831

Keywords:

Zakat – Deductible Elements from the Zakat Base – Debts – Doubtful Debts – Acceptance of the Taxpayer's Appeal

Summary:

The Taxpayer appealed the decision of the Resolution Circuit regarding the Zakat assessment for the year 2017 AD, challenging the items of the statute of limitations, provisions for debts, inventory, and current liabilities. The Taxpayer argued the non-statutory nature of the assessment due to the lapse of more than five years. Additionally, the Taxpayer requested the exclusion of the allowance for doubtful accounts from the net profit, on the grounds that it represents reversed revenue for accounting purposes rather than actual realized profit. The Circuit concluded to accept the Taxpayer's appeal regarding the debt provision item, as it was established to be a reversed provision in accordance with the financial statements and their accompanying notes, thereby necessitating its exclusion from the Zakat base. Regarding the statute of limitations, the inventory provision, and the remaining liabilities, the Circuit upheld the decision of the Resolution Circuit, noting that no further remediation or commentary was required in light of the defenses raised. Ultimately, the decision concluded to accept the appeal, annul the decision of the Resolution Circuit regarding the debt provision item, reject the appeal for the remaining items, and uphold the assessment for all other disputed items.

Document

- Paragraph (9) of Clause (First) of Article (4) of the Implementing Regulations for Zakat Collection, issued by Ministerial Resolution No. (2082) dated 01/06/1438 AH.

Facts:

This is to consider the appeal submitted on 05/11/2024 AD by, holding National ID No. (.....), in his capacity as the authorized representative of the Appellant Company pursuant to Power of Attorney No. (.....) dated 02/01/1446 AH, and Legal Practice License No. (.....).

The appeal was filed against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Jeddah Governorate, No. (IZJ-2024-239560), issued in Case No. (Z-239560-2024) relating to the



Zakat assessment for the year 2017 AD, in the lawsuit brought by the Appellant against the Zakat, Tax and Customs Authority (ZATCA), where the Resolution Circuit originally ruled as follows:

First: Rejection of the Claimant's objection to the statute of limitations item for the year 2017 AD.

Second: Rejection of the Claimant's objection to the item of provision for inventory write-down to net realizable value for the year 2017 AD.

Third: Rejection of the Claimant's objection to the allowance for doubtful accounts item for the year 2017 AD.

Fourth: Rejection of the Claimant's objection to the accounts payable item for the year 2017 AD.

Fifth: Rejection of the Claimant's objection to the accrued incentives and bonuses item for the year 2017 AD.

Sixth: Rejection of the Claimant's objection to the sales commission item for the year 2017 AD.

Seventh: Rejection of the Claimant's objection to the accounts payable and accrued expenses item for the year 2017 AD.

Eighth: Rejection of the Claimant's objection to the advance payments item for the year 2017 AD.

As this decision did not meet the acceptance of the Taxpayer, the Taxpayer filed an appeal brief, which was reviewed by the Circuit and summarized as follows:

Regarding the Taxpayer's appeal against the decision of the Resolution Circuit: Statute of (Limitations) Item: The Taxpayer objects to the Authority's procedure in issuing the assessment for the year 2017 AD after the lapse of the statutory period for assessment, which is specified as five years. Provision for (Inventory Write-Down to Net Realizable Value) Item: The Taxpayer requests the annulment of the Circuit's decision regarding this item on the basis that the provision for inventory write-down to net realizable value, amounting to SAR (6,794,679) was not deducted from the net profit. The Taxpayer indicated that these revenues were deducted from the net profit because they do not constitute revenue from a Zakat perspective; rather, they are book entries for accounting purposes only and do not reflect actual realized revenue. This revenue explicitly appeared in the income statement and must be excluded. Provision for (Doubtful Debts) Item: The Taxpayer requests the annulment of the Circuit's decision regarding this item on the basis that the allowance for doubtful accounts, amounting to SAR (13,488,214) was not deducted from the net profit. The Taxpayer noted that these revenues were deducted from the net profit because they do not constitute revenue from a Zakat perspective; rather, they are book entries for accounting purposes only and do not reflect actual realized revenue. This revenue explicitly appeared in the income statement and must be excluded. (Accounts Payable), (Accrued Incentives and Bonuses), (Sales Commission), (Accounts Payable and Accrued Expenses), and (Advance Payments) Items: The Taxpayer requests the annulment of the Circuit's decision regarding the aforementioned items, on the grounds that they represent outstanding, fixed liabilities that correspond to the current assets owned by the company. Consequently, the Taxpayer requests the reversal of the Resolution Circuit's decision on the disputed items for the grounds set forth above.



On Monday, 19/05/2025 AD, at 11:25 AM, the First Appeals Circuit for Income Tax Violations and Disputes held its hearing via visual communication, in accordance with the procedures for remote litigation and pursuant to Clause (1) of Article (15) of the Rules of Operation for Zakat, Tax, and Customs Committees, issued by Royal Order No. (25711) dated 08/04/1445 AH. Upon calling the litigants, there appeared, holding National ID No. (.....), as the representative of the Appellant by virtue of Power of Attorney No. (.....) issued on 02/01/1446 AH, and Legal Practice License No. (.....). There also appeared the representative of the Appellee, (National ID No.), by virtue of Delegation No. (.....) dated 19/03/1445 AH, issued by the Deputy Governor of the Zakat, Tax and Customs Authority for Legal Affairs. When asked if he had anything further to add, the Appellant's representative stated that he adhered to everything previously submitted in this case. The Appellee's representative was presented with this statement and responded by adhering to everything previously submitted in this case. When both parties were asked if they wished to add anything else, they declared that what had been submitted was sufficient. Thereupon, the pleadings were closed for deliberation.

Grounds

Upon review of the case documents and the statement of appeal submitted by the Taxpayer, it has been established to the Circuit that the procedural requirements for reviewing the appeal have been satisfied in accordance with the conditions stipulated in the relevant laws, regulations, and decisions. Accordingly, the appeal is procedurally admissible, having been submitted by a capacity-holding party within the prescribed statutory period.

On the Merits: Regarding the Taxpayer's appeal concerning the item of "Allowance for doubtful accounts", Paragraph (9/First) of Article (4) of the Implementing Regulations for Zakat Collection, issued by Ministerial Resolution No. (2082) dated 01/06/1438 AH, stipulates that: "The Zakat base shall consist of all of the Taxpayer's funds subject to Zakat, including: 9- Provisions at the beginning of the year (with the exception of provisions for doubtful debts for banks) after deducting the utilized amount thereof during the year." Based on the foregoing, and whereas it has been clarified that the Taxpayer requested the exclusion of this item from the net profit in an amount of SAR 13,488,214, on the grounds that the allowance for doubtful accounts explicitly appeared in the income statement, which necessitates its exclusion since it does not constitute actual revenue, and that its exclusion from the net profit is for the purpose of reversing the revenue recognized in the income statement which does not reflect any actual income; meanwhile, the Authority clarifies that it did not approve the deduction of this item from the net profit because the reversed amount was deducted within the provisions adjustment schedule, as the Taxpayer had included it as revenue in the income statement, and it was thus deducted from the provisions balance to avoid double Zakat. Upon reviewing the case file, the raised defenses, and the supporting documents, and upon examining the financial statements for the disputed year, it is evident from the income statement and Note No. (5) that the allowance for doubtful accounts item is a reversed



provision revenue, which necessitates its exclusion. Consequently, the validity of the Taxpayer's defense is established. Accordingly, the Circuit concludes to accept the Taxpayer's appeal and cancel the decision of the Resolution Circuit regarding the item of "Allowance for doubtful accounts".

Regarding the remaining items subject of the case, and whereas The Circuit is not precluded from adopting the reasons of the appealed decision without adding to it whenever it deems that those reasons suffice without citing any new ones, because by endorsing it with what those reasons carried, it is confirmed that it found nothing in the challenges directed at the decision that deserves a response beyond what those reasons included. And since it is established that the appealed decision regarding the dispute concerning the appealed items was consistent with the sound reasons upon which it was based and which are sufficient to carry its ruling, as the issuing Circuit undertook the examination of the merits of the dispute therein and concluded regarding it to the result reached in its operative part. And whereas this Circuit has not noticed anything requiring correction or comment regarding it in light of the defenses raised before it. This leads the Circuit to conclude the Rejection of the Taxpayer's appeal and affirming the appealed Resolution Circuit's decision regarding the result it reached in the remaining items subject of the lawsuit, based on its reasons.

Based on the foregoing, and incorporating the aforementioned grounds, the Circuit unanimously rendered the following decision:

Decision

First: Acceptance of the appeal procedurally by the appellant Taxpayer / Company, Commercial Registration No. (.....), Taxpayer Identification Number (.....), against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Jeddah Governorate, No. (IZJ-2024-239560), issued in Case No. (Z-239560-2024) relating to the Zakat assessment for the year 2017 AD.

Second: On the Merits:

1. Rejection of the Taxpayer's appeal and affirming the decision of the Resolution Circuit regarding the item of "Statute of Limitations for the year 2017 AD".
2. Rejection of the Taxpayer's appeal and affirming the decision of the Resolution Circuit regarding the item of "Provision for Slow-Moving Inventory to Net Realizable Value".
3. Acceptance of the Taxpayer's appeal and annulment of the decision of the Resolution Circuit regarding the item of "Allowance for doubtful accounts".
4. Rejection of the Taxpayer's appeal and affirming the decision of the Resolution Circuit regarding the item of "Accounts Payable".
5. Rejection of the Taxpayer's appeal and affirming the decision of the Resolution Circuit regarding the item of "Accrued Incentives and Bonuses".



6. Rejection of the Taxpayer's appeal and affirming the decision of the Resolution Circuit regarding the item of "Sales Commission".
7. Rejection of the Taxpayer's appeal and affirming the decision of the Resolution Circuit regarding the item of "Accounts Payable and Accrued Expenses".
8. Rejection of the Taxpayer's appeal and affirming the decision of the Resolution Circuit regarding the item of "Advance Payments".



Appeal Committee for Tax Violations and Disputes
First Appeal Circuit for Income Tax Violations and Disputes
in Riyadh City

Decision No. IR-2025-241634

Case No. Z-2024-241634

Keywords:

Zakat – Deductions from the Zakat Base – Assessment – Deduction of the Non-Current Portion – Acceptance of the Taxpayer's Appeal.

Summary:

The Authority appealed the decision of the Resolution Circuit regarding the Zakat assessment for the year 2021 AD, challenging the annulment of its decision concerning the two items of "Cash Margin for Letter of Guarantee" and "Non-Current Recruitment Expenses". Regarding recruitment expenses, the Circuit concluded to accept the Authority's appeal because it was proven that the balance represents prepaid costs that are amortized periodically, and does not fall under capital expenditures that are legally deductible. As for the cash margin item, the Circuit upheld the Resolution Circuit's decision and rejected the Authority's appeal, adopting its underlying grounds, due to the absence of anything requiring remediation in light of the raised defenses. The decision concluded with the acceptance of the Authority's appeal and the annulment of the Resolution Circuit's decision regarding the recruitment expenses item, and its rejection and the affirming of the decision regarding the cash margin item.

Document

- Paragraph (6) of Article (5) of the Implementing Regulations for Zakat Collection, issued by Ministerial Resolution No. (2216) dated 07/07/1440 AH.

Facts:

This is to consider the appeal submitted on 04/09/2024 AD, by the Zakat, Tax and Customs Authority, against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Dammam City, No. (IZD-2024-234400), issued in Case No. (Z-234400-2024) relating to the Zakat assessment for the year 2021 AD, in the lawsuit filed by the Taxpayer against the Zakat, Tax and Customs Authority, wherein the operative part of the Resolution Circuit's decision ruled as follows:



- 1- Annulment of the Defendant's decision regarding the item of "Cash Margin for Letter of Guarantee submitted to the Ministry of Labor and Social Development".
- 2- Rejection of the Plaintiff's objection regarding the item of "Deduction of Utilized Visas (Current Portion)".
- 3- Regarding the item of "Deduction of Prepaid Recruitment Expenses":
 - A- Annulment of the Defendant's decision regarding the deduction of the non-current portion of recruitment expenses.
 - B- Rejection of the Plaintiff's objection regarding the deduction of the current portion of the expenses.

Whereas this decision did not meet the acceptance of the Appellant (the Zakat, Tax and Customs Authority), it submitted a statement of appeal, which included the following summary:

The Authority appeals the decision of the Resolution Circuit regarding the item of "Cash Security Deposit for a Letter of Guarantee submitted to the Ministry of Labor and Social Development." The Authority contends that during the assessment phase, it rejected the deduction of a cash security deposit for a letter of guarantee valued at SAR 10 million submitted to the Ministry of Human Resources and Social Development, on the grounds that it is non-deductible and lacks any statutory text permitting its deduction. Upon reviewing the documents submitted by the Taxpayer, it was revealed that this item relates to the company's license issued by the Ministry of Human Resources and Social Development. Furthermore, the rules governing recruitment activities and the provision of labor services (derived from the Labor Law and its Implementing Regulations) stipulate that obtaining a license to practice this activity is contingent upon providing a bank guarantee to the Ministry, which is refundable upon the liquidation of the company. The Authority asserts that this amount is restricted by the choice of the Taxpayer, who elected to operate in this sector and accepted all its conditions. This letter of guarantee constitutes a business requirement, is fully owned by the Taxpayer, and the Taxpayer retains the absolute right to recover it at any time upon deciding to liquidate the activity. The legislative intent behind compelling human resources companies to provide a letter of guarantee is to safeguard the rights of the company's clients. Consequently, it is deemed pledged property (mortgaged asset) that does not bar Zakat, as ownership of the underlying asset is not transferred by the pledge. Absolute ownership remains with the proprietor, and it must be subjected to Zakat. The Taxpayer argues that this item falls under the concept of a statutory deposit. In response, the Authority notes that reference to the Implementing Regulations for Zakat Collection issued in 1440 AH reveals no explicit statutory text permitting the deduction of letters of guarantee; rather, such deductions are strictly limited to statutory deposits relating to insurance and reinsurance activities. Under these Zakat rules, the Taxpayer's objection was rejected. The Authority contends that the Resolution Circuit's findings are incorrect and contrary to statutory requirements regarding the cash guarantee or statutory deposit item. Pursuant to the financial years governed by the Zakat Regulations of 1438 AH and 1440 AH, and to ensure equity among all Taxpayers, the cash guarantee item may not be deducted from the Zakat base since the Regulation does not list it among the permissible deductible items. In fact, Paragraph (B) of Clause (Second)



of Article (Third) of the 1438 AH Regulation explicitly states that statutory deposits are non-deductible. Based on the foregoing, the decision of the Resolution Circuit in this lawsuit under appeal is systemically incorrect and warrants judicial annulment without a doubt. Regarding the item of "Deduction of the Non-Current Portion of Recruitment Expenses," the Authority states that it excluded the end-of-period balance of prepaid recruitment expenses from the Zakat base because the item is non-deductible, even if it relates to more than one financial year, which does not constitute a valid reason to permit deduction. Upon reviewing the Taxpayer's objection, which demands the deduction of the end-of-period balance of prepaid recruitment expenses on the grounds that they constitute capital expenditures, the Authority clarifies that the ledger movement reveals the beginning-of-period balance is substantially amortized during the year, and the balance appearing at the end of the year is what was generated during that same year. This indicates that the disputed item, in substance, represents accounts receivable rather than long-term assets, and does not take the character of capital costs permissible for deduction from the Zakat base. Accordingly, it is categorized as a prepaid expense. Since its accounting treatment under the accrual basis and the matching principle requires recognizing prepaid expenses—from which revenue has not yet been actually realized—as an asset item, which is subsequently amortized periodically to charge the relevant period's income with its respective amortization expense upon revenue realization, this expense was taken into consideration when calculating the Zakat base, given that net income is a component of the Zakat base. Consequently, the total balance of prepaid expenses may not be deducted in its entirety from the Zakat base. Furthermore, a review of the Taxpayer's returns for the years under objection revealed that the Taxpayer did not deduct the total value of this item (both its current and non-current portions) in the years 2019 AD and 2020 AD, but only deducted it in the year 2021 AD. Based on these findings, the Taxpayer's objection was rejected. The Authority answers that the Resolution Circuit's findings are incorrect and contrary to statutory requirements. The amount the Taxpayer seeks to deduct consists of prepaid expenses. Accounting treatments under the accrual basis and the matching principle require that expenses paid in advance without realized revenue must be recognized as an asset and amortized periodically, charging the income of the year with its corresponding amortization expense. Since this expense is factored into the Zakat base because net income constitutes a component of the base, the entire balance of prepaid expenses cannot be deducted from the Zakat base; rather, only the periodically realized expense is deducted. Furthermore, advance payments permissible for deduction from the Zakat base are limited to advance payments made for the purchase of assets, and do not encompass prepaid operating expenses, pursuant to Paragraph (1) of Clause (Second) of Article (4) of the Implementing Regulations for Zakat Collection, issued by Ministerial Resolution No. (2082) dated 01/06/1438 AH.

On Tuesday, 22/04/2025 AD, the First Appeal Circuit for Income Tax Violations and Disputes held its session at 09:00 AM, in the presence of its members whose names are recorded in the minutes, via visual communication in accordance with remote litigation procedures. This was based on the provisions of Clause (1) of Article (15) of the Rules of Operation of Zakat, Tax, and Customs Committees, issued by Royal Order No.



(25711) dated 08/04/1445 AH. Upon calling upon the litigants, the representative of the Appellant, (National ID No.), attended by virtue of an authorization issued by the Deputy Governor of the Zakat, Tax and Customs Authority for Legal Affairs under No. (.....) dated 19/03/1445 AH. Furthermore,, National ID No. (.....), attended in his capacity as the attorney for the Appellee by virtue of Power of Attorney No. (.....) issued on 19/10/1446 AH, and Legal Practice License No. (.....). Upon questioning the attorney for the Appellee as to whether he wished to add anything, he stated that he adheres to what was previously submitted in this lawsuit. When this was presented to the representative of the Appellant, she responded by adhering to what was previously submitted in this lawsuit. Upon questioning both parties as to whether they wished to add anything further, they decided to rest their case on what had been previously submitted. Consequently, the pleadings were closed, and the case was reserved for deliberation.

Grounds:



Upon reviewing the case documents and the appeal brief submitted by the Authority, it has been established to the Circuit that the conditions for reviewing the appeal procedurally have been satisfied in accordance with the conditions stipulated in the relevant laws, regulations, and decisions. The appeal is therefore procedurally admissible, having been submitted by a capacity-holding party within the prescribed statutory period.

On the merits, concerning the Authority's appeal regarding the item of "Deduction of the Non-Current Portion of Recruitment Expenses for the Year 2021 AD," the Authority reiterates that it excluded the end-of-period balance of prepaid recruitment expenses from the Zakat base because the item is non-deductible, even if it relates to more than one financial year, which does not constitute a valid grounds for accepting the deduction. Pursuant to Paragraph (6) of Article (Fifth) of the Implementing Regulations for Zakat Collection, issued by Ministerial Resolution No. (2216) dated 07/07/1440 AH.

Which stipulated that: "Net incorporation and pre-operating expenses and similar capital expenses." Based on the foregoing, and upon the Circuit's review of the case file along with the defenses and documents contained therein, it became clear to the Circuit through the account movement that the beginning-of-the-period balance is being amortized, and that the balance appearing at the end of the year is from what was formed during the year. Accordingly, the item does not constitute a part of the permissible deductible incorporation expenses, as they are considered prepaid expenses. The accounting treatment under the accrual basis and the matching principle requires recognizing expenses that are paid in advance—and from which no revenue has been realized—as an asset item, which are then amortized periodically, charging the income statement with the amortization expense pertaining to the year. This means that this expense was taken into consideration when calculating the Zakat base, given that net income is one of the components of the Zakat base. Therefore, it is impermissible to deduct the entire balance of the prepaid expenses from the Zakat base; rather, only the periodically realized expense included in the income statement shall be deducted. Furthermore, the item is not considered among the elements or items deducted from the base, and no item has been introduced within the



deductions under this nomenclature or carrying the same nature. In addition, the Taxpayer failed to provide proof establishing its statutory entitlement regarding its claim for this item. Consequently, the Circuit concludes to accept the Authority's appeal and annul the decision of the Resolution Circuit regarding the item of (Deduction of the non-current portion of recruitment expenses for the year 2021 AD).

With respect to the Authority's appeal regarding the item of (Cash margin for a letter of guarantee submitted to the Ministry of Labor and Social Development for the year 2021 AD), and upon the Circuit's contemplation of the subject matter of the dispute and after reviewing the Authority's appeal; and whereas The Circuit is not precluded from adopting the grounds of the decision subject of the challenge without any additions whenever it assesses that those grounds suffice without the need to cite anything new—as in affirming the decision based on the grounds it carried, it is confirmed that the Circuit found nothing in the challenges directed at the decision that merits a response beyond what those grounds already contained; And layout as it was, and since it is established that the decision subject of the appeal regarding the dispute over the challenged items was consistent with the sound grounds upon which it was built and which are sufficient to carry its ruling—as the issuing Circuit undertook the examination of the merits of the dispute therein and concluded to the result reached in its operative part; and whereas the correctness of the result reached by the Resolution Circuit in its decision has become clear to this Circuit, and that the grounds upon which it built its decision are sufficient to support that decision; and whereas this Circuit has not noted anything requiring remediation or commentary in light of the defenses raised before it; Consequently, this Circuit concludes to reject the Authority's appeal and uphold the decision of the Resolution Circuit regarding the item of (Cash margin for a letter of guarantee submitted to the Ministry of Labor and Social Development for the year 2021 AD), adopting its underlying grounds.

Based on the foregoing, and accompanying the aforementioned grounds, the Circuit unanimously rendered the following decision:

Decision:

First: Acceptance of the appeal procedurally, filed by the appellant, the Zakat, Tax and Customs Authority, against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Dammam City, No. (IZD-2024-234400), issued in Case No. (Z-234400-2024) relating to the Zakat assessment for the year 2021 AD.

Second: On the Merits:

- 1- Rejection the Authority's appeal and affirming the decision of the Resolution Circuit regarding the item of (Cash margin for a letter of guarantee submitted to the Ministry of Labor and Social Development for the year 2021 AD).



- 2- Acceptance of the Authority's appeal and annulment of the decision of the Resolution Circuit regarding the item of (Deduction of the non-current portion of recruitment expenses for the year 2021 AD).



Appeal Committee for Tax Violations and Disputes First Appeal Circuit for Income Tax Violations and Disputes in Riyadh City

Decision No. IR-2025-239338

Case No. Z-2024-239338

Keywords:

Zakat – Deductions from the Zakat Base – Loans – Depreciation variances – Settlement.

Summary:

Both the Taxpayer and the Authority appealed the decision of the Resolution Circuit regarding the Zakat assessment for the years 2016 AD and 2017 AD. The Taxpayer challenged the items of the statute of limitations, loans, and investments, while the Authority appealed regarding depreciation variances and carried-forward losses. Regarding the item of depreciation variances and capital gains for the year 2016 AD, the Circuit established the end of the dispute between both parties following the Authority's acknowledgment of the correctness of the calculation mechanism requested by the Taxpayer. Regarding the item of carried-forward losses for the year 2017 AD, the Circuit accepted the Authority's appeal and annulled the Resolution Circuit's decision due to the lack of proof regarding the existence of carried-forward losses from the prior year, given the presence of retained earnings exceeding SAR 436 million. Regarding the item of loans for the years 2016 AD and 2017 AD, the Circuit established the partial end of the dispute based on the Authority's acceptance of the Taxpayer's objection in its supplementary memorandum, while rejecting the Taxpayer's appeal regarding the remaining amounts of the same item. The Circuit concluded to accept the Authority's appeal regarding the losses item, establish the end of the dispute regarding the depreciation item and partially regarding the loans item, while rejecting the Taxpayer's appeal and affirming the Resolution Circuit's decision regarding the remaining matters subject of the dispute.

Document

- Article (70) of the Law of Sharia Procedures, issued by Royal Decree No. (M/1) dated 22/01/1435 AH.
- Paragraph (1) of Article (70) of the Implementing Regulations of the Law of Sharia Procedures, issued by Minister of Justice Resolution No. (39933) dated 19/05/1435 AH.

Facts:

For the consideration of the appeal filed by the Taxpayer was submitted on 07/07/2024 AD by, holding National ID No. (.....), in his capacity as the legal representative of the Appellant Company pursuant to Power



of Attorney No. (.....) dated 05/03/1445 AH, and Law Practice License No. (.....). The cross-appeal filed by the Zakat, Tax and Customs Authority was submitted on 08/07/2024 AD, against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Dammam City, No. (IZD-2024-212177), issued in Case No. (Z-212177-2023) relating to the Zakat assessment for the years 2016 AD and 2017 AD, in the lawsuit filed by the Appellant against the Zakat, Tax and Customs Authority (ZATCA).

The operative part of the Resolution Circuit's decision under appeal ruled as follows:

- 1- Rejection of the Plaintiff's objection regarding the five-year statute of limitations item for the year 2016 AD.
- 2- Annulment of the Defendant's decision regarding the depreciation variances and capital gains item for the year 2016 AD.
- 3- Rejection of the Plaintiff's objection regarding the loans item for the years 2016 AD and 2017 AD.
- 4- Rejection of the Plaintiff's objection regarding the available-for-sale investments item for the years 2016 AD and 2017 AD.
- 5- Directing the Defendant to amend the carried-forward losses item for the year 2017 AD.

Whereas this decision did not meet the acceptance of the Taxpayer, it filed an appeal brief which was reviewed by the Circuit, summarizing its arguments as follows:

With respect to the Taxpayer's appeal against the decision of the Resolution Circuit, and regarding the item of "The Five-Year Statute of Limitations for the year 2016 AD", the Taxpayer requests the annulment of the Circuit's decision and relies on Article Twenty-One of the Implementing Regulations for Zakat Collection issued by Ministerial Resolution No. (2082) dated 01/06/1438 AH, given the expiration of the term specified for it on 30/04/2017 AD and the statute of limitations expiration date on 30/04/2022 AD; therefore, the Zakat Declaration must be considered a final Zakat assessment. Loans (2016 AD and 2017 AD): The Taxpayer requests the annulment of the Resolution Circuit's decision regarding this item, on the ground that the Authority added the loans on the premise that they constituted revolving loans during 2016 AD and 2017 AD. This is despite the Taxpayer having submitted a detailed transaction ledger for all loans during the two years of objection, which clearly demonstrates the repayment of the beginning-of-the-period balance across all banks. The Taxpayer relies on the provisions of Article 4 (First) of Ministerial Resolution No. (2082) dated 01/06/1438 AH, containing the Rules and Procedures Governing Zakat Collection. Based on the text of the Article, no balance remained from the beginning-of-the-period balance upon which one Zakat year (Al-Hawl) had passed. Available-for-Sale Investments: The Taxpayer requests the annulment of the Resolution Circuit's decision regarding this item on the ground that the Authority deducted an amount of SAR 126,521,838.25 for the year 2016 AD, and an amount of SAR 131,107,839.70 for the year 2017 AD, for companies that experienced transaction movements during the year. The Taxpayer understands this to mean that the Authority did not



deduct companies that had transaction movements involving either purchase or sale, which contradicts the Authority's own directives—namely, the non-deduction of companies that only experienced a sale movement during the year.

Similarly, the decision did not meet the acceptance of the Zakat, Tax and Customs Authority, which submitted its appeal against the contested decision via an appeal brief, summarizing its arguments as follows:

With regard to the Authority's appeal against the decision of the Resolution Circuit, its appeal concerning the item of "Depreciation variances and Capital Gains" lies in the fact that the Authority deducted the fixed assets in accordance with the financial statements' balance in the amount of SAR 180,269,922, and eliminated the depreciation variances calculated by the Taxpayer resulting from its application of the declining balance method pursuant to Article 17 of the Income Tax Law. At the objection phase before the Authority, it partially accepted the item and recomputed the depreciation schedule according to Article 17 of the Income Tax Law due to the inaccuracy of the schedules submitted by the Taxpayer. Adjusted Losses: The Authority clarifies that it did not deduct the carried-forward losses item for the year 2017 AD because there were no adjusted carried-forward losses under the Authority's assessment for the year 2016 AD. During the objection phase before the Authority, the Taxpayer's objection was partially accepted by deducting losses valued at SAR 7,205,013 due to the acceptance of the Taxpayer's objection regarding the depreciation difference and capital gains from the disposal of assets, as explained in item (Second) above. The Taxpayer requests the carrying forward of the adjusted losses according to the Authority's assessment for the year 2016 AD to the subsequent years. The Authority responds that the Taxpayer's demand is incorrect and violates regulatory requirements. The Taxpayer is not entitled to carry forward adjusted losses during the year 2016 AD given the presence of retained earnings under the financial statements amounting to SAR 436 million. Therefore, the Authority emphasizes the necessity of adding the opening balance of retained earnings at the beginning of the year according to the financial statements, pursuant to the provisions of the Implementing Regulations for Zakat Collection. Accordingly, the Authority requests the annulment of the Resolution Circuit's decision and reserves its right to submit further responses and clarifications prior to the closure of pleadings.

On Tuesday, 21/04/2025 AD, the First Appeal Circuit for Income Tax Violations and Disputes held its hearing at 12:47 PM in the presence of its members whose names are recorded in the minutes, via video conferencing in accordance with the remote litigation procedures; pursuant to the provisions of Clause (1) of Article 15 of the Rules of Operation for Zakat, Tax, and Customs Committees, issued by Royal Order No. (25711) dated 08/04/1445 AH. Upon calling upon the litigants, there appeared, holding National ID No. (.....), in his capacity as the legal representative of the Taxpayer pursuant to Power of Attorney No. (.....) issued on 05/03/1445 AH and Law Practice License No. (.....). The Authority's representative, (National ID No.), also appeared pursuant to an authorization issued by the ZATCA Deputy Governor for Legal Affairs and Compliance under No. (.....) dated 19/03/1445 AH. During this hearing, the Authority's representative requested an adjournment as he was unable to submit his response. Accordingly, the Circuit decided to grant



the request, allowing the Authority a period of (10) ten days to submit its materials, ending on 01/05/2025 AD, and granting the Taxpayer a period of (10) ten days to submit its materials, ending on 11/05/2025 AD. After this date, the pleadings shall be closed, and the case will be reserved for deliberation and judgment. The Circuit stated it would not accept any new documents or memoranda not submitted prior to the aforementioned date. The next hearing was scheduled for 26/05/2025 AD to pronounce the decision.

On Monday, 26/05/2025 AD, the First Appeal Circuit for Income Tax Violations and Disputes held its hearing at 09:00 AM in the presence of its members whose names are recorded in the minutes, via video conferencing in accordance with the remote litigation procedures; pursuant to the provisions of Clause (1) of Article 15 of the Rules of Operation for Zakat, Tax, and Customs Committees, issued by Royal Order No. (25711) dated 08/04/1445 AH. Upon calling upon the litigants, the Authority's representative, (National ID No.), appeared pursuant to an authorization issued by the ZATCA Deputy Governor for Legal Affairs under No. (.....) dated 19/03/1445 AH. No representative appeared on behalf of the Taxpayer despite being legally notified of the hearing date. As the pleadings had been closed and the case reserved for deliberation, and since this hearing was designated for the pronouncement of the decision, the Circuit proceeded to issue its ruling.

Grounds:

Whereas, upon reviewing the case documents and the appeal briefs submitted by both the Taxpayer and the Zakat, Tax and Customs Authority (ZATCA), it has been established to the Circuit that the conditions for reviewing the appeals procedurally have been satisfied in accordance with the conditions stipulated in the relevant laws, regulations, and decisions; accordingly, both appeal requests are procedurally admissible, having been submitted by capacity-holding parties within the statutory period prescribed for their submission.

On the merits, and regarding the Authority's appeal concerning the item of "Depreciation variances and Capital Gains for the Year 2016 AD", and pursuant to the General Authority of Zakat and Income (GAZT) Circular No. (9/2574) dated 14/05/1426 AH, which stipulates that: "...due consideration shall be given to the application of the following procedural provisions and accounting rules set forth in the new Tax Law to Taxpayers subject to Lawful Zakat, with respect to returns filed for financial years ending on or after 25/06/1426 AH (corresponding to 31/07/2005 AD), namely: 1- The depreciation method set forth in Article (17) of the Law." And pursuant to Paragraph (1) of the Department of Zakat and Income Tax (DZIT) Circular No. (9/1724) dated 24/03/1427 AH, which stipulates that: "As a general rule, a Taxpayer has the right, for accounting purposes, to prepare their accounts in alignment with the accounting standards issued by the Saudi Organization for Certified Public Accountants (SOCPA). For such purpose, the Taxpayer may maintain the accounting books and records that fulfill this objective. However, for the purposes of calculating the depreciation installment for Zakat and tax purposes, the Taxpayer is obligated to comply with the requirements of Article (17) of the Tax Law and DZIT Circular No. (9/2574) dated 14/05/1426 AH regarding the classification of assets into groups, computing the value of additions, and compensations for discarded assets, as well as the depreciation rate in accordance with



the provisions of the said Article to arrive at the adjusted Zakat profit.” Furthermore, Paragraph (e) of Article (17) of the Income Tax Law stipulates that: “(e) The residual value of each group at the end of the tax year is the total residual value of the group at the end of the preceding tax year after deducting the depreciation installment computed in accordance with this Article for the preceding tax year, plus fifty percent (50%) of the cost base of assets placed in service during the current and preceding tax years, less fifty percent (50%) of the compensations received for assets disposed of during the current and preceding tax years, provided that the residual value does not become negative. The amount of compensations for assets transferred or distributed, as referenced in Paragraph (m) of Article (9) and Paragraph (c) of Article (10), shall be calculated in accordance with the cost base specified in Paragraph (m/1) of Article (9) of this Law.” Based on the foregoing, and whereas the core of the dispute between the two parties lies in the Authority’s non-inclusion of the value of compensations received during the year within the depreciation schedule prepared by the Authority, despite its acceptance of the capital gains item—which establishes the existence of fixed asset disposals—the Taxpayer demands the inclusion of compensations in the schedule. The Taxpayer submitted the depreciation schedule prepared by it after adding the compensations received during the year in the amount of SAR 5,264,531, along with an analytical statement clarifying the disposals executed on the fixed assets and the capital gains realized from the disposal of each asset. The Authority pointed out that a discrepancy exists between the Taxpayer’s analysis and the financial statements, as the financial statements reflect the value of compensations as SAR 5,264,531, whereas the value of compensations according to the Taxpayer’s analysis stands at SAR 5,118,418. Consequently, the Authority indicated the correctness of the Taxpayer’s statement regarding the existence of compensations that must be added to the depreciation schedule; however, it noted that should the Taxpayer’s request be granted, it would result in an additional Zakat liability on the Taxpayer. The Authority appeals the contested decision on the grounds that it materially omitted the Authority’s response, as the Resolution Circuit indicated that the Authority failed to provide any valid evidence, whereas the Authority had submitted responsive memorandum No. (2) stating the correctness of the Taxpayer’s claim based on the calculation, and that the effect thereof would entail the assessment of additional Zakat. The Authority demands the reversal of the decision and a de novo ruling in accordance with the calculation mechanism outlined in its memorandum. Upon reviewing the rebuttal memorandum submitted by the Taxpayer before the Resolution Circuit, it was found to include the following: “The Authority’s response, if anything, indicates that the Authority accepted the item because the Taxpayer’s request would lead to additional Zakat, rather than acknowledging an inherent right of the Taxpayer to include the item. We hope your Honors record this in the session minutes. If this indicates anything, it proves that the Taxpayer wishes to discharge its liability by paying the correct and due Zakat owed by the company, rather than seeking a reduction as understood from the underlying intent of the Authority’s justifications.” Accordingly, the resolution and end of the dispute between the two parties are established. Consequently, the Circuit concludes to record the end of the dispute with respect to the Authority’s appeal on the item of “Depreciation variances and Capital Gains for the Year 2016 AD”.



Whereas, with respect to the Authority's appeal regarding the item of "Carried-Forward Losses for the Year 2017 AD", and pursuant to Clause (Second/9) of Article (4) of the Implementing Regulations for Zakat Collection issued under Ministerial Resolution No. (2082) dated 01/06/1438 AH, which stipulates that: "The following shall be deducted from the Zakat base: 9- The adjusted accumulated losses carried forward in accordance with the Authority's assessments, after adding back only the provisions or reserves by which the loss was previously reduced in the year of their formation." Based on the foregoing, the dispute centers on the Authority's appeal against the contested decision, which concluded to amend the Authority's procedure. The Authority states that there are no adjusted carried-forward losses under the Authority's assessment for the year 2016 AD, as the adjusted assessment issued based on the objection included the addition of adjusted retained earnings; therefore, no accumulated losses exist to be carried forward, which demonstrates the invalidity of the conclusion reached in the decision. Upon the Circuit's review of the financial statements, it was established that there are no carried-forward losses for the year 2016 AD, given that the retained earnings under the financial statements amounted to four hundred and thirty-six million Saudi Riyals (SAR 436,000,000). Consequently, there are no carried-forward losses to be deducted in the year 2017 AD. Accordingly, the Circuit concludes to accept the Authority's appeal and reverse the decision of the Resolution Circuit regarding the item of "Carried-Forward Losses for the Year 2017 AD".

With respect to the Taxpayer's appeal against the item of "Loans for the years 2016 AD and 2017 AD", and whereas Article (70) of the Law of Sharia Procedures, issued by Royal Decree No. (M/1) dated 22/01/1435 AH, stipulates that: "Litigants may, at whatever stage the case is in, request the court to record their agreement, whether an acknowledgment, settlement, or otherwise, in the hearing minutes, and the court shall Issue an instrument to that effect." Furthermore, Paragraph (1) of Article (70) of the Implementing Regulations of the Law of Sharia Procedures, issued by Minister of Justice Resolution No. (39933) dated 19/05/1435 AH, stipulates that: "If the agreement occurs prior to the recording of the case, the substance of the case and the response must be documented before recording the agreement, taking into account that the origin of the case falls within the jurisdiction of the Circuit, even if the substance of the agreement falls within the jurisdiction of another court or Circuit, provided that the subject matter of the case, or part thereof, is among the agreed-upon matters." Based on the foregoing, and whereas it has been proven to the Circuit that the dispute between the two parties has been settled due to the Authority's partial acceptance of the Taxpayer's objection based on its supplementary brief, which included the following: "The Authority informs of its partial acceptance of the Taxpayer's objection by adding the item in the amount of SAR 196,710,218.11 and SAR 92,825,596.95 for the two years respectively..." Accordingly, this Circuit concludes to record the partial settlement of the dispute regarding the (amount of SAR 3,882,147.22 for the year 2016 AD and the amount of SAR 1,875,856.25 for the year 2017 AD) with respect to the Taxpayer's appeal against the item of "Loans for the years 2016 AD and 2017 AD".



And whereas, with respect to the Taxpayer's appeal against the remaining items subject of the case, and whereas The Circuit is not precluded from adopting the reasons of the appealed decision without adding to it whenever it deems that those reasons suffice without citing any new ones, because by endorsing it with what those reasons carried, it is confirmed that it found nothing in the challenges directed at the decision that deserves a response beyond what those reasons included. And since it is established that the appealed decision regarding the dispute concerning the appealed items was consistent with the sound reasons upon which it was based and which are sufficient to carry its ruling, as the issuing Circuit undertook the examination of the merits of the dispute therein and concluded regarding it to the result reached in its operative part. And whereas this Circuit has not noticed anything requiring correction or comment regarding it in light of the defenses raised before it. This leads the Circuit to conclude the Rejection of the Taxpayer's appeal and affirming the appealed Resolution Circuit's decision regarding the result it reached in the remaining items subject of the lawsuit, based on its reasons.

Based on the foregoing, and adopting the aforementioned grounds, the Circuit decided unanimously as follows:

Decision:

First: Acceptance of the appeal procedurally, filed by the appellant Taxpayer / Company, Commercial Registration No. (.....), Taxpayer Identification Number (.....), and the Zakat, Tax and Customs Authority, against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Dammam City No. (IZD-2024-212177), issued in Case No. (Z-212177-2023) relating to the Zakat assessment for the years 2016 AD and 2017 AD.

Second: On the Merits:

- 1- Rejection of the Taxpayer's appeal and affirming the decision of the Resolution Circuit regarding the item of "Five-Year Statute of Limitations for the year 2016 AD".
- 2- Recording the settlement of the dispute regarding the Authority's appeal against the item of "Depreciation variances and Capital Gains for the year 2016 AD".
- 3- Acceptance of the Authority's appeal and annulment of the decision of the Resolution Circuit regarding the item of "Carried-Forward Losses for the year 2017 AD".
- 4- With respect to the Taxpayer's appeal against the item of "Loans for the years 2016 AD and 2017 AD":
 - A- Recording the partial settlement of the dispute regarding the (amount of SAR 3,882,147.22 for the year 2016 AD and the amount of SAR 1,875,856.25 for the year 2017 AD).
 - B- Rejection of the Taxpayer's appeal and affirming the decision of the Resolution Circuit regarding the amount of SAR 196,710,218.11 for the year 2016 AD and the amount of SAR 92,825,596.95 for the year 2017 AD.



- 5- Rejection of the Taxpayer's appeal and affirming the decision of the Resolution Circuit regarding the item of "Available-for-Sale Investments for the years 2016 AD and 2017 AD".



Amendments to Net Profit



Appeal Committee for Tax Violations and Disputes First Appeal Circuit for Income Tax Violations and Disputes in Riyadh City

Decision No. IR-2025-239079

Case No. Z-2024-239079

Keywords:

Zakat – Amendments to Net Profit – Provisions – Murabaha Financing Payable (Long-Term and Short-Term) – Acceptance of the Taxpayer's Appeal.

Summary:

The Taxpayer appealed against the decision of the Resolution Circuit concerning the Zakat assessment for the year 2017 AD, contesting the items of provisions, Murabaha financing, trade accounts receivable, and amounts due from related parties. With respect to the provisions item, the Taxpayer asserted its right to correct the added amounts based on the audited financial statements and the trial balance. The Circuit concluded to accept its appeal and annul the decision of the Resolution Circuit after the accuracy of the Taxpayer's calculation and its alignment with the commercial books was established. Regarding the short-term and long-term Murabaha financing item, the Circuit established that the dispute was partially resolved as a result of the Authority accepting the Taxpayer's objection in its supplementary memorandum, and the agreement of both parties on the amended amounts. As for the remaining disputed items, such as retained earnings and amounts due from an associate, the Circuit upheld the decision of the Resolution Circuit on its merits, as nothing was submitted that would require a reversal. The operative part of the decision ruled to accept the appeal regarding the provisions item and to formally record the resolution of the dispute regarding the financing item, while rejecting the appeal and affirming the assessment for all other items.

Document

- Paragraph (3) of Article (20) of the Implementing Regulations for Zakat Collection, issued by Ministerial Resolution No. (2082) dated 01/06/1438 AH.

Facts:

This case is set for the consideration of the appeal submitted on 30/06/2024 AD by /, National ID No. (.....), in his capacity as the proxy for the Appellant Company by virtue of Power of Attorney No. (.....) dated 28/04/2024 AD, against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Riyadh City, No. (IFR-2024-218460), issued in Case No. (Z-218460-2023) relating to the Zakat



assessment for the year 2017 AD, in the lawsuit filed by the Appellant against the Zakat, Tax and Customs Authority, wherein the decision of the Resolution Circuit ruled as follows:

First: To record the resolution of the dispute of the Claimant/ Company (TIN) with the Defendant/ the Zakat, Tax and Customs Authority, regarding the Claimant's claim concerning the credit partners' current account item, based on the Defendant's acceptance of the Claimant's objection to add the portion over which one Zakat year (Al-Hawl) had passed to the Zakat base, in an amount of (1,410,280) one million four hundred ten thousand two hundred eighty Saudi Riyals for the year subject of the lawsuit.

Second: To reject all other objections raised by the Claimant/ Company (TIN) against the decision of the Defendant/ the Zakat, Tax and Customs Authority, regarding the assessment subject of the lawsuit.

Whereas this decision did not meet the acceptance of the Taxpayer, it submitted an appeal brief, which the Circuit reviewed, and which is summarized as follows:

With respect to the (provisions) item, its appeal rests on the grounds that the provisions item was added in accordance with the Zakat Declaration filed by the Company. The Taxpayer stated that the Company requested the Authority to amend the provisions item according to the schedule prepared based on the audited financial statements and the trial balance; however, the Authority rejected the Company's request without any justification. Furthermore, the Resolution Circuit rejected the Company's request on the premise that the Authority did not make any amendment to the provisions item. However, the Circuit's statement is inconsistent with and does not address the Company's objection; the Company is requesting an amendment to the additions made under the provisions item in accordance with the provisions of the Implementing Regulations, whether arising from an error in filing the return or as a result of its amendment by the Authority. Furthermore, the Regulations permit the Company to correct material and substantive errors, which is its legitimate right. Regarding the Resolution Circuit's note that the Company did not provide proof for the grounds of the amendment, the Taxpayer clarified that all provisions are included within the audited financial statements, except for the warranty provision and the vacation provision, which were extracted from the attached trial balance previously submitted to the Authority. Accordingly, the Taxpayer demands an amendment to the additions made under the provisions item. The Taxpayer also objects to the (retained earnings) item, the (short-term and long-term Murabaha financing) item, the (amounts due from Company) item, and the (long-term notes receivable) item, and requests the reversal of the Resolution Circuit's decision regarding the items under appeal for the grounds stated above.

On Tuesday, 21/01/2025 AD, the First Appeal Circuit for Income Tax Violations and Disputes held its session at 11:55 AM, in the presence of its members whose names are recorded above, via visual communication in accordance with the remote litigation procedures pursuant to Item (1) of Article 15 of the Rules of Operation for Zakat, Tax, and Customs Committees, issued by Royal Order No. (25711) dated 08/04/1445 AH. Upon calling upon the litigants, there appeared/ (National ID No.) in his capacity as proxy for the



Appellant by virtue of Power of Attorney No. (.....) issued on 16/07/1446 AH and Attorney License No. (.....), and there appeared the representative of the Appellee/ (National ID No.) by virtue of an authorization issued by the Deputy Governor of the Zakat, Tax and Customs Authority for Legal Affairs under No. (.....) dated 19/03/1445 AH. When asked if he wished to add anything, the Taxpayer's proxy stated that he adheres to all prior submissions in this lawsuit. When asked if she wished to add anything, the Authority's representative stated that she requested a grace period to submit her arguments in a subsequent session for the grounds clarified in Request No. (.....). Being satisfied with those grounds, the Circuit decided to grant the Authority a period of (10) days to submit its arguments, expiring on 31/01/2025 AD, and to grant the Taxpayer a period of (10) days to respond thereto, expiring on 10/02/2025 AD. After this date, pleadings shall be closed, and the case shall be reserved for deliberation and the issuance of the decision. The Circuit shall not accept any new documents or memoranda not submitted prior to the aforementioned date, provided that the next session on 18/02/2025 AD shall be dedicated to pronouncing the decision.

On Tuesday, 18/02/2025 AD, the First Appeal Circuit for Income Tax Violations and Disputes held its session at 10:00 AM, in the presence of its members whose names are recorded above, via visual communication in accordance with the remote litigation procedures pursuant to Item (1) of Article 15 of the Rules of Operation for Zakat, Tax, and Customs Committees, issued by Royal Order No. (25711) dated 08/04/1445 AH. Upon calling upon the litigants, there appeared/ (National ID No.), in his capacity as proxy for the Appellant by virtue of Power of Attorney No. (.....) issued on 16/07/1446 AH and Attorney License No. (.....), and there appeared the representative of the Appellee/ (National ID No.) by virtue of an authorization issued by the Deputy Governor of the Zakat, Tax and Customs Authority for Legal Affairs under No. (.....) dated 19/03/1445 AH. Accordingly, the Circuit decided to close the pleadings and reserve the case for adjudication. Appellant's ("Taxpayer's") Defenses

Grounds:

Whereas upon reviewing the case documents and the appeal brief submitted by the Taxpayer, it has been established to the Circuit that all procedural requirements for reviewing the appeal have been satisfied in accordance with the conditions stipulated in the relevant laws, regulations, and decisions; accordingly, the appeal is procedurally admissible, having been submitted by a capacity-holding party within the prescribed statutory period.

On the merits, and regarding the Taxpayer's appeal concerning the (Provisions) item: Whereas Paragraph (3) of Article (20) of the Implementing Regulations for Zakat Collection, issued for the year 1438 AH, stipulates that: "The burden of proving the accuracy of the items included in the Taxpayer's Zakat Declaration and any other data falls on the Taxpayer. If the Taxpayer is unable to prove the accuracy of what is included in its return, the Authority may disallow the item whose accuracy the Taxpayer fails to prove, or it may issue a presumptive assessment based on the Authority's perspective in light of the circumstances and facts related to the case and



the information available to it.” Based on the foregoing, and whereas the core of the dispute between the two parties lies in the Authority’s non-acceptance of the amendment to the provisions item as reported in the Taxpayer’s return—where the Authority contends that it did not amend the Taxpayer’s return, while the Taxpayer demands the rectification and amendment of what is added to the return—and upon reviewing the case file, it is revealed that the Taxpayer submitted a calculation schedule for the provisions, which includes the opening balance, additions made, utilization during the year, and the closing balance. The Taxpayer calculated the amount to be added to the zakat base at a total of SAR (24,684,429) instead of SAR (25,769,086). Upon analyzing the Taxpayer’s calculation and referencing the audited financial statements and the trial balance, it was found that the balances reported in the movement schedule match the audited financial statements, which confirms the accuracy of the Taxpayer’s calculation. Accordingly, the Circuit concludes to accept the Taxpayer’s appeal and reverse the decision of the Resolution Circuit regarding this item, provided that the total amount to be added back to the net profit for the year shall be SAR (3,848,121) and the total amount to be added to the zakat base shall be SAR (24,684,429).

Whereas regarding the Taxpayer’s appeal concerning the item of (Short-Term and Long-Term Murabaha Financing: (A/1) Short-Term Loans -[...] Bank in the amount of SAR (25,846,409.71), and (B) Long-Term Loans --[...] Bank): Whereas Article (70) of the Law of Sharia Procedures, issued by Royal Decree No. (M/1) dated 22/01/1435 AH, stipulates that: “Litigants may, at whatever stage the case is in, request the court to record their agreement, whether an acknowledgment, settlement, or otherwise, in the hearing minutes, and the court shall Issue an instrument to that effect.” Furthermore, Paragraph (1) of Article (70) of the Implementing Regulations of the Law of Sharia Procedures, issued by Minister of Justice Resolution No. (39933) dated 19/05/1435 AH, stipulates that: “If the agreement occurs prior to the recording of the case, the substance of the case and the response must be documented before recording the agreement, taking into account that the origin of the case falls within the jurisdiction of the Circuit, even if the substance of the agreement falls within the jurisdiction of another court or Circuit, provided that the subject matter of the case, or part thereof, is among the agreed-upon matters.” Based on the foregoing: Whereas it has been proven that the Authority partially accepted the Plaintiff’s objection as stated in the letter issued by it in its supplementary brief, which included: “...Based on the foregoing, the Authority states that it partially accepts the Taxpayer’s objection by adding short-term loans in the amount of SAR 25,846,409.71 instead of the amount of SAR 47,492,737, and adding long-term loans in the amount of SAR 3,202,886.50 instead of the amount of SAR 4,402,637.20...” Whereas the Taxpayer stated the following in its reply brief to the Authority’s supplementary brief: “First: Long-Term Loans ([...] Bank): The Company agrees to add the portion of long-term loans over which one zakat year (Al-Hawl) has passed, amounting to SAR 3,202,886.50”; accordingly, the Circuit concludes to record the settlement of the dispute regarding these two items.

Whereas regarding the remaining items subject of the lawsuit: and whereas The Circuit is not precluded from adopting the reasons of the appealed decision without adding to it whenever it deems that those reasons suffice



without citing any new ones, because by endorsing it with what those reasons carried, it is confirmed that it found nothing in the challenges directed at the decision that deserves a response beyond what those reasons included. And since it is established that the appealed decision regarding the dispute concerning the appealed items was consistent with the sound reasons upon which it was based and which are sufficient to carry its ruling, as the issuing Circuit undertook the examination of the merits of the dispute therein and concluded regarding it to the result reached in its operative part. And whereas this Circuit has not noticed anything requiring correction or comment regarding it in light of the defenses raised before it. This leads the Circuit to conclude the Rejection of the Taxpayer's appeal and affirming the appealed Resolution Circuit's decision regarding the result it reached in the remaining items subject of the lawsuit, based on its reasons.

Based on the foregoing, and incorporating the aforementioned grounds, the Circuit unanimously rendered the following decision:

Decision:

First: Acceptance of the appeal procedurally, filed by the Taxpayer / [...] Company, Commercial Registration No. ([...]), National ID/TIN No. ([...]), against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Riyadh City, No. (IFR-2024-218460), issued in Case No. (Z-218460-2023) relating to the zakat assessment for the year 2017 AD.

Second: On the Merits:

- 1- Rejection of the Taxpayer's appeal and affirming the decision of the Resolution Circuit regarding the (Retained Earnings) item.
- 2- Acceptance of the Taxpayer's appeal and reversal of the decision of the Resolution Circuit regarding the (Provisions) item.
- 3- Regarding the Taxpayer's appeal against the item of (Short-Term and Long-Term Murabaha Financing):
 - (A) Regarding the Taxpayer's appeal against short-term loans ([...]- Bank):
 - a) Recording the partial settlement of the dispute and amending the decision of the Resolution Circuit regarding the item of (Short-Term Loans --[...] Bank-- in the amount of SAR (25,846,409.71)).
 - b) Rejection of the Taxpayer's appeal and affirming the decision of the Resolution Circuit regarding the item of (Short-Term Loans --[...] Bank-- in the amount of SAR (21,646,327.29)).
 - (B) Recording the settlement of the dispute regarding the item of (Long-Term Loans --[...] Bank-- by adding the portion over which one zakat year (Al-Hawl) has passed, amounting to SAR (3,202,886.50)).
- 4- Rejection of the Taxpayer's appeal and affirming the decision of the Resolution Circuit regarding the item of (Amounts Due from [...] Company).
- 5- Rejection of the Taxpayer's appeal and affirming the decision of the Resolution Circuit regarding the (Long-Term Notes Receivable) item.



Appeal Committee for Tax Violations and Disputes First Appeal Circuit for Income Tax Violations and Disputes in Riyadh City

Decision No. IR-2025-239010

Case No. Z-2024-239010

Keywords:

Zakat – Amendments to Net Profit – Salaries and Wages – Related Parties – Settlement

Summary:

The Taxpayer appealed the decision of the Resolution Circuit regarding the Zakat assessment for the year 2017 AD, contesting the items of loans, related parties, salary variances, external purchases, and advance payments. With respect to the item of salary and wage variances, the Circuit established that the dispute had been concluded in part for an amount of SAR 6,737,738, following the Authority's acceptance of the Taxpayer's objection in its supplementary memorandum, pursuant to Article (70) of the Law of Sharia Procedures, which grants litigants the right to terminate a dispute by mutual agreement. Regarding the remaining appealed items, the Circuit upheld the decision of the Resolution Circuit due to the soundness of the grounds upon which it was built and the absence of proof necessitating its reversal in light of the defenses raised. The decision concluded by establishing the end of the dispute for the agreed-upon portion of the salaries item, while rejecting the Taxpayer's appeal and affirming the decision of the Resolution Circuit across all remaining items.

Document

- Article (70) of the Law of Sharia Procedures, issued by Royal Decree No. (M/1) dated 22/01/1435 AH.
- Paragraph (1) of Article (70) of the Implementing Regulations of the Law of Sharia Procedures, issued by Minister of Justice Resolution No. (39933) dated 19/05/1435 AH.

Facts:

This was held to consider the appeal submitted on 27/06/2024 AD, by /, National ID No. (.....), in her capacity as the legal representative of the Appellant Company by virtue of Power of Attorney No. (.....) and License to Plead on Behalf of Private Legal Entities No. (.....), against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Jeddah Governorate, No. (IZJ-2024-216316), issued in Case No. (Z-216316-2023) relating to the Zakat assessment for the year 2017 AD, in the lawsuit filed by the Appellant against the Zakat, Tax and Customs Authority, wherein the operative part of the Resolution Circuit's decision ruled as follows:



First:

- A- Rejection of the Plaintiff's objection regarding loans.
- B- Rejection of the Plaintiff's objection regarding related parties.
- C- Rejection of the Plaintiff's objection regarding accounts payable, credit retentions, and accrued flight tickets.

Second:

- A- Rejection of the Plaintiff's objection regarding the item of salary and wage variances.
- B- Rejection of the Plaintiff's objection regarding external purchases.

Third: Rejection of the Plaintiff's objection regarding advance payments.

Whereas this decision did not meet the acceptance of the Taxpayer, it submitted an appeal brief which was reviewed by the Circuit, the substance of which requested the acceptance of its appeal and the reversal of the Resolution Circuit's decision.

On Wednesday, 22/01/2025 AD, the First Appeals Circuit for Income Tax Violations and Disputes held its session at 12:00 PM, in the presence of its members whose names are recorded in the minutes, via visual communication in accordance with remote litigation procedures, and pursuant to the provisions of Clause (1) of Article (15) of the Rules of Operation for Zakat, Tax, and Customs Committees, issued by Royal Order No. (25711) dated 08/04/1445 AH. Upon reviewing the appeal request, the submitted memoranda, and the papers and documents contained within the case file, and after deliberation, and whereas the case is ripe for judgment in its current state, the Circuit decided to close the pleadings and reserve the case for adjudication.

Grounds:



Whereas, upon reviewing the case documents and the appeal brief submitted by the Taxpayer, it has been established to the Circuit that the conditions for reviewing the appeal procedurally have been satisfied in accordance with the conditions stipulated in the relevant laws, regulations, and decisions; accordingly, the appeal request is procedurally admissible, having been submitted by a capacity-holding party within the statutory period prescribed for its submission.

On the merits, and regarding the Taxpayer's appeal concerning the item of "(salary and wage variances: أ- with respect to the amount of SAR 6,737,738)": Whereas Article (70) of the Law of Sharia Procedures, issued by Royal Decree No. (M/1) dated 22/01/1435 AH, stipulates that:

"Litigants may, at whatever stage the case is in, request the court to record their agreement, whether an acknowledgment, settlement, or otherwise, in the hearing minutes, and the court shall Issue an instrument to that effect." Furthermore, Paragraph (1) of Article (70) of the Implementing Regulations of the Law of Sharia



Procedures, issued by Minister of Justice Resolution No. (39933) dated 19/05/1435 AH, stipulates that: "If the agreement occurs prior to the recording of the case, the substance of the case and the response must be documented before recording the agreement, taking into account that the origin of the case falls within the jurisdiction of the Circuit, even if the substance of the agreement falls within the jurisdiction of another court or Circuit, provided that the subject matter of the case, or part thereof, is among the agreed-upon matters." Based on the foregoing, and whereas it has been proven to this Circuit that the Authority accepted the abandonment of the appeal in accordance with what was stated in the letter issued by it in its supplementary memorandum, which included: "...The Authority states its partial acceptance of the Taxpayer's objection within the limits of the submitted documents in the amount of (SAR 6,737,738)..." Accordingly, this Circuit is obligated to establish the end of the dispute regarding the item of "(salary and wage variances: A- with respect to the amount of SAR 6,737,738)".

With respect to the Taxpayer's appeal regarding the items of "Salary and Wage Variances" (specifically concerning the amount of SAR 7,048,906), "Imports Variance", "Loans" (in the amount of SAR 14,288,038), "Related Parties" (in the amount of SAR 11,660,901), "Accounts Payable" (in the amount of SAR 5,730,998), "Retentions" (in the amount of SAR 3,354,386), "Accrued Travel Tickets" (in the amount of SAR 857,119), and "Advance Payments": Upon the Circuit's review of the appeal, and whereas The Circuit is not precluded from adopting the reasons of the appealed decision without adding to it whenever it deems that those reasons suffice without citing any new ones, because by endorsing it with what those reasons carried, it is confirmed that it found nothing in the challenges directed at the decision that deserves a response beyond what those reasons included. And since it is established that the appealed decision regarding the dispute concerning the appealed items was consistent with the sound reasons upon which it was based and which are sufficient to carry its ruling, as the issuing Circuit undertook the examination of the merits of the dispute therein and concluded regarding it to the result reached in its operative part. And whereas this Circuit has not noticed anything requiring correction or comment regarding it in light of the defenses raised before it. This leads the Circuit to conclude the Rejection of the Taxpayer's appeal and affirming the appealed Resolution Circuit's decision regarding the result it reached in the remaining items subject of the lawsuit, based on its reasons.

Based on the foregoing, and adopting the aforementioned grounds, the Circuit unanimously rendered the following decision:

Decision:

First: Acceptance of the appeal procedurally, filed by the Appellant (the Taxpayer), Company, Commercial Registration No. (.....), Taxpayer Identification Number (.....), against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Jeddah Governorate, No. (IZJ-2024-216316), issued in Case No. (Z-2024-216316) relating to the Zakat assessment for the year 2017 AD.

Second: On the Merits:



1. With respect to the item of "Salary and Wage Variances":
 - A- To record the end of the dispute regarding the amount of SAR 6,737,738.
 - B- Rejection of the Taxpayer's appeal and affirming the decision of the Resolution Circuit regarding the amount of SAR 7,048,906.
2. Rejection of the Taxpayer's appeal and affirming the decision of the Resolution Circuit regarding the item of "Imports Variance".
3. Rejection of the Taxpayer's appeal and affirming the decision of the Resolution Circuit regarding the item of "Loans" in the amount of SAR 14,288,038.
4. Rejection of the Taxpayer's appeal and affirming the decision of the Resolution Circuit regarding the item of "Related Parties" in the amount of SAR 11,660,901.
5. Rejection of the Taxpayer's appeal and affirming the decision of the Resolution Circuit regarding the item of "Accounts Payable" in the amount of SAR 5,730,998, "Retentions" in the amount of SAR 3,354,386, and "Accrued Travel Tickets" in the amount of SAR 857,119.
6. Rejection of the Taxpayer's appeal and affirming the decision of the Resolution Circuit regarding the item of "Advance Payments".



Appeal Committee for Tax Violations and Disputes
First Appeal Circuit for Income Tax Violations and Disputes
in Riyadh City

Decision No. IR-2025-238548

Case No. Z-2024-238548

Keywords:

Zakat – Amendments to Net Profit – Zakat Base – Adding Debts to the Zakat Base – Acceptance of the Taxpayer's Appeal.

Summary:

The Taxpayer appealed the decision of the Resolution Circuit regarding the Zakat assessment for the year 2017 AD, challenging the non-deduction of received dividend distributions, the addition of a presumptive profit on imports variance, and other items. With respect to dividend distributions, the Circuit concluded to partially accept the Taxpayer's appeal by deducting the distributions received from a major company, as it was proven that they were paid out of the current year's profits that had already been subject to Zakat, thereby preventing double Zakat. Conversely, it rejected the deduction of bank dividends, as it was established that they were distributed from retained earnings that had not been subject to Zakat by the investee entity. Regarding the addition of a presumptive profit on imports variance, the Circuit accepted the Taxpayer's appeal after it was proven that the variances pertained to a hotel activity owned by the Taxpayer and declared within the direct costs in the consolidated financial statements. As for the remaining items, such as credit balances and deferred revenues, the Circuit upheld the Resolution Circuit's decision based on its underlying grounds, due to the absence of any submitted evidence requiring remediation. The decision concluded with the partial acceptance of the Taxpayer's appeal under the distributions item and the acceptance of its appeal under the imports variance item, while rejecting the appeal and affirming the assessment for all other matters subject to the dispute.

Document

- Paragraph (3) of Article (20) of the Implementing Regulations for Zakat Collection, issued by Ministerial Resolution No. (2082) dated 01/06/1438 AH.



Facts:



This case was heard to consider the appeal submitted on 10/06/2024 AD by, holding National ID No. (.....), in his capacity as the legal representative of the Appellant Company pursuant to Power of Attorney No. (.....) and Attorney License No. (.....), which are attached to the case file. The appeal is filed against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Riyadh City, No. (IFR-2024-216297), issued in Case No. (Z-2024-216297) relating to the Zakat assessment for the year 2017 AD, in the lawsuit filed by the Appellant against the Zakat, Tax and Customs Authority (ZATCA), where the operative part of the Resolution Circuit's decision ruled as follows:

Rejection of the objection filed by the Claimant/ Company (Taxpayer Identification Number), against the decision of the Defendant/ Zakat, Tax and Customs Authority, regarding the assessment subject of the lawsuit.

Whereas this decision did not meet the acceptance of the Taxpayer, it submitted an appeal brief which the Circuit has reviewed and summarized as follows:

Regarding the Taxpayer's appeal against the decision of the Resolution Circuit, and specifically concerning the item "Disallowing the deduction of Zakat-paid dividend distributions from the adjusted net profit": The core of its appeal lies in the fact that the distributions exempted from subjection to Zakat in the Company's return for the year 2017 AD from resident companies listed for Zakat purposes were exempted because the distributions received for the same year were already subjected to Zakat in the investee companies. The Defendant subjected these distributions to Zakat on the grounds that they constitute investment revenue that was already subjected to Zakat in the investee company, which would lead to duplication (Zakat duplication). This treatment would cause Zakat to be levied on the mentioned amounts twice: the first time in the return of the investee companies (as per the statement) and the second time in the Company (..... Company). The Taxpayer is of the view that the Defendant considered these funds as a basis for unrealized profits from the Zakat base. It also believes that the mentioned distributions are subject to Zakat in the base of the investee company after the completion of one Zakat year (Al-Hawl), in the event they are not distributed to the investor of the company itself. It is evident from the transaction history that the dividend distributions, in accordance with the specific period of each distribution, are as illustrated: Received dividend distributions pertaining to the year 2017 AD amounting to a sum and value of (194,782,495) riyals. Received dividend distributions pertaining to the year 2016 AD amounting to a sum and value of (122,719,165) riyals. Bringing the total to (317,501,660) riyals. The Taxpayer states that it did not claim a deduction for all received dividend distributions because a portion of them pertains to the year 2016 AD. It deems it mandatory that these distributions, which trace back to the year 2016 AD and amount to (122,719,165) riyals, be subject to Zakat. It had transmitted the distribution announcements and the aforementioned distribution statement within its response to the Defendant's requests. As an example of its entitlement to the non-subjection of profits received from investee companies—due to the subjection of



distributed profits at the level of the investee company—..... Company distributed profits of (12) billion riyals for the year 2017 AD, whereas the balance of carried-forward retained earnings at the beginning of the year amounted to (6.9) billion riyals. Furthermore, Company distributed profits for the same year (2017) in the amount of (5.1) billion riyals after being subjected to Zakat, which proves the correctness of its point of view from the reality of the financial statements. Regarding the item "Adding a presumptive profit on the variance of foreign purchases of a value of 241,766": The core of its appeal is that the amount of foreign purchases pertains to one of the owned hotels, whose business results were consolidated within the consolidated financial statements of the company subject to objection, and that imports were classified under domestic purchases in accordance with the following: Beginning-of-period inventory: (5,153,662) riyals. Foreign purchases: (0). Domestic purchases: (28,517,970) riyals. End-of-period inventory: (19,040,353) riyals. Cost of goods sold: (14,631,179) riyals. And regarding the item "Adding credit balances to the Zakat base", the item "Adding the balance of deferred revenues to the Zakat base", and the item "Disallowing the deduction of a proportionate entity amount", the Taxpayer demands the acceptance of its appeal toward these items. Accordingly, the Taxpayer requests the annulment of the Resolution Circuit's decision regarding the items under appeal for the grounds set forth above.

On Wednesday, 08/01/2025 AD, the First Appeal Circuit for Income Tax Violations and Disputes convened via visual communication, in accordance with remote litigation procedures; based on the provisions of Clause No. (1) of Article (15) of the Rules of Operation for Zakat, Tax, and Customs Committees, issued by Royal Order No. (25711) dated 08/04/1445 AH. After reviewing the appeal request, the submitted memoranda, and the papers and documents contained within the case file, and after deliberation, and whereas the case is ripe for judgment in its current state, the Circuit decided to close the pleadings and reserve the case for adjudication.

Grounds:

Whereas upon reviewing the case documents and the appeal brief submitted by the Taxpayer, it has been established to the Circuit that the conditions for reviewing the appeal procedurally have been satisfied in accordance with the conditions stipulated in the relevant laws, regulations, and decisions; accordingly, the appeal request is procedurally admissible, having been submitted by a capacity-holding party within the statutory period prescribed for its execution.

On the merits, and whereas with respect to the Taxpayer's appeal concerning the item "Disallowing the deduction of Zakat-paid dividend distributions from the adjusted net profit", and whereas it is clear that the dispute lies in the Taxpayer's demand for the non-subjection of dividend distributions received from investee companies which pertain to the year 2017 AD, due to the subjection of the distributed profits to Zakat in those companies, then with respect to: And whereas upon reviewing the Taxpayer's appeal brief, in which it defenses that those profits were subjected because the balance of retained earnings at the beginning of the period for the investee company reached (6,953,960,000) riyals while the distributions reached



(12,000,000,000) riyals, which means that the distribution was made from the year's profits distributed after being subjected to Zakat; whereas the Defendant clarified in its responsive memorandum that the distributions were not subjected to Zakat because the balance of retained earnings was reduced by the distributions to bring the balance to zero, and thus it was not subjected to Zakat. Upon reviewing the defenses and documents presented by both parties, it is clear that the dispute between the parties to the lawsuit lies in the Taxpayer's request to deduct received dividend distributions from investments from the adjusted net profit to prevent duplication and ensure their non-subjection to Zakat. By referring to the statement of changes in equity attached to the Defendant's responsive memorandum for the investee company, Company, it is clear that the distributions were made partly from retained earnings and partly from the year's profits. Whereas the Defendant did not provide proof that the received profits were all made from retained earnings—which would result in not considering that the amounts the Taxpayer requests to deduct were not subjected to Zakat in the Zakat base of Company—the Circuit consequently deems valid the Taxpayer's claim under this item.

Regarding Bank Company, and whereas the Taxpayer states that Bank distributed interim dividends for the year 2017 AD in the amount of one billion and 50 million after being subjected to Zakat, as they are profits pertaining to the year 2017 AD and occurred during the year; whereas the Defendant responded to the Taxpayer's defense stating that through the Zakat Declaration of Bank, it was revealed that what was added from the retained earnings balance was the beginning-of-period balance minus distributions, which resulted in a negative retained earnings balance, meaning those distributions were not subjected to Zakat. Upon reviewing the defenses and documents presented by both parties, it is clear that the dispute between the parties to the lawsuit lies in the Taxpayer's request to deduct received dividend distributions from investments from the adjusted net profit to prevent duplication and ensure their non-subjection to Zakat. By referring to the statement of changes in equity attached to the Defendant's responsive memorandum for the investee company, Bank, and part of the Bank's returns attached to the Defendant's responsive memorandum, as well as what the Taxpayer attached to its appeal, it is clear that those distributions are distributions made from the beginning-of-period retained earnings balance, which was not subjected to Zakat at the level of the investee company because the beginning retained earnings balance was reduced by those distributions. Furthermore, the retained earnings balance is greater than the distributions, which means that the distributions were made from retained earnings and not from the year's profits; therefore, they are subject to Zakat, and this is not prejudiced by the Taxpayer's defense that they are interim distributions for the year under dispute, 2017 AD, because they are interim distributions that took place during that period but were made from the beginning-of-period retained earnings balance. Accordingly, the Circuit concludes to the invalidity of the Taxpayer's claim under this item. As for what concerns Bank Company, and whereas the Taxpayer states that Bank distributed interim dividends for the year 2017 AD in the amount of (1,141) riyals for the year 2017 AD after being subjected to Zakat, as they are profits pertaining to the year 2017 AD and occurred during the year; whereas the Defendant responded to what the Taxpayer stated, noting that



through the Zakat Declaration of Bank, those distributions were not subjected to Zakat because they were reduced by the beginning-of-period retained earnings balance, and therefore they were not subjected to Zakat. Upon reviewing the defenses and documents presented by both parties, it is clear that the dispute between the parties to the lawsuit lies in the Taxpayer's request to deduct received dividend distributions from investments from the adjusted net profit to prevent duplication and ensure their non-subjection to Zakat. By referring to the statement of changes in equity attached to the Defendant's responsive memorandum for the investee company, Bank, and part of the Bank's returns attached to the Defendant's responsive memorandum, as well as what the Taxpayer attached to its appeal, it is clear that those distributions are distributions made from the beginning-of-period retained earnings balance, which was not subjected to Zakat at the level of the investee company because the beginning retained earnings balance was reduced by those distributions. Furthermore, the retained earnings balance is greater than the distributions, which means that the distributions were made from retained earnings and not from the year's profits; therefore, they are subject to Zakat, and this is not prejudiced by the Taxpayer's defense that they are interim distributions for the year under dispute, 2017 AD, because they are interim distributions that took place during that period but were made from the beginning-of-period retained earnings balance. Accordingly, the Circuit deems invalid the Taxpayer's claim under this item. Regarding the remaining investee companies, the Taxpayer states that they are interim distributions and were subjected through the net profit, and that they must not be added to prevent Zakat duplication. Through the submitted documents, it appears that the Taxpayer did not provide proof that those distributions were made from the year's profits and were subjected to Zakat. Accordingly, the Circuit concludes to partially accept the Taxpayer's appeal and amend the decision of the Resolution Circuit regarding "deducting the distributions of Company from the adjusted net profit, and rejecting anything other than that regarding the distributions of other companies."

With respect to the item "Addition of a presumptive profit on the foreign purchases variance in the amount of 241,766", and whereas Clause (First/1) (Importers), Paragraph (3) of the Implementing Regulations for Zakat Collection, issued by Ministerial Resolution No. (2082) dated 01/06/1438 AH, stipulates: "..... 10% for others"; and based on Paragraph (3) of Article (20) of the Implementing Regulations for Zakat Collection, issued by Ministerial Resolution No. (2082) dated 01/06/1438 AH, which stipulates: "The burden of proving the accuracy of the items and any other data included in the Taxpayer's Zakat declaration falls on the Taxpayer. In the event that the Taxpayer is unable to prove the accuracy of what is stated in its declaration, the Authority may disallow the item whose accuracy has not been proven by the Taxpayer, or it may issue a presumptive assessment based on the Authority's perspective in light of the circumstances and facts related to the case and the information available to it". Based on the foregoing, and upon reviewing the documents attached to the case file, it is evident that the dispute centers on the Defendant's procedure of adding presumptive profits at a rate of (10%) resulting from variances in the amount of imports included in the Taxpayer's declaration compared to imports according to the Customs statement. Whereas the Taxpayer indicated that the variance is



attributable to a hotel owned by the company and classified the variance under domestic purchases; and upon reviewing the Taxpayer's Zakat declaration, it is revealed that local and foreign purchases stand at zero. However, the Taxpayer pleads that these purchases were disclosed within the direct costs reported in its consolidated financial statements relating to the costs of a hotel owned by the Taxpayer, the operational results of which are consolidated within the consolidated financial statements. Upon reviewing the Customs report, it is revealed that these purchases represent supplies and consumables related to the hotel services activity. Consequently, the Circuit concludes to accept the Taxpayer's appeal and annul the decision of the Resolution Circuit with respect to the item "Addition of a presumptive profit on the foreign purchases variance."

Whereas with respect to the remaining items subject of the case, and whereas The Circuit is not precluded from adopting the reasons of the appealed decision without adding to it whenever it deems that those reasons suffice without citing any new ones, because by endorsing it with what those reasons carried, it is confirmed that it found nothing in the challenges directed at the decision that deserves a response beyond what those reasons included. And since it is established that the appealed decision regarding the dispute concerning the appealed items was consistent with the sound reasons upon which it was based and which are sufficient to carry its ruling, as the issuing Circuit undertook the examination of the merits of the dispute therein and concluded regarding it to the result reached in its operative part. And whereas this Circuit has not noticed anything requiring correction or comment regarding it in light of the defenses raised before it. This leads the Circuit to conclude the Rejection of the Taxpayer's appeal and affirming the appealed Resolution Circuit's decision regarding the result it reached in the remaining items subject of the lawsuit, based on its reasons.

Based on the foregoing, and adopting the aforementioned grounds, the Circuit unanimously rendered the following decision:

Decision:

First: Acceptance of the appeal procedurally, filed by the Appellant / Taxpayer: Company, Commercial Registration No. (.....), Taxpayer Identification Number (.....), against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Riyadh City, No. (IFR-2024-216297), issued in Case No. (Z-216297-2023) relating to the Zakat assessment for the year 2017 AD.

Second: On the Merits:

1. Acceptance of the Taxpayer's appeal partially and amending the decision of the Resolution Circuit regarding the item "Deduction of distributions of Company from the adjusted net profit, and rejection of all other distributions from other companies".
2. Acceptance of the Taxpayer's appeal and annulment of the decision of the Resolution Circuit regarding the item "Addition of a presumptive profit on the foreign purchases variance".



3. Rejection of the Taxpayer's appeal and affirming the decision of the Resolution Circuit regarding the item "Addition of credit balances to the Zakat base".
4. Rejection of the Taxpayer's appeal and affirming the decision of the Resolution Circuit regarding the item "Deferred Revenues".
5. Rejection of the Taxpayer's appeal and affirming the decision of the Resolution Circuit regarding the item "Disallowing the deduction of an amount of a related entity".



Appeal Committee for Tax Violations and Disputes First Appeal Circuit for Income Tax Violations and Disputes in Riyadh City

Decision No. IR-2025-169140

Case No. Z-2023-169140

Keywords:

Zakat – Amendments to Net Profit – Expenses – Accrued Expenses – Settlement.

Summary:

The Taxpayer appealed the decision of the Resolution Circuit relating to the Zakat assessment for the years 2016 AD to 2018 AD, challenging several items, most notably accrued expenses, other liabilities, and carried-forward losses. With respect to the item of "other liabilities" for the year 2016 AD, the Circuit established the partial settlement of the dispute in the amount of SAR 20,646,881, after the Authority stated in its supplementary brief that it accepted the Taxpayer's objection based on the detailed transaction history matching the financial statements. Furthermore, the Circuit established the settlement of the dispute regarding the item of "carried-forward losses" for the years under dispute, as a result of the Authority's acceptance of the Taxpayer's requests contained in its supplementary brief and in application of Article (70) of the Law of Sharia Procedures. As for the remaining items, such as accrued expenses, prepaid expenses, and available-for-sale investments, the Circuit upheld the decision of the Resolution Circuit, as nothing was submitted that necessitates rectification, adopting its underlying grounds. The decision concluded by recording the settlement of the dispute regarding the agreed-upon items, while rejecting the Taxpayer's appeal and affirming the assessment regarding all other matters.

Document

- Paragraph (5) of Item (First) of Article (4) of the Implementing Regulations for Zakat Collection, issued by Ministerial Resolution of His Excellency the Minister of Finance No. (2082) dated 01/06/1438 AH.

Facts:

This is to consider the appeal submitted on: 12/01/2023 AD, by/, National ID No. (.....), in her capacity as the proxy of the Appellant Company pursuant to Power of Attorney No. (.....), dated 10/05/1444 AH, and the Private Legal Entity Pleading License No. (.....), against the decision of the Third Circuit for the Resolution of Income Tax Violations and Disputes in Riyadh City, No. (ITR-2022-6045), issued in Case No. (Z-55843-



2021) relating to the Zakat assessment for the years from 2016 AD to 2018 AD, in the lawsuit filed by the Appellant against the Zakat, Tax and Customs Authority, the operative part of which decided as follows:

First: Procedurally:

Acceptance of the objection in the lawsuit filed by/ Company (Commercial Registration No.), against/ the Zakat, Tax and Customs Authority.

Second: On the Merits:

- 1- With respect to the item of "Liabilities Under Settlement and Provisions":
 - A. To record the resolution of the dispute concerning the item of "Addition of Liabilities Under Settlement and Other Technical Provisions."
 - B. To amend the Respondent's decision concerning the item of "Premium Reserves."
- 2- To amend the Respondent's decision concerning the item of "Adjusted Carried-Forward Losses for the year 2018 AD."
- 3- To reject all other objections.

Whereas this decision did not meet the acceptance by the Taxpayer, the Taxpayer submitted an appeal brief which was reviewed by the Circuit, the substance of which was that the Taxpayer demands the acceptance of its appeal and the reversal of the Resolution Circuit's decision.

On Tuesday, dated 02/07/2024 AD, the First Appeal Circuit for Income Tax Violations and Disputes held its hearing in the presence of its members whose names are recorded in the minutes, via visual communication in accordance with the procedures for remote electronic litigation; based on Clause No. (1) of Article (15) of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Order No. (25711) dated 08/04/1445 AH. Upon calling upon the litigants, there appeared Ms. _____, National ID No. (_____), in her capacity as the attorney for the Appellant by virtue of Power of Attorney No. (_____), and there appeared Ms. _____ (National ID No. _____), in her capacity as the representative for the Appellee/ Zakat, Tax and Customs Authority, by virtue of an authorization issued by the Governor of the Zakat, Tax and Customs Authority's Deputy for Legal Affairs under No. (_____) and dated 19/03/1445 AH. In this hearing, the representative for the Appellant requested a stay of proceedings in the lawsuit to pursue a settlement, and upon presenting this to the representative for the Authority, she responded in agreement. Accordingly, the Circuit decided to stay proceedings in the lawsuit pursuant to Article (43) of the Rules of Operation for Zakat, Tax, and Customs Committees, which provides for a stay of proceedings in a lawsuit for a period not exceeding (one hundred and eighty) days.

On Tuesday, dated 21/01/2025 AD, the First Appeal Circuit for Income Tax Violations and Disputes held its hearing at exactly 12:31, in the presence of its members whose names are recorded in the minutes, via visual communication in accordance with the procedures for remote electronic litigation; based on Clause No. (1) of



Article (15) of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Order No. (25711) dated 08/04/1445 AH. Upon calling upon the litigants, there appeared Ms. _____, National ID No. (_____), in her capacity as the attorney for the Appellant by virtue of Power of Attorney No. (_____) issued on 21/11/1445 AH, and Advocacy License No. (_____), and there appeared the representative for the Appellee / Ms. _____ (National ID No. _____), by virtue of an authorization issued by the Deputy Governor of the Zakat, Tax and Customs Authority for Legal Affairs under No. (_____) and dated 19/03/1445 AH. Upon asking the Taxpayer's attorney as to what she wished to add, she stated that she adheres to what was previously submitted in this lawsuit. Upon asking the representative for the Authority as to what she wished to add, she stated that she had submitted a supplementary memorandum under Request No. (_____. The Appellant's attorney requested to review and respond to the memorandum; accordingly, the Circuit decided to grant the Taxpayer a period of (10) days to respond thereto, ending on the date of: 31/01/2025 AD, after which date the pleadings shall be closed, and the lawsuit will be reserved for deliberation and the issuance of the decision. The Circuit shall not accept any new documents or memoranda that were not submitted prior to the aforementioned date. The next hearing, scheduled for 11/02/2025 AD, shall be the session for the pronouncement of the decision.

On Tuesday, dated 11/02/2025 AD, the First Appeal Circuit for Income Tax Violations and Disputes held its hearing at exactly 09:00 AM, in the presence of its members whose names are recorded in the minutes, via visual communication in accordance with the procedures for remote electronic litigation; based on Clause No. (1) of Article (15) of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Order No. (25711) dated 08/04/1445 AH. Upon calling upon the litigants, there appeared Ms. _____, National ID No. (_____), in her capacity as the attorney for the Appellant by virtue of Power of Attorney No. (_____) issued on 21/11/1445 AH, and Pleading License for Private Legal Entities No. (_____), and there appeared the representative for the Appellee / Ms. _____ (National ID No. _____), by virtue of an authorization issued by the Deputy Governor of the Zakat, Tax and Customs Authority for Legal Affairs under No. (_____) and dated 19/03/1445 AH. Upon asking the Appellant's attorney as to what she wished to add, she stated that she adheres to what was previously submitted in this lawsuit. Upon presenting this to the representative for the Appellee, she responded by adhering to what was previously submitted in this lawsuit. Upon asking both parties as to what they wished to add, they decided to suffice with what had been previously submitted. Following the closure of the pleadings and deliberation:

Grounds:

Whereas upon reviewing the case documents and the appeal brief submitted by the Taxpayer, it has been established to the Circuit that the conditions for reviewing the appeal procedurally have been satisfied in accordance with the conditions stipulated in the relevant laws, regulations, and decisions; accordingly, the



appeal request is procedurally admissible, having been submitted by a capacity-holding party within the statutory period prescribed for its execution.

On the merits, and whereas regarding the Taxpayer's appeal concerning the item of "Accrued Expenses and Other Liabilities for the year 2016 AD," and whereas Paragraph (5) of Item (First) of Article (4) of the Implementing Regulations for Zakat Collection, issued by Ministerial Resolution No. (2082) dated 01/06/1438 AH, stipulates that: "The Zakat base consists of all the Taxpayer's funds subject to Zakat, including: ... 5- Government and commercial loans and their equivalents from other sources of financing, such as creditors, notes payable, and Bank Overdrafts, for which the Taxpayer is liable, in accordance with the following: (a) The remaining cash amount for which one Zakat year (Al-Hawl) has passed. (b) Amounts used to finance assets held for personal use. (c) Amounts used in trade goods for which one Zakat year (Al-Hawl) has passed." Based on the foregoing, and whereas the dispute lies in the Authority's addition of accrued expenses and other liabilities for the year 2016 AD to the Zakat base, and whereas the parties to the lawsuit submitted supplementary memoranda, and upon reviewing the Authority's supplementary memorandum submitted on 21/01/2025 AD, it was revealed that the Authority stated that it accepted the Taxpayer's objection partially with respect to the item of other liabilities, by adding an amount of SAR (729,119) instead of SAR (21,376,000) in accordance with the detailed transaction history submitted by the Taxpayer, which matches the certified financial statements. With respect to the item of advance payments for the year 2016 AD, the Authority stated that the Taxpayer did not provide the detailed transaction history to verify the existence of balances over which one Zakat year (Al-Hawl) had been completed, which demonstrates the correctness of the Authority's action in adding the balances that completed one Zakat year (Al-Hawl) from the advance payments, represented by the following:

- Accrued commissions in the amount of SAR (2,101,635).
- Employees' salaries and benefits in the amount of SAR (4,509,189).
- Advance payments from customers in the amount of SAR (8,672,000).

From the foregoing, it is revealed that the total amount that completed one Zakat year (Al-Hawl) for the year 2016 AD is SAR (16,011,943). Accordingly, the Circuit concludes to record the partial resolution of the dispute regarding the item of other liabilities in the amount of SAR (20,646,881), reject the amount that completed one Zakat year (Al-Hawl) in the amount of SAR (729,119), and reject the Taxpayer's appeal regarding accrued expenses in a total amount of SAR (15,282,824) for the year 2016 AD.

Regarding the Taxpayer's appeal concerning the item of (Carried-Forward Adjusted Losses for the years 2016 AD to 2018 AD): Whereas Article (70) of the Law of Sharia Procedures, issued by Royal Decree No. (\$M/1\$) dated 22/01/1435 AH, stipulates that: "Litigants may, at whatever stage the case is in, request the court to record their agreement, whether an acknowledgment, settlement, or otherwise, in the hearing minutes, and the court shall Issue an instrument to that effect." Furthermore, Paragraph (1) of Article (70) of the Implementing



Regulations of the Law of Sharia Procedures, issued by Minister of Justice Resolution No. (39933) dated 19/05/1435 AH, stipulates that: "If the agreement occurs prior to the recording of the case, the substance of the case and the response must be documented before recording the agreement, taking into account that the origin of the case falls within the jurisdiction of the Circuit, even if the substance of the agreement falls within the jurisdiction of another court or Circuit, provided that the subject matter of the case, or part thereof, is among the agreed-upon matters." Based on the foregoing, and whereas the final settlement of the dispute has been established by virtue of the Authority's acceptance of the Taxpayer's requests, as stated in its letter included in the supplementary memorandum, which provides: "The Authority informs your esteemed Circuit of its acceptance of the Taxpayer's objection..." Accordingly, this Circuit concludes to record the settlement of the dispute regarding the item of (Carried-Forward Adjusted Losses for the years 2016 AD to 2018 AD).

Whereas, with respect to the Taxpayer's appeal concerning the remaining items subject matter of the case, and whereas The Circuit is not precluded from adopting the reasons of the appealed decision without adding to it whenever it deems that those reasons suffice without citing any new ones, because by endorsing it with what those reasons carried, it is confirmed that it found nothing in the challenges directed at the decision that deserves a response beyond what those reasons included. And since it is established that the appealed decision regarding the dispute concerning the appealed items was consistent with the sound reasons upon which it was based and which are sufficient to carry its ruling, as the issuing Circuit undertook the examination of the merits of the dispute therein and concluded regarding it to the result reached in its operative part. And whereas this Circuit has not noticed anything requiring correction or comment regarding it in light of the defenses raised before it. This leads the Circuit to conclude the Rejection of the Taxpayer's appeal and affirming the appealed Resolution Circuit's decision regarding the result it reached in the remaining items subject of the lawsuit, based on its reasons.

Based on the foregoing, and adopting the aforementioned grounds, the Circuit unanimously rendered the following decision:

Decision:

First: Acceptance of the appeal procedurally, filed by the appellant Taxpayer / Company, Commercial Registration No. (.....), Taxpayer Identification Number (.....), against the decision of the Third Circuit for the Resolution of Income Tax Violations and Disputes in Riyadh City, No. (ITR-2022-6045), issued in Case No. (Z-55843-2021) relating to the Zakat assessment for the years 2016 AD to 2018 AD.

Second: On the Merits:

- 1- Regarding the Taxpayer's appeal concerning the item of (Accrued Expenses and Other Liabilities for the year 2016 AD):



- A- To record the settlement of the dispute regarding the item of other liabilities for the year 2016 AD in the amount of (20,646,881) Riyals, reject the remaining amount upon which one Zakat year (Al-Hawl) had passed in the amount of (729,119) Riyals, and amend the decision of the Resolution Circuit.
- B- Rejection of the appeal regarding the item of accrued expenses for the year 2016 AD in a total amount of (15,282,824) Riyals, and uphold the decision of the Resolution Circuit.
- 2- Rejection of the Taxpayer's appeal and affirming the decision of the Resolution Circuit by adding the amount upon which one Zakat year (Al-Hawl) had passed in the amount of (7,923,214) Saudi Riyals regarding the item of (Accrued Expenses and Other Liabilities for the year 2018 AD).
- 3- Rejection of the Taxpayer's appeal and affirming the decision of the Resolution Circuit regarding the item of (Outstanding Claims and Reserves (Other Technical Reserves) for the year 2018 AD).
- 4- Rejection of the Taxpayer's appeal and affirming the decision of the Resolution Circuit regarding the item of (Available-for-Sale Investments for the years 2016 AD to 2018 AD).
- 5- To record the settlement of the dispute regarding the item of (Carried-Forward Adjusted Losses for the years 2016 AD to 2018 AD).
- 6- Rejection of the Taxpayer's appeal and affirming the decision of the Resolution Circuit regarding the item of (Prepaid Expenses for the years 2016 AD to 2018 AD).
- 7- Rejection of the Taxpayer's appeal and affirming the decision of the Resolution Circuit regarding the item of (Government Receivables for the year 2018 AD).



Appeal Committee for Tax Violations and Disputes First Appeal Circuit for Income Tax Violations and Disputes in Riyadh City

Decision No. IR-2025-168151

Case No. Z-2023-168151

Keywords:

Zakat – Amendments to Net Profit – Imports – Imports Variance – Settlement.

Summary:

Both the Taxpayer and the Authority appealed the decision of the Resolution Circuit relating to the Zakat assessment for the year 2011 AD. The Taxpayer challenged the rejection of its objections to several items including provisions and accounts payable, whereas the Authority appealed regarding the amendment of the imports variance procedure. Regarding the Authority's appeal, the Circuit concluded to accept its request for the abandonment of litigation and the withdrawal of its appeal relating to the imports variance item, in accordance with its supplementary memorandum. As for the Taxpayer's appeal, the Circuit recorded the settlement of the dispute across several items including trade discounts, commission provision, customs provision, and dues to banks, based on the Authority's acceptance of the Taxpayer's requests in its supplementary memorandum. The Circuit also recorded the settlement of the dispute regarding the two items of accounts payable and credit accounts and accrued expenses, following the agreement of both parties to amend the amounts added to the base to become (255,480) Riyals and (1,186,587) Riyals, respectively. With respect to the remaining items, such as retained earnings and post-dated checks, the Circuit upheld the decision of the Resolution Circuit due to the soundness of its reasoning. The operative part of the decision ruled to accept the abandonment of litigation by the Authority, record the settlement of the dispute for the agreed items, reject the Taxpayer's appeal, and uphold the assessment across all other matters.

Document:

- Article (70) of the Law of Sharia Procedures, issued by Royal Decree No. (\$M/1\$) dated 22/01/1435 AH.
- Paragraph (1) of Article (70) of the Implementing Regulations of the Law of Sharia Procedures, issued by Minister of Justice Resolution No. (39933) dated 19/05/1435 AH.

Facts:



This is to consider the appeal submitted on 08/01/2023 AD by / Company (.....), Commercial Registration No. (.....), and the appeal filed on 29/01/2023 AD by / the Zakat, Tax and Customs Authority, against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Jeddah Governorate, No. (IZJ-2024-85825), issued in Case No. (Z-85825-2021) relating to the Zakat assessment for the year 2011 AD, in the lawsuit filed by the Taxpayer against the Zakat, Tax and Customs Authority, wherein the decision of the Resolution Circuit ruled as follows:

Recording the Settlement of the Dispute due to the Plaintiff's Acceptance of the Defendant's Amendment Made in the Answer Memorandum Dated 07/05/2024 AD.

Whereas the Resolution Circuit issued its aforementioned decision and reviewed the case anew as a result of the decision of this Appellate Circuit No. (IR-2024-168151), which concluded to remand the case to the Resolution Circuit for substantive review regarding the item of (Advance Payments from Customers); And whereas on Thursday, dated 26/06/2025 AD, the Circuit directed to remand the case to the Resolution Circuit to re-draft the decision to be inclusive of all items subject of the case, and to return it to the Appeals Committee inclusive of all requests of the Plaintiff for adjudication; As a result of that request, the First Circuit for the Resolution of Income Tax Violations and Disputes in Jeddah Governorate issued its decision No. (IZJ-2025-85825) in Case No. (Z-85825-2021), which ruled as follows:

- First: To amend the Defendant's procedure regarding the item of Imports Variance, in accordance with the underlying grounds of the decision.
- Second: To reject the Plaintiff's objection regarding the item of trade discounts provision.
- Third: To reject the Plaintiff's objection regarding the item of commission provision.
- Fourth: To reject the Plaintiff's objection regarding the item of customs provision.
- Fifth: To reject the Plaintiff's objection regarding the item of accounts payable.
- Sixth: To reject the Plaintiff's objection regarding the item of credit balances due to Company.
- Seventh: To reject the Plaintiff's objection regarding the item of bank dues.
- Eighth: To reject the Plaintiff's objection regarding the item of retained earnings.
- Ninth: To reject the Plaintiff's objection regarding the item of accounts payable (..... Company).
- Tenth: To reject the Plaintiff's objection regarding the item of post-dated checks issued.
- Eleventh: To reject the Plaintiff's objection regarding the item of investments in corporate capital.
- Twelfth: To record the settlement of the dispute due to the Plaintiff's acceptance of the Defendant's amendment made in the answer memorandum dated 07/05/2024 AD.



Whereas this decision did not meet the acceptance by the Taxpayer, it filed an appeal brief which was reviewed by the Circuit, the substance of which included that the Taxpayer requests the acceptance of its appeal and the annulment of the Resolution Circuit's decision; and whereas this decision was also not accepted by the Authority, it filed an appeal brief which was reviewed by the Circuit, the substance of which included that the Authority requests the acceptance of its appeal and the annulment of the Resolution Circuit's decision.

On Tuesday, dated 05/08/2025 AD, the First Appeal Circuit for Income Tax Violations and Disputes held its hearing at exactly 09:00 AM in the presence of its members whose names are recorded in the minutes, via electronic communication in accordance with remote litigation procedures, based on the provisions of Clause No. (1) of Article (15) of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Order No. (25711) dated 08/04/1445 AH. Upon calling upon the litigants, there appeared Mr., National ID No. (.....), in his capacity as the proxy for the Taxpayer by virtue of Power of Attorney No. (.....) issued on 25/08/1445 AH, and Attorney License No. (.....). There also appeared the representative of the Authority, Ms. (National ID No.), by virtue of an authorization issued by the Deputy Governor of the Zakat, Tax and Customs Authority for Legal Affairs under No. (.....) dated 19/03/1445 AH. Upon questioning the Taxpayer's proxy as to what he wished to add, he stated that he adheres to what was previously submitted in this case. Upon questioning him as to whether he had reviewed the Authority's supplementary memorandum, he answered in the negative and requested a grace period to review and respond. Upon presenting this to the Authority's representative, she responded by adhering to what was previously submitted in this case and requested a grace period to respond in the event the Circuit decided to grant the Taxpayer a grace period. Accordingly, the Circuit decided to adjourn the hearing session of the case and grant the Taxpayer a period of (10) days to submit its response, expiring on 15/08/2025 AD, and to grant the Authority a period of (10) days to submit its response, expiring on 25/08/2025 AD. After this date, the pleadings shall be closed, and the case shall be reserved for deliberation and issuance of the decision. The Circuit will not accept any new documents or memoranda that were not submitted prior to the aforementioned date, provided that the next hearing shall be on 02/09/2025 AD.

On Tuesday, dated 02/09/2025 AD, the First Appeal Circuit for Income Tax Violations and Disputes held its hearing at exactly 09:00 AM in the presence of its members whose names are recorded in the minutes, via electronic communication in accordance with remote litigation procedures, based on the provisions of Clause No. (1) of Article (15) of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Order No. (25711) dated 08/04/1445 AH. Upon calling upon the litigants, there appeared Mr., National ID No. (.....), in his capacity as the proxy for the Taxpayer by virtue of Power of Attorney No. (.....) issued on 25/08/1445 AH, and Attorney License No. (.....). There also appeared the representative of the Authority, Ms. (National ID No.), by virtue of an authorization issued by the Deputy Governor of the Zakat, Tax and Customs Authority for Legal Affairs under No. (.....) dated 19/03/1445 AH. Therefore, the Circuit decides to close the pleadings and reserve the case for adjudication.



Grounds:



Whereas upon reviewing the case documents and the appeal briefs submitted by the Taxpayer and the Zakat, Tax and Customs Authority, it has been established to the Circuit that the conditions for reviewing the appeal procedurally have been satisfied in accordance with the conditions stipulated in the relevant laws, regulations, and decisions; accordingly, both appeals are procedurally admissible, having been submitted by capacity-holding parties within the statutory period prescribed for their submission.

On the merits, and whereas regarding the Authority's appeal concerning the item of (Imports Variance for the year 2011 AD); and whereas Article (70) of the Law of Sharia Procedures issued by Royal Decree No. (M/1) dated 22/01/1435 AH stipulates that: "Litigants may, at whatever stage the case is in, request the court to record their agreement, whether an acknowledgment, settlement, or otherwise, in the hearing minutes, and the court shall Issue an instrument to that effect." And whereas Paragraph (1) of Article (70) of the Implementing Regulations of the Law of Sharia Procedures issued by Minister of Justice Resolution No. (39933) dated 19/05/1435 AH stipulates that: "If the agreement occurs prior to the recording of the case, the substance of the case and the response must be documented before recording the agreement, taking into account that the origin of the case falls within the jurisdiction of the Circuit, even if the substance of the agreement falls within the jurisdiction of another court or Circuit, provided that the subject matter of the case, or part thereof, is among the agreed-upon matters." Based on the foregoing, and whereas it has been proven to this Circuit that the Authority requested the abandonment of litigation in accordance with what was stated in the letter issued by it in the supplementary memorandum, which included: "In the event your esteemed Circuit decides to overlook the procedural aspect of the Authority's appeal as detailed under item (First) of the Authority's appeal brief, we inform your honor that the Authority withdraws its appeal specifically regarding the aforementioned item and any procedures resulting from the Authority's appeal for this item, in accordance with the findings concluded by the Resolution Circuit's underlying grounds." An outcome which leads the Circuit to accept the Authority's request for the abandonment of litigation regarding the item of (Imports Variance for the year 2011 AD).

With respect to the Taxpayer's appeal regarding the item of "Trade Discounts," the item of "Commission Provision," the item of "Customs Provision," and the item of "Due to Banks": Whereas Article (70) of the Law of Sharia Procedures, issued by Royal Decree No. (M/1) dated 22/01/1435 AH, stipulates that: "Litigants may, at whatever stage the case is in, request the court to record their agreement, whether an acknowledgment, settlement, or otherwise, in the hearing minutes, and the court shall Issue an instrument to that effect." Also, Paragraph (1) of Article (70) of the Implementing Regulations of the Law of Sharia Procedures, issued by Minister of Justice Resolution No. (39933) dated 19/05/1435 AH, stipulates that: "If the agreement occurs prior to the recording of the case, the substance of the case and the response must be documented before recording the agreement, taking into account that the origin of the case falls within the jurisdiction of the Circuit, even if



the substance of the agreement falls within the jurisdiction of another court or Circuit, provided that the subject matter of the case, or part thereof, is among the agreed-upon matters." Based on the foregoing, and whereas it has been proven that the dispute has been settled by the Authority's acceptance of the Plaintiff's requests in accordance with what was stated in its letter included in the supplementary brief, which reads: "In the event that the esteemed Circuit overlooks the Authority's appeal against the decision of the Adjudication Committee which ruled to accept the case in terms of form, the Authority informs your Excellency that it accepts the Taxpayer's objection specifically regarding the above-mentioned items, and requests your Excellency to record the settlement of the dispute regarding them." Accordingly, the Circuit is obligated to record the settlement of the dispute regarding the item of "Trade Discounts," the item of "Commission Provision," the item of "Customs Provision," and the item of "Due to Banks."

With respect to the Taxpayer's appeal regarding the item of "Accounts Payable" and the item of "Credit Balances and Accruals": Whereas Article (70) of the Law of Sharia Procedures, issued by Royal Decree No. (M/1) dated 22/01/1435 AH, stipulates that: "Litigants may, at whatever stage the case is in, request the court to record their agreement, whether an acknowledgment, settlement, or otherwise, in the hearing minutes, and the court shall Issue an instrument to that effect." Also, Paragraph (1) of Article (70) of the Implementing Regulations of the Law of Sharia Procedures, issued by Minister of Justice Resolution No. (39933) dated 19/05/1435 AH, stipulates that: "If the agreement occurs prior to the recording of the case, the substance of the case and the response must be documented before recording the agreement, taking into account that the origin of the case falls within the jurisdiction of the Circuit, even if the substance of the agreement falls within the jurisdiction of another court or Circuit, provided that the subject matter of the case, or part thereof, is among the agreed-upon matters." Based on the foregoing, and whereas it has been proven that the dispute has been settled by the Authority's acceptance of the Plaintiff's requests in accordance with what was stated in its letter included in the supplementary brief, which reads: "In the event that the esteemed Circuit overlooks the Authority's appeal against the decision of the Adjudication Committee which ruled to accept the case in terms of form, the Authority informs your Excellency that it accepts the Taxpayer's objection to the two items mentioned above by adding an amount of SAR 255,480 instead of SAR 9,042,079 to the base regarding the accounts payable of '..... Company' as per the Taxpayer's calculation, and adding an amount of SAR 1,186,587 instead of SAR 31,435,177 regarding the item of credit balances and accruals of '..... Company' as per the Taxpayer's calculation, whereby the dispute with the Taxpayer regarding the two items shall be settled." Accordingly, the Circuit is obligated to record the settlement of the dispute regarding the item of "Accounts Payable" by adding an amount of (255,480) Riyals instead of (9,042,079) Riyals, and to record the settlement of the dispute regarding the item of "Credit Balances and Accruals" by adding an amount of (1,186,587) Riyals instead of (31,435,177) Riyals.

And whereas, regarding the Taxpayer's appeal concerning the remaining items subject matter of the case; and whereas The Circuit is not precluded from adopting the reasons of the appealed decision without adding to it



whenever it deems that those reasons suffice without citing any new ones, because by endorsing it with what those reasons carried, it is confirmed that it found nothing in the challenges directed at the decision that deserves a response beyond what those reasons included. And since it is established that the appealed decision regarding the dispute concerning the appealed items was consistent with the sound reasons upon which it was based and which are sufficient to carry its ruling, as the issuing Circuit undertook the examination of the merits of the dispute therein and concluded regarding it to the result reached in its operative part. And whereas this Circuit has not noticed anything requiring correction or comment regarding it in light of the defenses raised before it. This leads the Circuit to conclude the Rejection of the Taxpayer's appeal and affirming the appealed Resolution Circuit's decision regarding the result it reached in the remaining items subject of the lawsuit, based on its reasons.

Based on the foregoing, and adopting the aforementioned grounds, the Circuit unanimously rendered the following decision:

Decision:

First: Acceptance of the appeal in terms of form filed by the Taxpayer/ Company, Commercial Registration No. (.....), Taxpayer Identification Number (.....), and the appeal filed by the Zakat, Tax and Customs Authority, against the decision of the Third Circuit for the Resolution of Income Tax Violations and Disputes in Riyadh City, No. (ITR-2024-204682), issued in Case No. (Z-204682-2023) relating to the Zakat assessment for the year 2017 AD.

Second: On the Merits:

1. Acceptance of the abandonment of litigation regarding the Authority's appeal on the item of "Imports Variance for the year 2011 AD."
2. Recording the settlement of the dispute regarding the Taxpayer's appeal on the item of "Trade Discounts."
3. Recording the settlement of the dispute regarding the Taxpayer's appeal on the item of "Commission Provision."
4. Recording the settlement of the dispute regarding the Taxpayer's appeal on the item of "Customs Provision."
5. Recording the settlement of the dispute regarding the Taxpayer's appeal on the item of "Accounts Payable," by adding an amount of (255,480) Riyals instead of (9,042,079) Riyals.
6. Recording the settlement of the dispute regarding the Taxpayer's appeal on the item of "Credit Balances and Accruals," by adding an amount of (1,186,587) Riyals instead of (31,435,177) Riyals.
7. Recording the settlement of the dispute regarding the Taxpayer's appeal on the item of "Due to Banks."



8. Rejection of the Taxpayer's appeal and affirming the decision of the Resolution Circuit regarding the item of "Retained Earnings."
9. Rejection of the Taxpayer's appeal and affirming the decision of the Resolution Circuit regarding the item of "Accounts Payable (..... Company) for the year 2011 AD."
10. Rejection of the Taxpayer's appeal and affirming the decision of the Resolution Circuit regarding the item of "Post-Dated Cheques Issued."
11. Rejection of the Taxpayer's appeal and affirming the decision of the Resolution Circuit regarding the item of "Investments in Corporate Capitals."



Appeal Committee for Tax Violations and Disputes
First Appeal Circuit for Income Tax Violations and Disputes
in Riyadh City

Decision No. IR-2025-246766

Case No. Z-2024-246766

Keywords:

Zakat – Amendments to Net Profit – Assessment – Annulment of a previous decision prior to the entry into force of the Operating Rules of the Committees – Acceptance of the Taxpayer's appeal.

Summary:

The Taxpayer appealed the decision of the Resolution Circuit regarding the Zakat assessment for the fiscal year 2016 AD, which ruled that the lawsuit was procedurally inadmissible pursuant to Article (5) of the Operating Rules of the Zakat, Tax, and Customs Committees. In its appeal, the Taxpayer argued that the attached documents were overlooked and that a force majeure event existed—namely, the COVID-19 pandemic—and requested the annulment of the decision. The Appellate Circuit concluded to accept the appeal and annul the decision of the Resolution Circuit. It determined that the disputed assessment was issued in 2018 G, which predates the effective date of the current Operating Rules of the Committees. Consequently, applying those rules against the assessment would constitute a retroactive application of regulations, thereby violating established legal principles. The operative part of the decision ruled to remand the case to the Resolution Circuit for a substantive review of its merits.

Document:

- Article (5) of the Operating Rules of the Zakat, Tax, and Customs Committees, issued by Royal Order No. (25711) dated 08/04/1445 AH.

Facts:

This case was scheduled to review the appeal filed on December 26, 2024 AD, by Mr. / _____, National ID No. (_____), in his capacity as the legal representative of the Appellant by virtue of Power of Attorney No. (_____) dated 17/07/1444 AH, and Attorney-at-Law License No. (_____).

The appeal challenges the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Dammam City, No. (IZD-2024-240168), issued in Lawsuit No. (Z-240168-2024) concerning the Zakat



assessment for the fiscal year 2016 AD. The lawsuit was originally initiated by the Taxpayer against the Zakat, Tax and Customs Authority (ZATCA), wherein the Resolution Circuit ruled as follows:

"The Plaintiff's lawsuit for the year 2016 AD is procedurally inadmissible."

As this decision was not accepted by the Taxpayer, it submitted an appeal brief which was reviewed by the Circuit and contained the following arguments:

The Taxpayer appeals the decision of the Resolution Circuit and objects to the Zakat assessment for the year 2016 AD, pleading that the documents attached to the lawsuit by the Defendant were overlooked. It further cited the presence of a force majeure event—the COVID-19 pandemic—and asserted that the Authority violated the statutory provisions. The brief concluded with a request to accept the appeal procedurally and substance, and to annul the decision of the Resolution Circuit.

On Monday, July 7, 2025 AD, the First Appeal Circuit for Income Tax Violations and Disputes held its session at 12:27 PM in the presence of its members whose names are recorded in the minutes. The session was conducted virtually via electronic visual communication channels in accordance with remote litigation procedures, pursuant to Paragraph (1) of Article (15) of the Operating Rules of the Zakat, Tax, and Customs Committees, issued by Royal Order No. (25711) dated 08/04/1445 AH. Upon calling upon the litigants, Mr. / _____, National ID No. (_____), attended in his capacity as the representative of the Appellant by virtue of Power of Attorney No. (_____) issued on 02/05/1446 AH, and Attorney-at-Law License No. (_____. The representative of the Appellee, Mr. / _____ (National ID No. _____), attended by virtue of Delegation No. (_____) issued by ZATCA's Deputy Governor for Legal Affairs dated 19/03/1445 AH. Whereas the case is ripe for judgment in its current state, the pleadings were closed, and the Circuit entered into deliberation.

Grounds:

Whereas, upon reviewing the case documents and the appeal brief submitted by the Taxpayer, it has been established to the Circuit that all procedural requirements for hearing the appeal have been satisfied in accordance with the provisions set forth in the relevant laws, regulations, and decisions. Accordingly, the appeal is procedurally admissible, having been submitted by a capacity-holding party within the prescribed statutory period.

On the merits, and regarding the Taxpayer's appeal against the Zakat assessment for the fiscal year 2016 AD: Whereas the Resolution Circuit based its ruling of procedural inadmissibility on Article (5) of the Operating Rules of the Zakat, Tax, and Customs Committees, issued by Royal Order No. (25711) dated 08/04/1445 AH; and whereas the assessment subject of the lawsuit was issued against the Taxpayer on June 3, 2018 G, which is a date prior to the entry into force of the current Operating Rules of the Zakat, Tax, and Customs Committees; it follows that the contested decision, under these circumstances, applied the statutory text retroactively.



Therefore, based on the principle of non-retroactivity of laws, the Circuit concludes to accept the Taxpayer's appeal, annul the decision of the Resolution Circuit, and remand the case to the said circuit for a substantive review of its merits.

In light of the foregoing, and adopting the grounds stated above, the Circuit unanimously rendered the following decision:

Decision:

First: Acceptance of the appeal procedurally, filed by the Taxpayer / _____, National ID No. (_____), Tin No. (_____), against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Dammam City, No. (IZD-2024-240168), issued in Lawsuit No. (Z-240168-2024) relating to the Zakat assessment for the year 2016 AD.

Second: On the Merits:

Acceptance of the Taxpayer's appeal, annulment the decision of the Resolution Circuit, and remanding the case to the Resolution Circuit for a substantive review of its merits.



Appeal Committee for Tax Violations and Disputes First Appeal Circuit for Income Tax Violations and Disputes in Riyadh City

Decision No. IR-2025-247707

Case No. Z-2025-247707

Keywords:

Zakat – Amendments to Net Profit – Assessment – Acceptance of the Taxpayer's Petition for Reconsideration

Summary:

The Taxpayer filed a petition for reconsideration against the decision of the Appellate Circuit, which had ruled the formal inadmissibility of its appeal for the fiscal years 2017 and 2018. The core ground for the petition rested on the existence of a contradiction between the decision's underlying grounds and its operative part. Specifically, the reasoning indicated that the attorney had submitted the appeal under the letterhead of a professional company that was not licensed, whereas it was conclusively established to the Circuit upon reviewing the petition that the said professional company was duly registered with the Saudi Bar Association and licensed to practice law and legal consultations. Pursuant to Article (200) of the Law of Sharia Procedures, the Circuit concluded to accept the petition for reconsideration on the merits, annul its previous decision, and rule in its operative part to remand the case to the Appellate Circuit for a substantive review.

Document:

- Article (200) of the Law of Sharia Procedures, issued by Royal Decree No. (M/1) dated 22/01/1435 AH.

Facts:

The case was convened to review the petition submitted on 16/02/2025 by Mr., holding National ID No. (.....), in his capacity as the attorney-in-fact for the Petitioning Company under Power of Attorney No. (.....) dated 25/12/1445 AH and Law License No. (.....). The petition challenges the decision of the First Appeal Circuit for Income Tax Violations and Disputes, No. (IR-2025-244451), issued in Case No. (Z-244451-2024) concerning the Zakat assessments for the years 2017 and 2018, wherein the Appellate Circuit originally ruled as follows: "To declare the appeal formally inadmissible from its submitter, the Taxpayer, Company, Commercial Registration No. (.....), Taxpayer Identification Number (.....), against the decision of the Second Circuit for the Resolution of Income Tax Violations and Disputes in Riyadh, No. (ISR-2024-234449), issued in Case No. (Z-234449-2024) concerning the Zakat assessments for the years 2017 and 2018."



Whereas this decision did not meet the acceptance of the Taxpayer, the Taxpayer submitted a petition brief for reconsideration, which was reviewed by the Circuit, demanding the reversal and annulment of the Appellate Circuit's decision.

On Thursday, 27/02/2025, the First Appeal Circuit for Income Tax Violations and Disputes held its session at 08:00 AM in the presence of its members whose names are recorded in the minutes, via visual communication in accordance with remote litigation procedures. This was based on the provisions of Clause (1) of Article (15) of the Rules of Operation for Zakat, Tax, and Customs Committees, issued by Royal Order No. (25711) dated 08/04/1445 AH. Upon reviewing the petition request, the submitted memoranda, and the documents and papers contained within the case file, and after due deliberation, and whereas the case is ripe for judgment in its current state, the Circuit decided to close the pleadings and reserve the case for adjudication.

Grounds:

After reviewing the petition file and the papers and documents contained therein; and whereas Article (200) of the Law of Sharia Procedures, issued by Royal Decree No. (M/1) dated 22/01/1435 AH, stipulates that: 1. Any of the litigants has the right to petition for a reconsideration of final judgments in the following instances: **a-** If the judgment was built upon papers that were proven forged after the judgment, or built upon testimony that a competent authority ruled—after the judgment—to be perjury. **b-** If the petitioner, after the judgment, obtained conclusive papers in the case that were impossible to produce before the judgment. **c-** If fraud was committed by the opponent that would influence the judgment. **d-** If the judgment ruled for something not requested by the litigants or ruled for more than what was requested. **e-** If the operative part of the judgment contradicts itself. **f-** If the judgment was rendered *in absentia*. **g-** If the judgment was issued against a person who was not properly represented in the case. 2. Anyone who considers the judgment a binding argument against them, and who was not joined or did not intervene in the case, has the right to petition for a reconsideration of final judgments. Based on the foregoing, and whereas the Taxpayer's petition centers on the fact that the decision's underlying grounds supported the formal admissibility of the appeal, whereas the operative part concluded with formal inadmissibility; and upon the Circuit's contemplation of the contested decision, which included in its grounds the following text: "Upon the Circuit's review of the appeal, and whereas it became clear to the Circuit that the applicant for the appeal is a licensed lawyer practicing the legal profession, who submitted the appeal on the letterhead of a professional company that is not licensed to practice law..." However, looking at the activities of the professional company on whose letterhead the Taxpayer submitted its appeal, it is revealed that its activities include advocacy and legal consultations. Furthermore, the Taxpayer attached the legal firm registration certificate for the professional company on whose letterhead the appeal was submitted, issued by the Saudi Bar Association under No. (.....) dated 18/03/2024. Accordingly, the Circuit concludes to accept the petition for reconsideration on the merits, annul the Appellate Circuit's decision, and remand the case to the Appellate Circuit for a substantive review.



Based on the foregoing and incorporating the aforementioned grounds, the Circuit unanimously rendered the following decision:

Decision:

First: Procedurally:

To accept the petition for reconsideration submitted by the Taxpayer, [Company Name], Commercial Registration No. [...], TIN. [...], against the decision of the First Appeal Circuit for Income Tax Violations and Disputes, No. (IR-2025-244451), issued in Case No. (Z-244451-2024) concerning the Zakat assessments for the years 2017 AD and 2018 AD.

Second: On the Merits:

To accept the petition for reconsideration on the merits, annul the decision of the Appellate Circuit, and remand the case back to the Appellate Circuit to review and adjudicate its merits.



Appeal Committee for Tax Violations and Disputes First Appeal Circuit for Income Tax Violations and Disputes in Riyadh City

Decision No. IR-2025-246659

Case No. Z-2024-246659

Keywords:

Zakat – Amendments to Net Profit – Investments – Exclusion of the Deduction of 2013 Investments – Settlement

Summary:

The Taxpayer appealed the decision of the Resolution Circuit regarding the Zakat assessment for the years from 2011 AD to 2014 AD, which ruled to reject its objection to the item of investments and financial assets, while recording the expiration of the litigation for other items, including the partners' current accounts, provisions, and properties. With respect to the item of investments and financial assets for the years 2013 AD and 2014 AD, the Circuit recorded the end of the dispute between the two parties following the Taxpayer's acceptance of the Authority's procedure to exclude the deduction of those investments due to the presence of sale transactions during the two mentioned years. Regarding the same item for the years 2011 AD and 2012 AD, as well as the remaining items under appeal, the Circuit concluded to reject the Taxpayer's appeal and uphold the decision of the Resolution Circuit based on its underlying grounds due to the soundness of the concluded outcome. The operative part of the decision ruled to accept the appeal procedurally, and on the merits, to record the end of the dispute for the years 2013 AD and 2014 AD, and to reject the appeal and uphold the assessment regarding the remaining items.

Document:

- Article (70) of the Law of Sharia Procedures, issued by Royal Decree No. (M/1) dated 22/01/1435 AH.
- Paragraph (1) of Article (70) of the Implementing Regulations of the Law of Sharia Procedures, issued by Minister of Justice Resolution No. (39933) dated 19/05/1435 AH.

Facts:

This is to consider the appeal submitted on 18/12/2024 AD, by /, National ID No. (.....), in his capacity as the legal representative of the Appellant Company by virtue of the Articles of Association, against the decision of the Second Circuit for the Resolution of Income Tax Violations and Disputes in Riyadh City, No. (ISR-2024-240158), issued in Case No. (Z-240158-2024) relating to the Zakat assessment for the years from



2011 AD to 2014 AD, in the case filed by the Taxpayer against the Zakat, Tax and Customs Authority, wherein the decision of the Resolution Circuit ruled as follows:

- 1- To reject the Plaintiff's objection to the item of investments and financial assets for the years from 2011 AD to 2014 AD.
- 2- To record the expiration of the litigation for the item of partners' current accounts for the year 2012 AD (related parties) in the amount of SAR 45,000, in accordance with the grounds.
- 3- To record the expiration of the litigation for the item of the company's book net profit for the year 2014 AD, in accordance with the grounds.
- 4- To record the expiration of the litigation for the item of provisions for the year 2014 AD in the amount of SAR 2,144, in accordance with the grounds.
- 5- To record the expiration of the litigation for the item of properties for the year 2014 AD in the amount of SAR 8,445,394, in accordance with the grounds.

Whereas the Resolution Circuit issued its aforementioned decision and considered the case anew as a result of the decision of this Circuit No. (IR-2022-368) issued on 12/10/2022 AD, which directed to remand the case to the Resolution Circuit for substantive review, the Circuit accordingly decided to complete the consideration of the case. Whereas the contested decision did not meet the acceptance of the Taxpayer, it submitted an appeal brief which was reviewed by the Circuit and summarized that the Taxpayer requests the acceptance of its appeal and the annulment of the contested decision of the Resolution Circuit.

On Tuesday, dated 17/06/2025 AD, the First Appeal Circuit for Income Tax Violations and Disputes held its session at 11:30 AM in the presence of its members whose names are recorded in the minutes, via visual communication in accordance with remote litigation procedures, based on the provisions of Clause No. (1) of Article (15) of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Order No. (25711) dated 08/04/1445 AH. Upon calling upon the litigants, there appeared /, National ID No., in his capacity as representative of the Appellant by virtue of the independent contract for company management No. (.....). There also appeared the representative of the Authority /, National ID No., virtue of an authorization issued by the Deputy Governor of the Zakat, Tax and Customs Authority for Legal Affairs No. (.....) dated 19/03/1445 AH. Upon questioning the Appellant's representative as to what he wished to add, he stated that he adheres to what was previously submitted in this case. Upon presenting this to the Authority's representative, she responded by adhering to what was previously submitted in this case. Upon questioning both parties as to what they wished to add, they resolved to rest on what was previously submitted.



Grounds:

Whereas, upon reviewing the case documents and the appeal brief submitted by the Taxpayer, it has been established to the Circuit that the conditions for reviewing the appeal procedurally have been satisfied in accordance with the conditions stipulated in the relevant laws, regulations, and decisions; accordingly, the appeal request is procedurally admissible, having been submitted by a capacity-holding party within the statutory period prescribed for its submission.

On the merits, and regarding the Taxpayer's appeal concerning the item of (investments and financial assets for the years 2013 AD and 2014 AD), and whereas Article (70) of the Law of Sharia Procedures, issued by Royal Decree No. (M/1) dated 22/01/1435 AH, stipulates that: "Litigants may, at whatever stage the case is in, request the court to record their agreement, whether an acknowledgment, settlement, or otherwise, in the hearing minutes, and the court shall Issue an instrument to that effect." Furthermore, Paragraph (1) of Article (70) of the Implementing Regulations of the Law of Sharia Procedures, issued by Minister of Justice Resolution No. (39933) dated 19/05/1435 AH, stipulates that: "If the agreement occurs prior to the recording of the case, the substance of the case and the response must be documented before recording the agreement, taking into account that the origin of the case falls within the jurisdiction of the Circuit, even if the substance of the agreement falls within the jurisdiction of another court or Circuit, provided that the subject matter of the case, or part thereof, is among the agreed-upon matters." Based on the foregoing, it has been proven to the Circuit that the dispute between the two parties has ended, following the Taxpayer's acceptance of the Authority's procedure in accordance with the responsive memorandum submitted by it, which included: "...Accordingly, we agree with the esteemed Authority on the exclusion of the deduction of 2013 investments (SAR 14,613,861) and 2014 investments (SAR 5,128,208) due to the presence of a sale transaction during these two years." Consequently, the Circuit concludes to record the end of the dispute regarding the Taxpayer's appeal on the item of (investments and financial assets for the years 2013 AD and 2014 AD).

Regarding the Taxpayer's appeal against the remaining items, and whereas The Circuit is not precluded from adopting the reasons of the appealed decision without adding to it whenever it deems that those reasons suffice without citing any new ones, because by endorsing it with what those reasons carried, it is confirmed that it found nothing in the challenges directed at the decision that deserves a response beyond what those reasons included. And since it is established that the appealed decision regarding the dispute concerning the appealed items was consistent with the sound reasons upon which it was based and which are sufficient to carry its ruling, as the issuing Circuit undertook the examination of the merits of the dispute therein and concluded regarding it to the result reached in its operative part. And whereas this Circuit has not noticed anything requiring correction or comment regarding it in light of the defenses raised before it. This leads the Circuit to conclude the Rejection of the Taxpayer's appeal and affirming the appealed Resolution Circuit's decision regarding the result it reached in the remaining items subject of the lawsuit, based on its reasons.



Based on the foregoing, and adopting the aforementioned grounds, the Circuit unanimously rendered the following decision:

Decision:

First: Acceptance of the appeal procedurally, filed by the appellant Taxpayer, Company, Commercial Registration No. (.....), Taxpayer Identification Number (.....), against the decision of the Second Circuit for the Resolution of Income Tax Violations and Disputes in Riyadh City, No. (ISR-2024-240158), issued in Case No. (Z-240158-2024) relating to the Zakat assessment for the years from 2011 AD to 2014 AD.

Second: On the Merits:

- 1- With respect to the Taxpayer's appeal against the item of "Investments and Financial Assets for the years from 2011 AD to 2014 AD":
 - A- Rejection of the Taxpayer's appeal and affirming the decision of the Resolution Circuit regarding the years 2011 AD and 2012 AD.
 - B- Recording the end of the dispute regarding the Taxpayer's appeal against the item for the years 2013 AD and 2014 AD.



Appeal Committee for Tax Violations and Disputes
First Appeal Circuit for Income Tax Violations and Disputes
in Riyadh City

Decision No. IR-2025-246624

Case No. Z-2024-246624

Keywords:

Zakat – Amendments to Net Profit – Assessment – Objection to a Presumptive Assessment – Acceptance of the Taxpayer's Appeal.

Summary:

The Taxpayer appealed the decision of the Resolution Circuit regarding the presumptive Zakat assessment for the year 1444 AH, which had ruled that the Circuit lacked Jurisdictional Competence to hear the case. The Taxpayer claimed that the Authority issued an incorrect assessment on wealth over which one Zakat year (Al-Hawl) had not passed, suspended its services, and subsequently deleted the amount after the lawsuit was filed without lifting the suspension of services. Upon reviewing the appeal, the Authority clarified that it had cancelled the disputed assessment, while maintaining that a request to lift the suspension of services must be submitted to the competent department within the Authority. The Appellate Circuit concluded to annul the decision of the Resolution Circuit due to the incorrectness of the ruling on the lack of Jurisdictional Competence, and decided to dismiss the case due to the Lack of subject matter following the Authority's cancellation of the assessment. Furthermore, the operative part of the decision ruled to obligate the Authority to lift the suspension of services imposed on the Taxpayer in this case.

Document:

- Article (5) of the Rules of Operation for Zakat, Tax, and Customs Committees, issued by Royal Order No. (25711) dated 08/04/1445 AH.

Facts:

This is to consider the appeal submitted on 17/12/2024 AD, by/, National ID No. (.....), against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Dammam City, No. (IZD-2024-242823), issued in Case No. (Z-242823-2024) relating to the presumptive Zakat assessment for the year 1444 AH, in the lawsuit filed by the Appellant against the Zakat, Tax and Customs Authority, wherein the Resolution Circuit's decision ruled as follows:



"The Circuit lacks Jurisdictional Competence to hear the case."

As this decision was not accepted by the Taxpayer, it submitted an appeal brief, which has been reviewed by the Circuit, summarizing the following:

With respect to the Taxpayer's appeal against the decision of the Resolution Circuit regarding the "Presumptive Zakat Assessment for the year 1444 AH," the Taxpayer requests the reversal of the Resolution Circuit's decision, pleading that the Defendant assessed Zakat on wealth over which one Zakat year (Al-Hawl) had not passed. The Taxpayer further added that the Defendant deleted the amount after the date the lawsuit was filed, rather than before it, and that the suspension of services has not yet been lifted.

On Tuesday, corresponding to May 27, 2025 AD, the First Appeal Circuit for Income Tax Violations and Disputes held its session at exactly 11:46 AM, in the presence of its members whose names are recorded in the minutes, via visual communication in accordance with remote litigation procedures. This is based on the provisions of Clause No. (1) of Article (15) of the Rules of Operation for Zakat, Tax, and Customs Committees, issued by Royal Order No. (25711) dated 08/04/1445 AH. Upon calling upon the litigants, there appeared Mr., National Identity No. (.....), in his capacity as the Appellant in person. The representative of the Appellee, Ms. (National Identity No.), also attended by virtue of an authorization issued by the Deputy Governor of the Zakat, Tax and Customs Authority for Legal Affairs under No. (.....) dated 19/03/1445 AH. Upon asking the Appellant if he wished to add anything, he stated that the Defendant had issued an invalid Zakat assessment and suspended his services. He noted that after the lawsuit was filed, the Defendant deleted the amount only without lifting the suspension of services, and its memorandum did not indicate that it took the necessary measures to hold the person responsible accountable. He added that the lawsuit was submitted before the deletion of the amount, not after, and that the Resolution Circuit should have deleted the amount and its consequences. He further argued that the Defendant is supposed to take the necessary measures against the person responsible. Upon being asked if his services were still suspended, he answered in the affirmative, stating that this had harmed him and his family, and that the amounts assessed against him by the Authority were not deleted until after the lawsuit was filed. He requested the Circuit to delete the amount and lift the suspension of services. By presenting this to the representative of the Appellee, she replied that with respect to the period under dispute, the Authority has canceled the assessment. As for the suspension of services, she stated that this is not a request to be brought before the Circuit, but should rather be submitted to the competent department within the Authority. Upon asking both parties if they wished to add anything further, they resolved to suffice with what had been previously submitted.

Grounds:

Whereas, upon reviewing the case documents and the appeal brief submitted by the Taxpayer, it has been established to the Circuit that the conditions for reviewing the appeal procedurally have been satisfied in accordance with the conditions stipulated in the relevant laws, regulations, and decisions; accordingly, the



appeal request is procedurally admissible, having been submitted by a capacity-holding party within the statutory period prescribed for its submission.

On the merits, and whereas the Taxpayer's appeal concerns the (Presumptive Zakat Assessment for the year 1444 AH), and pursuant to Article (Third) of the Rules of Operation for Zakat, Tax, and Customs Committees, issued by Royal Order No. (25711) dated 08/04/1445 AH, which stipulates that: "1- The circuits of the Zakat and Tax Adjudication Committee shall have jurisdiction over the following: a- Adjudicating violations, disputes, and public and private right claims arising from the application of the provisions of Zakat and tax laws and regulations. b- Adjudicating objections filed by interested parties against decisions issued by the Authority in application of the provisions of Zakat and tax laws and regulations." Based on the foregoing, and since the aforementioned Article stipulates the jurisdiction of the Resolution Circuits to decide on violations and disputes arising from the application of the provisions of Zakat and tax laws and regulations, and on objections of interested parties against decisions issued by the Authority, it becomes evident that the approach taken by the Resolution Circuit in its issued decision—ruling that the Circuit lacked Jurisdictional Competence to hear the case is incorrect. And whereas the Authority submitted a responsive memorandum dated 29/10/2024 AD stating the cancellation of the presumptive Zakat assessment under dispute; and since the Defendant has withdrawn its decision, the Taxpayer's appeal stands without subject matter, which negates one of the essential elements of the lawsuit. Consequently, the Circuit concludes to annul the decision of the Resolution Circuit, rule to dismiss the case due to the Lack of subject matter, and obligate the Authority to lift the suspension of services imposed on the Taxpayer in this case.

Based on the foregoing, and adopting the abovementioned grounds, the Circuit has decided by majority as follows:

Decision:

First: Acceptance of the appeal procedurally, filed by the Taxpayer/, National Identity No. (.....), TIN (.....), against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Dammam City, No. (IZD-2024-242823), issued in Case No. (Z-242823-2024) relating to the presumptive Zakat assessment for the year 1444 AH.

Second: On the Merits: To annul the decision of the Resolution Circuit, rule to dismiss the case due to the Lack of subject matter, and obligate the Authority to lift the suspension of services imposed on the Taxpayer in this case.



Appeal Committee for Tax Violations and Disputes First Appeal Circuit for Income Tax Violations and Disputes in Riyadh City

Decision No. IR-2025-246601

Case No. Z-2024-246601

Keywords:

Zakat – Amendments to Net Profit – Assessment – Legality of Reopening an Assessment and Amending a Zakat Declaration – Acceptance of the Taxpayer's Appeal

Summary:

The Taxpayer appealed the decision of the Resolution Circuit regarding the presumptive Zakat assessment for the year 2015 AD, which had rejected the Taxpayer's previous objection. In its appeal, the Taxpayer argued that the Authority's decision was procedurally defective for violating Paragraph (7) of Article (21) of the Implementing Regulations for Zakat Collection, as the assessment notice failed to state the amount of Zakat due and the specific items that were adjusted. Upon reviewing the case file, the Circuit found that the Authority had amended the Zakat Declaration based on the existence of financial statements for the sole proprietorship; however, the assessment notice addressed to the Taxpayer omitted the details of the Zakat amount and the adjusted items. The Appeals Circuit concluded that this omission deprives the decision of its character as a valid administrative decision, rendering it procedurally defective. The operative part of the decision ruled to accept the Taxpayer's appeal procedurally and substance, annul the decision of the Resolution Circuit, and annul the Authority's procedure representing the Zakat assessment for the year 2015 AD.

Document:

- Paragraph (7) of Article (21) of the Implementing Regulations for Zakat Collection, issued by Ministerial Resolution No. (2082) dated 01/06/1438 AH.

Facts:

This is to consider the appeal submitted on 15/12/2024 AD by, National ID No. (.....), in his capacity as the owner of, Commercial Registration No. (.....), against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Dammam City, No. (IZD-2024-241254), issued in Case No. (Z-241254-2024) relating to the presumptive Zakat assessment for the year 2015 AD, in the lawsuit filed by the Taxpayer against the Zakat, Tax and Customs Authority. The decision of the Resolution Circuit ruled as follows:



"To reject the Plaintiff's objection regarding the Zakat assessment for the year 2015 AD."

As this decision was not accepted by the Taxpayer, he submitted an appeal brief which included the following:

The Taxpayer appeals the decision of the Resolution Circuit, and his appeal focuses on the presumptive Zakat assessment for the year 2015 AD. He argued that the Authority's decision violated Paragraph (7) of Article (21) of the Implementing Regulations for Zakat Collection, as it was procedurally defective and failed to satisfy formal requirements since the Authority did not state the amount of Zakat due. He added that the Resolution Circuit failed to discuss the Taxpayer's objection regarding the Defendant's violation of the provisions of the Implementing Regulations for Zakat Collection.

On Monday, 19/05/2025 AD, the First Appeals Circuit for Income Tax Violations and Disputes held its hearing at 12:30 PM, in the presence of its members whose names are recorded in the minutes, via visual communication in accordance with remote litigation procedures, and pursuant to Clause (1) of Article (15) of the Rules of Operation for Zakat, Tax, and Customs Committees, issued by Royal Order No. (25711) dated 08/04/1445 AH. Upon calling upon the litigants, the representative of the Appellee (the Authority), (National ID No.), appeared by virtue of an authorization issued by the Deputy Governor of the Zakat, Tax and Customs Authority for Legal Affairs under No. (.....) dated 19/03/1445 AH. Neither the Appellant nor any representative on his behalf appeared, despite it being legally proven that he was duly notified of the date of this hearing. When asked if she had anything to add, the representative of the Appellee stated that she adhered to what was previously submitted in this case. Following the closure of pleadings and during deliberation, the Circuit noted the absence of the Appellant or his representative. Pursuant to Paragraph (1) of Article (28) of the Implementing Regulations for Methods of Objecting to Judgments, which stipulates: "If the appellant fails to attend any hearing session and (sixty) days elapse from the date of the hearing without requesting the continuation of the case during this period, the court shall rule the forfeiture of their right to appeal." Based on the text of that paragraph, the proceedings are stayed, and the Appellant may request the continuation of the case within sixty days from the date of this hearing; otherwise, his right to appeal shall be forfeited. Accordingly, the Circuit unanimously decided to temporarily stay the proceedings.

On Monday, 23/06/2025 AD, the First Appeals Circuit for Income Tax Violations and Disputes held its hearing at 11:30 AM, in the presence of its members whose names are recorded in the minutes, via visual communication in accordance with remote litigation procedures, and pursuant to Clause (1) of Article (15) of the Rules of Operation for Zakat, Tax, and Customs Committees, issued by Royal Order No. (25711) dated 08/04/1445 AH. Upon calling upon the litigants, the Appellant appeared in person,, National ID No., and the representative of the Authority, (National ID No.), also appeared by virtue of the authorization issued by the Deputy Governor of the Zakat, Tax and Customs Authority for Legal Affairs under No. (.....) dated 19/03/1445 AH. When asked if she had anything to add, the representative of the Appellee stated that she adhered to what was previously submitted in this case. Upon presenting this to the Appellant,



he responded that he adhered to what was previously submitted in this case. When both parties were asked if they wished to add anything further, they decided to rest their case on what had been previously submitted.

Grounds:



Upon reviewing the case documents and the appeal brief submitted by the Taxpayer, it has been established to the Circuit that the conditions for reviewing the appeal procedurally have been satisfied in accordance with the conditions stipulated in the relevant laws, regulations, and decisions. Accordingly, the appeal request is procedurally admissible, having been submitted by a capacity-holding party within the statutory period prescribed for its submission.

On the merits of the appeal filed by the Taxpayer regarding the presumptive Zakat assessment for the year 2015 AD: Whereas Paragraph (7) of Article (21) of the Implementing Regulations for Zakat Collection, issued by Ministerial Resolution No. (2082) dated 01/06/1438 AH, stipulates the following: "7- If the Authority deems it necessary to amend the Taxpayer's declaration, it shall notify them of the amendments made to their Zakat Declaration, the grounds for the amendment, the amount of Zakat due, their right to object, and the statutory period specified for objection. The notification shall be by registered mail or by any other means proving receipt of the notification, including notification through official electronic services." Furthermore, Paragraph (8) of the same Article stipulates that: "8- The Authority shall have the right to conduct or amend the assessment at any time without being restricted by a statutory period in the following cases: a- If the Taxpayer agrees in writing to the conducting or amendment of the assessment. b- If the Taxpayer fails to submit their return. c- If it is revealed that the return contains incorrect information." Based on the foregoing, and upon the Circuit's review of the statement of appeal and the submissions made by the parties during the memorandum exchange phase, the Appellant argued that the Authority's decision is procedurally defective and fails to meet the formal requirements, due to the absence of an essential element of a valid administrative decision, thereby violating Paragraph (7) of Article (21) of the Implementing Regulations for Zakat Collection. The Appellant also argued that Zakat had been previously paid in prior periods. Conversely, the Appellee stated that it calculated the Zakat amount pursuant to the powers vested in it, as it was revealed that financial statements for the sole proprietorship existed at the Ministry of Commerce, whereas the Taxpayer was being assessed on a presumptive basis by the Authority. Given that the sole proprietorship did not disclose or submit the financial statements to the Authority, and whereas the financial statements are the primary basis for assessing Taxpayers for Shari'ah Zakat because they fairly reflect the measurement of the entity's financial events—provided they are prepared on an accrual basis in accordance with the financial accounting standards issued by the Saudi Organization for Certified Public Accountants (SOCPA), which constitute the statutory basis for preparing an entity's financial statements—the Authority consequently maintains its right to conduct or amend the assessment at any time without being restricted by a statutory period if the return does not contain correct information, relying on Paragraph (8) of Article (21) of the Implementing Regulations for Zakat Collection



mentioned above. Upon reviewing the Authority's decision, it became evident to the Circuit that it stated the following: "The following return items have been amended: Based on the financial statements." This indicates that the Authority amended the return and issued the assessment decision due to the existence of financial statements for the Appellant, and calculated the Zakat based on those financial statements; meaning that the Authority did include the grounds for the amendment within its assessment decision. However, the assessment notice did not include the amount of Zakat due or the specific items that were amended, which renders the Authority's decision procedurally defective for failing to meet the formal requirements that must be satisfied in an administrative decision. Consequently, the Authority's decision lacks the character of a valid administrative decision pursuant to the provisions of Paragraph (7) of Article (21) of the Implementing Regulations for Zakat Collection. Accordingly, the Circuit concludes to accept the Taxpayer's appeal, annul the decision of the Resolution Circuit, and annul the Authority's procedure.

Based on the foregoing, and incorporating the aforementioned grounds, the Circuit unanimously rendered the following decision:

Decision:

First: Acceptance of the appeal procedurally, filed by the applicant, the Taxpayer /, National ID No. (.....), against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Dammam City, No. (IZD-2024-241254), issued in Case No. (Z-241254-2024) relating to the presumptive Zakat assessment for the year 2015 AD.

Second: On the Merits: To accept the Taxpayer's appeal, annul the decision of the Resolution Circuit, and annul the Authority's procedure.



Appeal Committee for Tax Violations and Disputes
First Appeal Circuit for Income Tax Violations and Disputes
in Riyadh City

Decision No. IR-2025-246600

Case No. Z-2024-246600

Keywords:

Zakat – Net Profit Amendments – Calculation – Paid Zakat – Acceptance of Taxpayer's Appeal.

Summary:

The Taxpayer appealed the decision of the Resolution Circuit regarding the Zakat assessment for the year 2014 AD, which had ruled to reject the Taxpayer's previous objection. In its appeal, the Taxpayer pleaded that the Zakat amount had been previously paid and challenged the validity of the decision for violating Paragraph (7) of Article (21) of the Implementing Regulations for Zakat Collection. Upon reviewing the case documents, the Authority acknowledged in its supplementary responsive memorandum that the Taxpayer had paid an amount of SAR 28,638 for the year 1435 AH, which is a period overlapping with the assessment year 2014 AD, and that this payment was not taken into account when the new assessment was issued. The Appellate Circuit concluded to partially accept the Taxpayer's appeal in this respect, and to amend the Authority's procedure by excluding the paid amount from the total assessment. Regarding the request to entirely annul the Zakat assessment for the year 2014 AD, the Circuit upheld the Resolution Circuit's decision to reject this request, based on its sound and valid reasoning as there was no ground for modification. The operative part of the decision ruled to accept the appeal procedurally, and on the merits, to uphold the decision of the Resolution Circuit regarding the item denying the annulment of the assessment, and to amend the Authority's procedure by excluding the paid amount valued at SAR 28,638.

Document:

- The Implementing Regulations for Zakat Collection, issued by Ministerial Resolution No. (2082) dated 01/06/1438 AH.

Facts:

This is to consider the appeal submitted on 15/12/2024 AD by /, National ID No. (.....), in his capacity as the owner of Establishment, Commercial Registration No. (.....), against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Dammam City, No. (IZD-2024-241247),



issued in Case No. (Z-241247-2024) relating to the presumptive Zakat assessment for the year 2014 AD, in the lawsuit filed by the Taxpayer against the Zakat, Tax and Customs Authority (ZATCA), where the Resolution Circuit ruled as follows:

"To reject the Plaintiff's objection regarding the Zakat assessment for the year 2014 AD."

Whereas this decision did not meet the acceptance of the Taxpayer, he filed an appeal brief that included the following:

The Taxpayer appeals the decision of the Resolution Circuit regarding the presumptive Zakat assessment for the year 2014 AD, pleading that the Authority's decision violated Paragraph (7) of Article (21) of the Implementing Regulations for Zakat Collection, as it was procedurally defective and failed to satisfy the formal requirements. He further added that the Zakat had been previously paid in prior periods.

On Monday, 19/05/2025 AD, the First Appeal Circuit for Income Tax Violations and Disputes held its session at 12:30 PM, in the presence of its members whose names are recorded in the minutes, via electronic communication channels in accordance with remote litigation procedures. This was based on the provisions of Clause (1) of Article (15) of the Rules of Operation for Zakat, Tax, and Customs Committees, issued by Royal Order No. (25711) dated 08/04/1445 AH. Upon calling upon the litigants, the representative of the Appellee, / (National ID No.), appeared by virtue of an authorization issued by the Deputy Governor of the Zakat, Tax and Customs Authority for Legal Affairs under No. (.....) dated 19/03/1445 AH. Neither the Appellant nor his representative attended, despite it being established that he was legally notified of the date of this session. When the representative of the Appellee was asked if she wished to add anything, she stated that she adheres to all submissions previously filed in this lawsuit. After closing the pleadings and entering into deliberation, and whereas the absence of the Appellant or his representative was established to the Circuit, and based on the text of Paragraph (1) of Article (28) of the Implementing Regulations of the Law of Sharia Procedures Concerning Means of Challenging Judgments, which stipulates: "If the appellant fails to appear at any pleading session and sixty (60) days elapse from the date of the session without the appellant requesting the continuation of the case during this period, the court shall rule that the appellant's right to appeal has been forfeited." Pursuant to the text of that paragraph, the proceedings in the lawsuit shall be stayed, and the Appellant may request the continuation of the proceedings within sixty days from the date of this session; otherwise, his right to appeal shall be forfeited. Accordingly, the Circuit unanimously rendered the following decision: To temporarily stay the proceedings in the lawsuit.

On Tuesday, 08/07/2025 AD, the First Appeal Circuit for Income Tax Violations and Disputes held its hearing at 12:41 PM, in the presence of its members whose names are recorded in the minutes, via visual communication in accordance with the remote litigation procedures; based on the provisions of Clause No. (1) of Article (15) of the Rules of Operation for Zakat, Tax, and Customs Committees, issued by Royal Order No. (25711) dated 08/04/1445 AH. Upon calling the litigants, the representative of the Appellee / (National



ID No.) attended, pursuant to an authorization issued by the Deputy Governor of the Zakat, Tax and Customs Authority for Legal Affairs under No. (.....) dated 19/03/1445 AH. Neither the Taxpayer nor anyone representing them attended, despite established statutory notification of the date of this hearing. Following the closure of pleadings and deliberation:

Grounds:

Whereas, upon reviewing the case documents and the appeal brief submitted by the Taxpayer, it has been established to the Circuit that the requirements for reviewing the appeal procedurally have been satisfied in accordance with the conditions stipulated in the relevant laws, regulations, and decisions; accordingly, the appeal request is procedurally acceptable, having been submitted by a capacity-holding party within the statutory period prescribed for its submission.

On the merits, and regarding the Taxpayer's appeal concerning the paid amount of SAR 28,638; whereas the Appellant argues that the Zakat amount was previously paid, and the Authority submitted a supplementary responsive memorandum (2) including the following: "After verifying the Taxpayer's documents and the data available to the Authority, it did not take into account the paid amounts when issuing the new assessment due to the overlapping of these years, given that the financial year for which the Taxpayer submitted its return is 1435 AH, in which it declared an amount of SAR 28,638... Therefore, the Authority states that it will take into account the amounts paid under the presumptive return for the year 1435 AH, amounting to SAR 28,638, from the assessment issued under the financial statements for the year 2014 AD." Accordingly, and upon the Circuit's review of the case file, and whereas the Appellant objects to the Authority's decision due to the prior payment of the Zakat amount; and whereas the Authority's decision stipulated that the Zakat amount for the year is SAR 159,591.43, while the Authority acknowledged in its supplementary responsive memorandum that the Taxpayer paid an amount of SAR 28,638 for the year 1435 AH, which overlaps with the period subject of the case (2014 AD); and whereas the Appellant submitted payment receipts proving its payment of the Zakat amount specified by the Authority in its responsive memorandum; the Circuit therefore concludes to accept the Taxpayer's appeal and amend the Authority's procedure by excluding the paid amount of SAR 28,638.

Regarding the Taxpayer's appeal concerning the item of (Annulment of the Zakat Assessment for the year 2014 AD); and whereas The Circuit is not precluded from adopting the reasons of the appealed decision without adding to it whenever it deems that those reasons suffice without citing any new ones, because by endorsing it with what those reasons carried, it is confirmed that it found nothing in the challenges directed at the decision that deserves a response beyond what those reasons included. And since it is established that the appealed decision regarding the dispute concerning the appealed items was consistent with the sound reasons upon which it was based and which are sufficient to carry its ruling, as the issuing Circuit undertook the examination of the merits of the dispute therein and concluded regarding it to the result reached in its operative part. And whereas this Circuit has not noticed anything requiring correction or comment regarding it in light of the



defenses raised before it. This leads the Circuit to conclude the Rejection of the Taxpayer's appeal and affirming the appealed Resolution Circuit's decision regarding the result it reached in the remaining items subject of the lawsuit, based on its reasons.

Based on the foregoing and adopting the aforementioned grounds, the Circuit unanimously rendered the following decision:

Decision:

First: Acceptance of the appeal procedurally, filed by the Appellant (the Taxpayer) /, National ID No. (.....), against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Dammam City No. (IZD-2024-241247), issued in Case No. (Z-241247-2024) relating to the presumptive Zakat assessment for the year 2014 AD.

Second: On the Merits:

- 1- To reject the Taxpayer's appeal and uphold the decision of the Resolution Circuit regarding the item of (Annulment of the Zakat Assessment for the year 2014 AD).
- 2- To accept the Taxpayer's appeal and amend the Authority's procedure by excluding the paid amount of SAR 28,638.



Appeal Committee for Tax Violations and Disputes First Appeal Circuit for Income Tax Violations and Disputes in Riyadh City

Decision No. IR-2025-246420

Case No. IR-2025-246420

Keywords:

Zakat – Amendments to Net Profit – Losses – Carried-Forward Losses – Acceptance of the Taxpayer's Appeal.

Summary:

The Taxpayer appealed the explanatory decision of the Resolution Circuit regarding the Zakat assessment for the year 2017 AD, which ruled to reject its request concerning the adjusted carried-forward losses. The Taxpayer claimed that the Authority refused to execute a prior decision directing the deduction of the adjusted losses amounting to SAR 723,928,698, and further challenged the explanatory decision of the Resolution Circuit on the grounds that it was erroneously related to another Taxpayer and a different lawsuit. Upon reviewing the matter, the Appellate Circuit found that the Taxpayer submitted a copy of the amended return proving the accuracy of its calculation of the carried-forward losses, whereas the Authority failed to provide anything to contest this calculation or address the actual matter under dispute. Based on Article (4) of the Implementing Regulations for Zakat Collection, which permits the deduction of the adjusted net carried-forward loss, the Circuit concluded that the Taxpayer is entitled to its request. The operative part of the decision ruled to accept the appeal procedurally and on the merits, annul the decision of the Resolution Circuit, and order the deduction of the entire adjusted carried-forward losses from the 2017 AD return in the aforementioned amount.

Document

- Paragraph (9) of Clause (Second) of Article (4) of the Implementing Regulations for Zakat Collection, issued by Ministerial Resolution No. (2082) dated 01/06/1438 AH.

Facts:

This is to consider the appeal submitted on 28/11/2024 AD by /, National ID No. (.....), in her capacity as the attorney for the Appellant company pursuant to Power of Attorney No. (.....) dated 17/12/1445 AH, and Law Practice License No. (.....), against the explanatory decision issued by the First Circuit for the



Resolution of Income Tax Violations and Disputes in Riyadh City regarding Decision No. (IFR-2024-204949) issued in Case No. (Z-204949-2023) relating to the Zakat assessment for the year 2017 AD, in the lawsuit filed by the Appellant against the Zakat, Tax and Customs Authority, wherein the Resolution Circuit ruled as follows:

"To reject the request of the Claimant / Company (TIN.)."

Whereas this decision did not meet the acceptance by the Taxpayer, it submitted an appeal brief reviewed by the Circuit, which included the following summary:

Regarding the Taxpayer's appeal against the decision of the Resolution Circuit, and specifically the item of (Adjusted Carried-Forward Losses for the year 2017 AD in the amount of SAR 723,928,698); the Taxpayer argues that following the issuance of the final decision by the Circuit establishing the end of the dispute between the Taxpayer and the Authority, the Taxpayer approached the Authority to execute the decision and adjust the value of the adjusted losses for the year 2017 AD in accordance with the company's objection, amounting to SAR 723,928,698. However, the Authority refused to execute the decision in favor of the Taxpayer and adhered to the contents of the Zakat assessment. Consequently, the Taxpayer applied to the Resolution Circuit requesting an amendment of the decision to align it with the operative part for the deduction of the full value of the adjusted losses from the Zakat base. Following deliberation, the Circuit rejected the request to amend the decision and stated that it would include the grounds for rejection within the decision. On 03/11/2024 AD, it was revealed that the Circuit attached an explanatory decision to the case file that does not relate to the company's request, but rather concerns another Taxpayer and a different lawsuit, which has caused the dispute between the parties to continue and prolonged the litigation. Accordingly, the Taxpayer requests the reversal of the Resolution Circuit's decision regarding the items subject of the appeal for the grounds stated above.

On Sunday, 24/08/2025 AD, the First Appeal Circuit for Income Tax Violations and Disputes held its hearing at 11:30 AM, in the presence of its members whose names are recorded in the minutes, via visual communication in accordance with the remote litigation procedures; based on the provisions of Clause No. (1) of Article (15) of the Rules of Operation for Zakat, Tax, and Customs Committees, issued by Royal Order No. (25711) dated 08/04/1445 AH. Upon calling the litigants, the representative of the Appellee / (National ID No.) attended, pursuant to an authorization issued by the Deputy Governor of the Zakat, Tax and Customs Authority for Legal Affairs under No. (.....) dated 19/03/1445 AH. No representative for the Appellant attended, despite established statutory notification of the date of this hearing. Following the closure of pleadings and deliberation.

Grounds:

Whereas, upon reviewing the case documents and the appeal brief submitted by the Taxpayer, it has been established to the Circuit that the requirements for reviewing the appeal procedurally have been satisfied in



accordance with the conditions stipulated in the relevant laws, regulations, and decisions; accordingly, the appeal is procedurally admissible, having been submitted by a capacity-holding party within the statutory period prescribed for its submission.

On the merits, and regarding the Taxpayer's appeal concerning the item of "Carried-forward losses adjusted for the year 2017 AD in the amount of SAR (723,928,698)", and whereas Paragraph (9) of Clause (Second) of Article (4) of the Implementing Regulations for Zakat Collection, issued by Ministerial Resolution No. (2082) dated 01/06/1438 AH, stipulates that: "The following shall be deducted from the Zakat base: 9- The net carried-forward loss adjusted in accordance with the Authority's assessment, after adding back provisions or reserves only, by which the loss was previously reduced in the year of their creation"; and based on the foregoing, whereas the core of the dispute concerns the Taxpayer's objection to the calculation of the adjusted carried-forward losses at the beginning of the period, while the Authority's response was restricted to adjusting the carried-forward losses by adding back the provisions by which the loss was previously reduced; and whereas the Authority indicated that in the year 2015 AD, it was revealed that there were losses resulting from depreciation variances in the amount of SAR (319,427,760), meaning that the Defendant's adjustment procedure for the year 2015 AD was carried out in the year 2017 AD instead of issuing an assessment or reopening the assessment for the year 2015 AD regarding the item under dispute; and upon reviewing the partial acceptance notice of the objection for the year 2016 AD, which included the following: "Your objection regarding the variance item in the amount of the adjusted carried-forward losses has been accepted"; and consequently, these losses are the subject matter of the appeal, and the Authority did not address this acceptance, nor did it address the actual subject matter of the dispute; and upon the Circuit's review of the Taxpayer's appeal brief, it was revealed that the Taxpayer submitted a copy of the amended return extracted from the system, which showed that the adjusted carried-forward losses for the year 2016 AD amounted to SAR (531,515,365); and accordingly, since the Authority failed to submit any evidence contesting the accuracy of the Appellant's calculation of the retained earnings at the beginning of the period, this Circuit concludes to accept the Taxpayer's appeal and annul the decision of the Resolution Circuit regarding the item of (deducting the full adjusted carried-forward losses from the 2017 return in the amount of SAR (723,928,698)).

Based on the foregoing, and adopting the aforementioned grounds, the Circuit unanimously rendered the following decision:

Decision:

First: Acceptance of the appeal procedurally, filed by the Taxpayer / Company, Commercial Registration No. (.....), Taxpayer Identification Number (.....), against the explanatory decision issued by the First Circuit for the Resolution of Income Tax Violations and Disputes in Riyadh City for Decision No. (IFR-2024-204949) issued in Case No. (Z-204949-2023) relating to the Zakat assessment for the year 2017 AD.

Second: On the Merits:



Acceptance of the Taxpayer's appeal and annulment of the decision of the Resolution Circuit regarding the item of (deducting the full adjusted carried-forward losses from the 2017 return in the amount of SAR (723,928,698)).



Appeal Committee for Tax Violations and Disputes First Appeal Circuit for Income Tax Violations and Disputes in Riyadh City

Decision No. IR-2025-246313

Case No. Z-2024-246313

Keywords:

Zakat – Amendments to net profit – Presumptive assessment – Annulment of a prior decision due to the issuance of the rules of operation of the committees – Acceptance of the Taxpayer's appeal.

Summary:

The Taxpayer appealed the decision of the Resolution Circuit regarding the Zakat assessment for the year 1438 AH, which had ruled that the case was procedurally inadmissible for being submitted after the lapse of the statutory period. The Taxpayer argued in its appeal that the lapse of the period does not constitute a sufficient reason to refuse the review of the merits, relying on the Islamic jurisprudence maxim "Do not harm and do not be harmed". Upon reviewing the case file, it was revealed to the Appeals Circuit that the Taxpayer was notified of the Authority's decision on 13/05/2019 AD, which is a date prior to the entry into force of the current Rules of Operation of the Committees. The Circuit concluded that the objection procedures during that period were governed by Article (22) of the Implementing Regulations for Zakat Collection issued by Ministerial Resolution No. (2082), which does not require the Taxpayer to file a case before the Committee, but rather obligates the Authority to escalate the objection if the dispute persists. Furthermore, the Circuit emphasized the principle of non-retroactivity of laws, rendering the Resolution Circuit's reliance on the current Rules a violation of the applicable statutory provisions. The operative part of the decision ruled to accept the appeal procedurally and on the merits, annul the decision of the Resolution Circuit, and remand the case to it for substantive review.

Document

- Paragraph (1) of Article (22) of the Implementing Regulations for Zakat Collection, issued by His Excellency the Minister of Finance's Resolution No. (2082) dated 01/06/1438 AH.

Facts:

This is to consider the appeal submitted on 21/11/2024 AD by/, National ID No. (.....), in his capacity as the owner of Trading Establishment, Commercial Registration No. (.....), against the decision of the



First Circuit for the Resolution of Income Tax Violations and Disputes in Dammam City, No. (IZD-2024-239315), issued in Case No. (Z-239315-2024) relating to the presumptive Zakat assessment for the year 1438 AH, in the case filed by the Appellant against the Zakat, Tax and Customs Authority, where the decision of the Resolution Circuit ruled as follows:

"Procedural inadmissibility of the Plaintiff's case."

As this decision did not find acceptance with the Taxpayer, it submitted an appeal brief, which was reviewed by the Circuit and summarized as follows:

Regarding the Taxpayer's appeal against the decision of the Resolution Circuit, the Taxpayer pointed out that the Resolution Circuit rejected the case procedurally due to its submission after the lapse of the statutory period, and argued that this does not constitute a sufficient reason for not reviewing the merits, relying on the Islamic jurisprudence maxim "Do not harm and do not be harmed".

On Tuesday, 20/05/2025 AD, the First Appeals Circuit for Income Tax Violations and Disputes held its hearing at 09:05 AM, in the presence of its members whose names are recorded in the minutes, via visual communication in accordance with the remote litigation procedures, pursuant to the provisions of Clause No. (1) of Article (15) of the Rules of Operation for Zakat, Tax, and Customs Committees, issued by Royal Order No. (25711) dated 08/04/1445 AH. Upon calling upon the litigants, there appeared/, National ID No. (.....), in his capacity as the attorney for the Appellant by virtue of Power of Attorney No. (.....) issued on 21/11/1446 AH, and Advocacy License No. (.....). There also appeared the representative of the Appellee / (National ID No.), by virtue of Delegation No. (.....) issued by the Deputy Governor of the Zakat, Tax and Customs Authority for Legal Affairs dated 19/03/1445 AH. Upon questioning the Appellant's attorney as to whether he wished to add anything, he stated that he adheres to all prior submissions in this case. Upon presenting the same to the Appellee's representative, she responded by adhering to all prior submissions in this case. When both parties were asked if they wished to add anything further, they decided to rest their case on the prior submissions.

Grounds:

Whereas, upon reviewing the case documents and the appeal brief submitted by the Taxpayer, it has been established to the Circuit that the conditions for reviewing the appeal procedurally have been satisfied in accordance with the conditions stipulated in the relevant laws, regulations, and decisions; accordingly, the appeal request is procedurally admissible, having been submitted by a capacity-holding party within the prescribed statutory period for its submission.

On the merits, and whereas regarding the Taxpayer's appeal concerning the presumptive Zakat assessment for the year 1438 AH, and whereas Paragraph (Second) of the Ministerial Resolution No. (2082) dated 01/06/1438 AH stipulates that: "Second: The rules and procedures contained in the attached regulation shall



supersede all previous decisions, instructions, and circulars relating to Zakat collection." And pursuant to Paragraph (1) of Article (22) of the Implementing Regulations for Zakat Collection, issued by Minister of Finance Resolution No. (2082) dated 01/06/1438 AH, which provides: "1- The Taxpayer shall have the right to object to the Authority's assessment within sixty days from the date of receiving the assessment letter, and the objection must be submitted by virtue of a written and reasoned memorandum to the entity that notified him of the assessment. If the objection period expires during an official holiday, the objection shall be accepted if delivered on the first working day immediately following the holiday." And whereas Paragraph (3) thereof further provides: "3- The Authority shall study the objection, and if convinced of its validity in light of the justifications and documents submitted to it, it may accept the objection in whole or in part and notify the Taxpayer of the amendment on this basis. In the event that the dispute continues between the Taxpayer and the Authority, the Authority shall escalate the objection to the Preliminary Committee" And whereas Paragraph (6) thereof provides: "6- The Authority shall notify the Taxpayer immediately upon referring the objection to the Preliminary Committee." Based on the foregoing, whereas the Taxpayer was notified of the Authority's decision on 13/05/2019 AD, corresponding to 08/09/1440 AH, according to the Authority's Response Memorandum, meaning that the notification of the Appellant was on a date prior to the issuance of the current Rules of Operation of the Committees in which the periods for escalation, appeal, and otherwise were specified; accordingly, whereas it has been established to the Circuit that the Appellant was notified of the Authority's decision prior to the entry into force of the Rules of Operation of the Committees, which the Circuit relied upon in the reasoning of its decision; and in application of the objection procedures stipulated in Article (22) of the Implementing Regulations for Zakat Collection issued by Ministerial Resolution No. (2082) dated 01/06/1438 AH, as they are applicable to the Zakat assessment issued during the period of effectiveness of said Regulation; thus, the procedure followed does not require the objector to the Authority's decision to file a lawsuit before the Adjudication Committee, but rather the objection is escalated by the Authority, in addition to the general legal principle of non-retroactivity of regulatory provisions unless explicitly provided for by text; accordingly, the Rules of Operation of the Committees do not apply to the objection procedures related to the assessment subject to dispute. Consequently, this results in a violation by the decision-issuing Circuit of the statutory provisions applicable to the subject matter of the dispute, whereby the Circuit concludes to accept the Taxpayer's appeal, annul the decision of the Resolution Circuit, and remand the case to the Resolution Circuit for a substantive review.

Based on the foregoing, and adopting the cups of grounds mentioned, the Circuit unanimously rendered the following decision:



Decision:

First: Acceptance of the appeal procedurally, filed by the appellant/Taxpayer:, National ID No. (.....), Taxpayer Identification Number (.....), against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Dammam City, No. (IZD-2024-239315), issued in Case No. (Z-239315-2024) relating to the presumptive Zakat assessment for the year 1438 AH.

Second: On the Merits:

To accept the Taxpayer's appeal, annul the decision of the Resolution Circuit, and remand the case to the Resolution Circuit for a substantive review.



Appeal Committee for Tax Violations and Disputes
First Appeal Circuit for Income Tax Violations and Disputes
in Riyadh City

Decision No. IA-2025-131

Case No. Z-2024-246276

Keywords:

Zakat – Amendments to Net Profit – Assets – Exclusion of Non-Current Assets – Settlement

Summary:

The Authority filed an appeal against the decision of the Resolution Circuit relating to the Zakat assessment for the year 2017 AD, which ruled to reject the Taxpayer's objection regarding the item of "Amount Due to the Parent Company" and accept its objection regarding the item of "Deduction of the Non-Current Portion of Biological Assets". With respect to the Authority's appeal regarding the item of biological assets, the Circuit concluded to accept the Authority's request for abandonment of litigation and withdrawal of its appeal, in accordance with the contents of its supplementary brief and in application of Article (70) of the Law of Sharia Procedures. The operative part of the decision ruled to accept the appeal procedurally, and on the merits, to accept the Authority's abandonment of its appeal regarding the item of the deduction of the non-current portion of biological assets for the year 2017 AD.

Document

- Article (70) of the Law of Sharia Procedures, issued by Royal Decree No. (M/1) dated 22/01/1435 AH.
- Paragraph (1) of Article (70) of the Implementing Regulations of the Law of Sharia Procedures, issued by Minister of Justice Resolution No. (39933) dated 19/05/1435 AH.

Facts:

This is to consider the appeal submitted on 19/11/2024 AD by the Zakat, Tax and Customs Authority against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Jeddah Governorate, No. (IZJ-2024-239007), issued in Case No. (Z-239007-2024) relating to the Zakat assessment for the year 2017 AD, in the lawsuit filed by the Taxpayer against the Zakat, Tax and Customs Authority, wherein the decision of the Resolution Circuit ruled as follows:



First/a: To reject the Plaintiff's objection regarding the item of "Amount Due to the Parent Company" for the year 2017 AD.

First/b: To accept the Plaintiff's objection regarding the item of "Deduction of the Non-Current Portion of Biological Assets" for the year 2017 AD.

Whereas this decision did not meet the acceptance by the Appellant (the Zakat, Tax and Customs Authority), it submitted an appeal brief reviewed by the Circuit, the substance of which requested the acceptance of its appeal and the reversal of the Resolution Circuit's decision.

On Sunday, 04/05/2025 AD (corresponding to 06/11/1446 AH), the First Appeals Circuit for Income Tax Violations and Disputes convened its session at 09:30 AM. The session was attended by its members whose names are recorded in the minutes, and was conducted via visual communication in accordance with the procedures for remote electronic litigation. This was based on the provisions of Clause (1) of Article (15) of the Rules of Operation for Zakat, Tax, and Customs Committees, issued by Royal Order No. (25711) dated 08/04/1445 AH. Upon reviewing the appeal request, the submitted memoranda, and the papers and documents contained within the case file, and after deliberation, and whereas the case is ripe for judgment in its current state, the Circuit decides to close the pleadings and reserve the case for adjudication.

Grounds:

Upon reviewing the case documents and the appeal brief submitted by the Authority, it has been established to the Circuit that the conditions for reviewing the appeal procedurally have been satisfied in accordance with the conditions stipulated in the relevant laws, regulations, and decisions. Accordingly, the appeal request is procedurally admissible, having been submitted by a capacity-holding party within the statutory period prescribed for its submission.

On the merits, and regarding the Taxpayer's appeal concerning the item "Deduction of the non-current portion of biological assets for the year 2017 AD," whereas Article (70) of the Law of Sharia Procedures, issued by Royal Decree No. (M/1) dated 22/01/1435 AH, stipulates that: "Litigants may, at whatever stage the case is in, request the court to record their agreement, whether an acknowledgment, settlement, or otherwise, in the hearing minutes, and the court shall Issue an instrument to that effect." Furthermore, Paragraph (1) of Article (70) of the Implementing Regulations of the Law of Sharia Procedures, issued by Minister of Justice Resolution No. (39933) dated 19/05/1435 AH, stipulates that: "If the agreement occurs prior to the recording of the case, the substance of the case and the response must be documented before recording the agreement, taking into account that the origin of the case falls within the jurisdiction of the Circuit, even if the substance of the agreement falls within the jurisdiction of another court or Circuit, provided that the subject matter of the case, or part thereof, is among the agreed-upon matters." Based on the foregoing, and whereas it has been proven to this Circuit that the Authority requested the abandonment of litigation in accordance with what was stated



in the letter issued by it in the supplementary brief, which included: "The Authority informs your esteemed Circuit that it abandons its appeal specifically regarding the aforementioned item, and requests the esteemed Circuit to record the end of the dispute in accordance with the findings concluded in the underlying grounds of the adjudication decision." Consequently, the Circuit is obligated to accept the abandonment of the Authority's appeal regarding the item "Deduction of the non-current portion of biological assets for the year 2017 AD."

Based on the foregoing, and adopting the aforementioned grounds, the Circuit unanimously rendered the following decision:

Decision:

First: Acceptance of the appeal procedurally, filed by the Zakat, Tax and Customs Authority against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Jeddah Governorate, No. (IZJ)-2024-239007), issued in Case No. (Z-239007-2024) relating to the Zakat assessment for the year 2017 AD.

Second: On the Merits:

Acceptance of the abandonment of the Authority's appeal regarding the item "Deduction of the non-current portion of biological assets for the year 2017 AD."



Appeal Committee for Tax Violations and Disputes
First Appeal Circuit for Income Tax Violations and Disputes
in Riyadh City

Decision No. IR-2025-246210

Case No. ZIW-246210-2024

Keywords:

Zakat – Amendments to Net Profit – Assessment – Annulment of Decision for Retroactive Application of a Statutory Provision – Acceptance of the Taxpayer’s Appeal

Summary:

The Taxpayer appealed the decision of the Resolution Circuit regarding the presumptive Zakat assessment for the year 1437 AH, which had ruled the case inadmissible on procedural grounds. In its appeal, the Taxpayer argued the non-practice of activity, the deregistration of its commercial registration, and the absence of a registered workforce. Upon reviewing the grounds of the decision, the Appellate Circuit found that the Resolution Circuit had predicated its judgment on Article (5) of the current Rules of Operation of the Committees, whereas the assessment subject to the dispute was issued on 25/12/2019 AD, a date prior to the effective date of those Rules. The Circuit concluded that the retroactive application of a statutory provision violates well-established legal principles, thereby mandating the annulment of the decision. The operative part of the decision ruled to accept the Taxpayer’s appeal procedurally and on the merits, annul the decision of the Resolution Circuit, and remand the case to it for substantive review.

Document

- Article (30) of the Rules of Operation for Zakat, Tax, and Customs Committees, issued by Royal Order No. (25711) dated 08/04/1445 AH.

Facts:

This is to consider the appeal submitted on 17/11/2024 AD, by, National ID No. (.....), against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Jeddah Governorate, No. (IZJ-2024-240331), issued in Case No. (ZIW-240331-2024) relating to the presumptive Zakat assessment



for the year 1437 AH, in the lawsuit filed by the Taxpayer against the Zakat, Tax and Customs Authority, wherein the decision of the Resolution Circuit ruled as follows:

"Non-acceptance of the case on procedurally."

Whereas this decision did not meet the acceptance of the Taxpayer, it filed an appeal brief, which the Circuit reviewed, containing the following: The Taxpayer appeals the decision of the Resolution Circuit, pleading the non-practice of activity, the deregistration of its commercial registration, and further adding the absence of a workforce.

On Tuesday, dated 22/07/2025 AD, the First Appeal Circuit for Income Tax Violations and Disputes held its session at 12:30 PM in the presence of its members whose names are recorded in the minutes, via visual communication in accordance with the procedures for remote litigation; pursuant to Clause (1) of Article (15) of the Rules of Operation for Zakat, Tax, and Customs Committees, issued by Royal Order No. (25711) dated 08/04/1445 AH. Upon calling the litigants, the Appellant appeared in person,, National ID No. (.....), and the representative of the Appellee appeared, (National ID No.), pursuant to an authorization issued by the Deputy Governor of the Zakat, Tax and Customs Authority for Legal Affairs under No. (.....) dated 19/03/1445 AH. As the case is ripe for judgment in its current state, and after the closing of pleadings and deliberation:

Grounds:

Whereas, upon reviewing the case documents and the appeal brief submitted by the Taxpayer, it has been established to the Circuit that the requirements for reviewing the appeal procedurally have been satisfied in accordance with the conditions stipulated in the relevant laws, regulations, and decisions; accordingly, the appeal request is procedurally admissible, having been submitted by a capacity-holding party within the statutory period prescribed for its submission.

On the merits, and upon the Circuit's review of the appeal regarding the Taxpayer's appeal against the presumptive Zakat assessment for the year 1437 AH; and whereas the Resolution Circuit based its ruling of inadmissibility on procedural grounds on Article (5) of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Order No. (25711) dated 08/04/1445 AH; and whereas the assessment subject of the lawsuit was issued against the Taxpayer on 25/12/2019 AD, which is a date prior to the effective date of the Rules of Operation for Zakat, Tax, and Customs Committees; it follows that the decision subject to appeal, under the stated circumstances, has retroactively applied a statutory provision. Consequently, and based on the principle of non-retroactivity of laws, the Circuit concludes to accept the Taxpayer's appeal, annul the decision of the Resolution Circuit, and remand the case to it for substantive review.

Based on the foregoing, and accompanied by the aforementioned grounds, the Circuit unanimously rendered the following decision:



Decision:

First: Acceptance of the appeal procedurally filed by the Taxpayer, National ID No. (.....), TIN (.....), against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Jeddah Governorate, No. (IZJ-2024-240331), issued in Case No. (ZIW-240331-2024) relating to the presumptive Zakat assessment for the year 1437 AH.

Second: On the Merits:

Acceptance of the Taxpayer's appeal, annulment of the decision of the Resolution Circuit, and remand of the case to it for substantive review.



Appeal Committee for Tax Violations and Disputes First Appeal Circuit for Income Tax Violations and Disputes in Riyadh City

Decision No. IR-2025-246313

Case No. Z-2024-246313

Keywords:

Zakat – Adjustments to Net Profit – Presumptive Assessment – Annulment of a Prior Decision Due to the Issuance of the Rules of Operation of the Committees – Acceptance of the Taxpayer's Appeal

Summary:

The Taxpayer appealed the Resolution Circuit's decision relating to the Zakat assessment for the year 1438 AH, which ruled that the case was procedurally non-accepted due to its submission after the expiration of the statutory period. In its appeal, the Taxpayer argued that the expiration of the period does not constitute a sufficient reason for not considering the merits, relying on the Islamic jurisprudence maxim: "There shall be no harm nor reciprocating of harm." Upon reviewing the case file, it was established to the Appellate Circuit that the Taxpayer was notified of the Authority's decision on 13/05/2019 AD, which is a date prior to the entry into force of the current Rules of Operation of the Committees. The Circuit concluded that the objection procedures during that period were subject to Article (22) of the Implementing Regulations for Zakat Collection, issued by Ministerial Resolution No. (2082), which did not require the Taxpayer to file the case before the Committee, but rather mandated the Authority to escalate the objection when the dispute persisted. The Circuit also reaffirmed the principle of non-retroactivity of laws, which renders the Resolution Circuit's reliance on the current rules a violation of the applicable statutory provisions. The operative part of the decision ruled to accept the appeal procedurally and on the merits, to annul the Resolution Circuit's decision, and to remand the case back to it for consideration on the merits.

Document:

- Paragraph (1) of Article (22) of the Implementing Regulations for Zakat Collection, issued by Decision of His Excellency the Minister of Finance No. (2082) dated 01/06/1438 AH.

Facts:

This is to consider the appeal submitted on 21/11/2024 AD by [...], National ID No. ([...]), in his capacity as the owner of [...] Trading Establishment, Commercial Registration No. ([...]), against the decision of the First Circuit



for Adjudication of Income Tax Violations and Disputes in Dammam City, No. (IZD-2024-239315) issued in Case No. (Z-239315-2024) relating to the arbitrary Zakat assessment for the year 1438 AH, in the case filed by the Appellant against the Zakat, Tax and Customs Authority, wherein the Resolution Circuit's decision ruled as follows:

Procedural non-acceptance of the Plaintiff's case.

Whereas this decision did not meet the acceptance by the Taxpayer, he submitted an appeal brief that was reviewed by the Circuit, the summary of which is as follows:

Regarding the Taxpayer's appeal against the Resolution Circuit's decision, the Taxpayer indicated that the Resolution Circuit rejected the case procedurally due to its submission after the expiration of the statutory period, and argued that this does not constitute a sufficient reason for not considering it on the merits, relying on the Islamic jurisprudence maxim: "There shall be no harm nor reciprocating of harm."

On Tuesday, dated 20/05/2025 AD, the First Appeal Circuit for Income Tax Violations and Disputes held its hearing at exactly 09:05 AM in the presence of its members whose names are recorded in the minutes, via visual communication in accordance with the remote litigation procedures; based on the provisions of Clause No. (1) of Article Fifteen of the Rules of Operation for Zakat, Tax and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. Upon calling upon the litigants, [...], National ID No. ([...]), attended in his capacity as the attorney for the Appellant by virtue of the Power of Attorney No. ([...]) issued on 21/11/1446 AH, and Legal Practice License No. ([...]). The representative of the Respondent, [...], National ID No. ([...]), attended by virtue of the authorization issued by the Deputy Governor of the Zakat, Tax and Customs Authority for Legal Affairs under No. ([...]) dated 19/03/1445 AH. Upon asking the Appellant's attorney about anything he wished to add, he stated that he adheres to what was previously submitted in this case. Upon presenting this to the Respondent's representative, she responded by adhering to what was previously submitted in this case. Upon asking both parties if they wished to add anything, they decided to suffice with what was previously submitted.

Grounds:

Whereas, upon reviewing the case documents and the appeal brief submitted by the Taxpayer, it has been established to the Circuit that the requirements for considering the appeal procedurally have been satisfied in accordance with the conditions stipulated in the relevant laws, regulations, and decisions. Consequently, the appeal request is acceptable procedurally, as it was submitted by a party with legal standing, and within the legally prescribed statutory period.

On the merits, and with respect to the Taxpayer's appeal regarding the presumptive Zakat assessment for the year 1438 AH; whereas Paragraph (Second) of Ministerial Resolution No. (2082) dated 01/06/1438 AH stipulates that: "Second: The rules and procedures contained in the attached Regulations shall supersede all



prior decisions, instructions, and circulars relating to Zakat collection"; and pursuant to Paragraph (1) of Article (22) of the Implementing Regulations for Zakat Collection, issued by Minister of Finance Decision No. (2082) dated 01/06/1438 AH, which provides: "1- The Taxpayer shall have the right to object to the Authority's assessment within sixty days from the date of receiving the assessment letter. The objection must be made by virtue of a written, reasoned brief submitted to the entity that notified it of the assessment. If the objection period expires during an official holiday, the objection shall be accepted if delivered on the very first business day following the holiday." Furthermore, Paragraph (3) thereof stipulates that: "3- The Authority shall review the objection, and if convinced of its validity based on the justifications and documents submitted to it, it may accept the objection or part thereof and notify the Taxpayer of the amendment accordingly. In the event that the dispute between the Taxpayer and the Authority persists, the Authority shall escalate the objection to the Preliminary Committee." Paragraph (6) thereof also provides that: "6- The Authority must immediately notify the Taxpayer upon escalating the objection to the Preliminary Committee." Based on the foregoing, whereas the Taxpayer was notified of the Authority's decision on 13/05/2019 AD (corresponding to 08/09/1440 AH) according to the Authority's defense brief—meaning that the Appellant's notification was on a date prior to the issuance of the current Rules of Operation of the Committees, in which the timelines for escalation, appeal, and otherwise were specified; accordingly, and whereas it has been established to the Circuit that the Appellant was notified of the Authority's decision prior to the entry into force of the Rules of Operation of the Committees upon which the [Adjudication] Circuit relied for the grounds of its decision; and in application of the objection procedures stipulated in Article (22) of the Implementing Regulations for Zakat Collection, issued by Ministerial Resolution No. (2082) dated 01/06/1438 AH, as they are the applicable provisions to the Zakat assessment issued during the effective period of those Regulations; therefore, the followed procedure does not require the party objecting to the Authority's decision to file its case before the Resolution Circuit, but rather the objection is to be escalated by the Authority. This is further supported by the general legal principle dictating the non-retroactivity of statutory provisions unless explicitly provided for by an express text. Consequently, the Rules of Operation of the Committees do not apply to the objection procedures relating to the assessment subject of the dispute. As a result, the Circuit that issued the decision violated the statutory texts applicable to the subject matter of the dispute. Accordingly, the Circuit concludes to accept the Taxpayer's appeal, annul the Resolution Circuit's decision, and remand the case back to the Resolution Circuit for consideration on the merits.

Based on the foregoing, and adopting the aforementioned grounds, the Circuit unanimously rendered the following decision:

Decision

First: Acceptance of the appeal procedurally submitted by the Taxpayer / [...], National ID No. ([...]), TIN No. ([...]), against the decision of the First Circuit for Adjudication of Income Tax Violations and Disputes in



Dammam City, No. (IZD-2024-239315) issued in Case No. (Z-239315-2024) relating to the presumptive Zakat assessment for the year 1438 AH.

Second: On the Merits:

Acceptance of the Taxpayer's appeal, annulment of the Resolution Circuit's decision, and remand of the case back to the Resolution Circuit for consideration on the merits.



Appeal Committee for Tax Violations and Disputes First Appeal Circuit for Income Tax Violations and Disputes in Riyadh City

Decision No. IA-2025-131

Case No. Z-2024-246276

Keywords:

Zakat – Adjustments to Net Profit – Assets – Exclusion of Non-Current Assets – Settlement

Summary:

The Authority appealed the Resolution Circuit's decision relating to the Zakat assessment for the year 2017 AD, which ruled to reject the Taxpayer's objection regarding the item of the amount due to the parent company, and to accept its objection regarding the item of deducting the non-current portion of biological assets. With respect to the Authority's appeal regarding the biological assets item, the Circuit concluded to accept the Authority's request for the discontinuance of litigation and the withdrawal of its appeal, in accordance with what was contained in its supplementary brief and in application of Article (70) of the Law of Sharia Procedures. The operative part of the decision ruled to accept the appeal procedurally, and on the merits, to accept the Authority's discontinuance of its appeal regarding the item of deducting the non-current portion of biological assets for the year 2017 AD.

Document:

- Article (70) of the Law of Sharia Procedures, issued by Royal Decree No. (M/1) dated 22/01/1435 AH.
- Paragraph (1) of Article (70) of the Implementing Regulations of the Law of Sharia Procedures issued by Decision of the Minister of Justice No. (39933) dated 19/05/1435 AH.

Facts:

This is to consider the appeal submitted on 19/11/2024 AD by the Zakat, Tax and Customs Authority against the decision of the First Circuit for Adjudication of Income Tax Violations and Disputes in Jeddah Governorate, No. (IZJ-2024-239007) issued in Case No. (Z-239007-2024) relating to the Zakat assessment for the year 2017 AD, in the case filed by the Taxpayer against the Zakat, Tax and Customs Authority, wherein the Resolution Circuit's decision ruled as follows:

First/A: Rejection of the Plaintiff's objection regarding the item of the amount due to the parent company for the year 2017 AD.



First/B: Acceptance of the Plaintiff's objection regarding the item of deducting the non-current portion of biological assets for the year 2017 AD.

Whereas this decision did not meet the acceptance by the Appellant (the Zakat, Tax and Customs Authority), it submitted an appeal brief that was reviewed by the Circuit, the summary of which is that the Authority requests the acceptance of its appeal and the reversal of the Resolution Circuit's decision.

On Sunday, dated 04/05/2025 AD, the First Appeal Circuit for Income Tax Violations and Disputes held its hearing at exactly 09:30 AM in the presence of its members whose names are recorded in the minutes, via visual communication in accordance with the remote litigation procedures; based on the provisions of Clause No. (1) of Article Fifteen of the Rules of Operation for Zakat, Tax and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. Upon reviewing the appeal request, the submitted briefs, and the papers and documents contained in the case file, and after deliberation, and whereas the case is ripe for adjudication in its current state, the Circuit decides to close the pleadings and reserve the case for adjudication.

Grounds:

Whereas, upon reviewing the case documents and the appeal brief submitted by the Authority, it has been established to the Circuit that the requirements for considering the appeal procedurally have been satisfied in accordance with the conditions stipulated in the relevant laws, regulations, and decisions. Consequently, the appeal request is acceptable procedurally, as it was submitted by a party with legal standing, and within the legally prescribed statutory period.

On the merits, and with respect to the Authority's appeal regarding the item of (deducting the non-current portion of biological assets for the year 2017 AD); whereas Article (70) of the Law of Sharia Procedures, issued by Royal Decree No. (M/1) dated 22/01/1435 AH, stipulates that: "The litigants may request the court, at any stage of the case, to record whatever acknowledgement, settlement, or otherwise they have agreed upon in the case minutes, and the court must Issue an instrument to that effect." Furthermore, Paragraph (1) of Article (70) of the Implementing Regulations of the Law of Sharia Procedures, issued by Minister of Justice Decision No. (39933) dated 19/05/1435 AH, provides that: "If the agreement is reached before entering the case into the records, the substance of the claim and the defense must be recorded before documenting the agreement, provided that the original case falls within the jurisdiction of the Circuit, even if the substance of the agreement falls within the jurisdiction of another court or circuit, on condition that the subject matter of the case, or a part thereof, is included in what was agreed upon." Based on the foregoing, whereas the Authority's request for the discontinuance of the appeal has been established to this Circuit in accordance with its statement in the supplementary brief, which included: "The Authority informs the esteemed Circuit that it discontinues its appeal regarding the item clarified above, and requests the esteemed Circuit to establish the termination of the dispute in accordance with the rationale concluded in the Adjudication decision." Accordingly, it is incumbent



upon the Circuit to accept the Authority's discontinuance of its appeal regarding the item of (deducting the non-current portion of biological assets for the year 2017 AD).

Based on the foregoing, and adopting the aforementioned grounds, the Circuit unanimously rendered the following decision:

Decision

First: Acceptance of the appeal procedurally submitted by the Zakat, Tax and Customs Authority against the decision of the First Circuit for Adjudication of Income Tax Violations and Disputes in Jeddah Governorate, No. (IZJ-2024-239007) issued in Case No. (Z-239007-2024) relating to the Zakat assessment for the year 2017 AD.

Second: On the Merits:

Acceptance of the Authority's discontinuance of its appeal regarding the item of (deducting the non-current portion of biological assets for the year 2017 AD).



Appeal Committee for Tax Violations and Disputes First Appeal Circuit for Income Tax Violations and Disputes in Riyadh City

Decision No. IR-2025-246210

Case No. ZIW-246210-2024

Keywords:

Zakat – Adjustments to Net Profit – Assessment – Annulment of Decision for Retroactive Application of a Statutory Provision – Acceptance of the Taxpayer's Appeal

Summary:

The Taxpayer appealed the Resolution Circuit's decision relating to the presumptive Zakat assessment for the year 1437 AH, which ruled that the case was non-accepted procedurally. In its appeal, the Taxpayer argued the non-exercise of business activity, the cancellation of its commercial registration, and the absence of any labor force under its sponsorship. Upon reviewing the grounds of the decision, the Appellate Circuit found that the Resolution Circuit based its judgment on Article (5) of the current Rules of Operation of the Committees, whereas the assessment subject of the dispute was issued on 25/12/2019 AD, which is a date prior to the entry into force of those Rules. The Circuit concluded that the retroactive application of a statutory provision violates established legal principles, thereby necessitating the annulment of the decision. The operative part of the decision ruled to accept the Taxpayer's appeal procedurally and on the merits, to annul the Resolution Circuit's decision, and to remand the case back to it for consideration on the merits.

Document:

- Article (30) of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH.

Facts:

This is to consider the appeal submitted on 17/11/2024 AD by [...], National ID No. ([...]), against the decision of the First Circuit for Adjudication of Income Tax Violations and Disputes in Jeddah Governorate, No. (IZJ-2024-240331) issued in Case No. (ZIW-240331-2024) relating to the presumptive Zakat assessment for the year 1437 AH, in the case filed by the Taxpayer against the Zakat, Tax and Customs Authority, wherein the Resolution Circuit's decision ruled as follows:

Non-acceptance of the case procedurally.



Whereas this decision did not meet the acceptance by the Taxpayer, it submitted an appeal brief that was reviewed by the Circuit, which contained the following: The Taxpayer appeals the Resolution Circuit's decision and argues the non-exercise of business activity, the cancellation of the commercial registration, and further added the absence of a labor force.

On Tuesday, dated 22/07/2025 AD, the First Appeal Circuit for Income Tax Violations and Disputes held its hearing at exactly 12:30 PM in the presence of its members whose names are recorded in the minutes, via visual communication in accordance with the remote litigation procedures; based on the provisions of Clause No. (1) of Article Fifteen of the Rules of Operation for Zakat, Tax and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. Upon calling the litigants, the Appellant appeared in person, [...], National ID No. ([...]), and the representative of the Respondent appeared, [...], National ID No. ([...]), by virtue of an authorization issued by the Deputy Governor of the Zakat, Tax and Customs Authority for Legal Affairs under No. ([...]) dated 19/03/1445 AH. Whereas the case is ripe for judgment in its current state, and after closing the pleadings and deliberation.

Grounds:

Whereas, upon reviewing the case documents and the appeal brief submitted by the Taxpayer, it has been established to the Circuit that the requirements for considering the appeal procedurally have been satisfied in accordance with the conditions stipulated in the relevant laws, regulations, and decisions. Consequently, the appeal request is acceptable procedurally, as it was submitted by a party with legal standing, and within the legally prescribed statutory period.

On the merits, and upon the Circuit's review of the appeal regarding the Taxpayer's appeal against the presumptive Zakat assessment for the year 1437 AH; whereas the Resolution Circuit based its non-acceptance of the case procedurally on Article (5) of the Rules of Operation for Zakat, Tax and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH; and whereas the assessment subject of the case was issued to the Taxpayer on 25/12/2019 AD, which is a date prior to the effective date of the Rules of Operation for Zakat, Tax and Customs Committees, the challenged decision, under such circumstances, has applied the statutory provision retroactively. Accordingly, and based on the principle of non-retroactivity of laws, the Circuit concludes to accept the Taxpayer's appeal, annul the Resolution Circuit's decision, and remand the case back to it for consideration on the merits.

Based on the foregoing, and adopting the aforementioned grounds, the Circuit unanimously rendered the following decision:



Decision

First: Acceptance of the appeal procedurally submitted by the Taxpayer / [...], National ID No. (...), TIN No. (...), against the decision of the First Circuit for Adjudication of Income Tax Violations and Disputes in Jeddah Governorate, No. (IZJ-2024-240331) issued in Case No. (ZIW-240331-2024) relating to the presumptive Zakat assessment for the year 1437 AH.

Second: On the Merits:

Acceptance of the Taxpayer's appeal, annulment of the Resolution Circuit's decision, and remand of the case back to it for consideration on the merits.



Appeal Committee for Tax Violations and Disputes First Appeal Circuit for Income Tax Violations and Disputes in Riyadh City

Decision No. IR-2025-246199

Case No. Z-246199-2024

Keywords:

Zakat – Adjustments to Net Profit – Assessment – Presumptive Assessment – Acceptance of the Taxpayer's Appeal

Summary:

The Taxpayer appealed the Resolution Circuit's decision relating to the presumptive Zakat assessment for the years from 1426 AH to 1437 AH, which ruled that the case was non-accepted procedurally. The Taxpayer's appeal is summarized in the issuance of a notice by the Authority for the acceptance of its objection and the amendment of the tax returns, yet the amounts remained outstanding on the electronic portal. Upon reviewing the case file, the Appellate Circuit found that the Authority did not include in the amendment letter a notice to the Taxpayer of its right to object, nor the statutory periods for doing so, which constitutes a explicit violation of Paragraph (7) of Article (21) of the Implementing Regulations for Zakat Collection. The Circuit concluded that this omission constitutes a fundamental procedural defect that deprives the Authority's decision of the status of a valid administrative decision, thereby necessitating its annulment without regard to the expiry of the statutory periods. The operative part of the decision ruled to accept the appeal procedurally and on the merits, to annul the Resolution Circuit's decision, and to annul the Authority's procedure represented by the assessment subject of the dispute.

Document:

- Paragraph (7) of Article (21) of the Implementing Regulations for Zakat Collection, issued by Decision of His Excellency the Minister of Finance No. (2082) dated 01/06/1438 AH.

Facts:

This is to consider the appeal submitted on 14/11/2024 AD by [...], National ID No. ([...]), in his capacity as the owner of [...] Trading Establishment, Commercial Registration No. ([...]), against the decision of the First Circuit for Adjudication of Income Tax Violations and Disputes in Dammam City, No. (IZD-2024-239314) issued in Case No. (Z-239314-2024) relating to the presumptive Zakat assessment for the years from 1426 AH to 1437



AH, in the case filed by the Appellant against the Zakat, Tax and Customs Authority, wherein the Resolution Circuit's decision ruled as follows:

Non-acceptance of the case procedurally.

Whereas this decision did not meet the acceptance by the Taxpayer, it submitted an appeal brief that was reviewed by the Circuit, the summary of which is as follows:

With respect to the Taxpayer's appeal against the Resolution Circuit's decision, the Taxpayer indicated that an objection under reference number ([...]) was submitted on 17/04/2019 AD regarding the Zakat Declaration. The Authority responded with a notice of acceptance of the objection under the same request reference number ([...]) on 22/04/2019 AD, stating that following analysis and review, a decision was issued to accept the objection and amend the tax return items—and not as the Authority claims in its response that its decision was to reject the objection. Consequently, the decision becomes immune from challenge in our favor pursuant to the attached notice of acceptance of the objection, a copy of which is enclosed. Accordingly, the case was filed before the Circuit for the purpose of removing the amounts from the Zakat portal, as they have not been cancelled following the decision to accept the objection.

As for the Authority's acceptance of the objection, it is supported by a document from the Zakat portal. It is illogical to claim that the response was generated automatically after five days, as automated responses in technical systems occur instantly; whereas the objection was submitted on 17/04/2019 AD and the response was issued on 22/04/2019 AD. This constitutes clear evidence upon which the follow-up was closed at the time based on the contents of the notice. Therefore, since it became apparent that the amounts are still outstanding on the website, the grievance was filed before the Circuit.

On Tuesday, dated 20/05/2025 AD, the First Appeal Circuit for Income Tax Violations and Disputes held its hearing at exactly 09:05 AM in the presence of its members whose names are recorded in the minutes, via visual communication in accordance with the remote litigation procedures; based on the provisions of Clause No. (1) of Article Fifteen of the Rules of Operation for Zakat, Tax and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. Upon calling the litigants, there appeared [...], National ID No. ([...]), in his capacity as the proxy for the Appellant, by virtue of Power of Attorney No. ([...]) issued on 21/11/1446 AH, and Attorney License No. ([...]). The representative of the Respondent appeared, [...], National ID No. ([...]), by virtue of an authorization issued by the Deputy Governor of the Zakat, Tax and Customs Authority for Legal Affairs under No. ([...]) dated 19/03/1445 AH. Upon asking the Appellant's proxy if he wished to add anything, he stated that he adheres to everything previously submitted in this case. Upon presenting this to the Respondent's representative, she responded by adhering to everything previously submitted in this case. When both parties were asked if they wished to add anything further, they decided to rest their case on what had been previously submitted.



Grounds:

Whereas, upon reviewing the case documents and the appeal brief submitted by the Taxpayer, it has been established to the Circuit that the requirements for considering the appeal procedurally have been satisfied in accordance with the conditions stipulated in the relevant laws, regulations, and decisions. Consequently, the appeal request is acceptable procedurally, as it was submitted by a party with legal standing, and within the legally prescribed statutory period.

On the merits, and with respect to the Taxpayer's appeal regarding the presumptive Zakat assessment for the years from 1426 AH to 1437 AH; whereas Paragraph (7) of Article (Twenty-One) of the Implementing Regulations for Zakat Collection, issued by Ministerial Resolution No. (2082) dated 01/06/1438 AH, stipulates that: "If the Authority deems it necessary to amend the Taxpayer's return, it shall notify the Taxpayer of the amendments made to its Zakat Declaration, the grounds for such amendment, the amount of Zakat due, the Taxpayer's right to object, and the statutory period for objection..." Upon reviewing the appeal brief and what was submitted by the parties during the brief exchange stage; whereas the Appellant stated that the Authority's notice was issued accepting the objection, and thus there is no basis for the Authority to plead non-acceptance of the case procedurally for failure to submit it within the statutory period—given that the Authority bypassed that via the decision it issued; and whereas the Respondent stated that the notice sent to the Plaintiff was generated automatically in a manner that did not clearly reflect the Authority's intent to reject the objection; Upon the Circuit's review of the amendment letter, it became apparent that the Authority did not notify the Taxpayer of its right to object, nor the statutory period for objection, which violates the provisions of Paragraph (7) of Article (Twenty-One) of the aforementioned Implementing Regulations for Zakat Collection. Accordingly, the Authority's violation of the article's provisions regarding notifying the Taxpayer of its right to object and the statutory periods for objection is evident. Consequently, it is incorrect to rule the non-acceptance of the case procedurally due to the expiry of the statutory period for the Taxpayer's objection. Regarding the expiry of the statutory period for the Taxpayer to register the case, the Circuit found that the outcome of the objection was issued accepting the objection, and thus the Respondent has no grounds to plead that the Taxpayer was late in registering the case. Given that the Authority omitted a procedural pillar that inherently affects the outcome of the decision; and whereas the judiciary has established—in accordance with what is contained in the Collection of Administrative Judgments and Principles (Volume Two), Judgment No. (433) / T (6) for the year 1427 AH—that: "On this basis, the administrative judiciary has established that any defect in the form of an administrative decision, or in the prescribed statutory procedures that must be followed, renders the decision voidable without the need for an explicit provision, provided that the penalty for such breach is nullity, to be ruled by the administrative judge regarding the facts presented before him." Consequently, the Authority's decision was issued marred by a defect in form that deprives it of the status of a valid administrative decision. Since a defect in form in an administrative decision is a matter relating to public policy (ordre public)



which the Circuit may rule upon sua sponte without the need for the Taxpayer to raise it, the Circuit concludes to accept the Taxpayer's appeal, annul the Resolution Circuit's decision, and annul the Authority's procedure.

Based on the foregoing, and adopting the aforementioned grounds, the Circuit unanimously rendered the following decision:

Decision

First: Acceptance of the appeal procedurally submitted by the Taxpayer / [...], National ID No. ([...]), TIN No. ([...]), against the decision of the First Circuit for Adjudication of Income Tax Violations and Disputes in Dammam City, No. (IZD-2024-239314) issued in Case No. (Z-239314-2024) relating to the presumptive Zakat assessment for the years from 1426 AH to 1437 AH.

Second: On the Merits:

Acceptance of the Taxpayer's appeal, annulment of the Resolution Circuit's decision, and annulment of the Authority's procedure.



Appeal Committee for Tax Violations and Disputes First Appeal Circuit for Income Tax Violations and Disputes in Riyadh City

Decision No. IR-2025-246166

Case No. Z-246166-2024

Keywords:

Zakat – Adjustments to Net Profit – Assessment – Presumptive Assessment – Acceptance of the Authority's Appeal

Summary:

The Authority appealed the Resolution Circuit's decision relating to the presumptive Zakat assessment for the year 1439 AH, which ruled to annul the Authority's procedure based on the expiry of the Taxpayer's commercial registration prior to the completion of the zakat year (Hawl). In its appeal, the Authority argued that there was a registered labor force under the Taxpayer's sponsorship and that the commercial registration was cancelled at a later date, which constitutes a presumption of the continuous exercise of business activity. Upon the Appellate Circuit's review of the Social Insurance records, it was established that wage disbursement activity for the employees continued until the year 2024 AD, thereby proving that the Taxpayer actually exercised the business activity during the period subject of the dispute. The Circuit concluded that the Authority exercised its statutory powers in issuing the presumptive assessment in accordance with Article (13) of the Implementing Regulations for Zakat Collection based on the available presumptions. The operative part of the decision ruled to accept the Authority's appeal procedurally and on the merits, and to annul the Resolution Circuit's decision.

Document:

- Paragraph (6) of Article (13) of the Implementing Regulations for Zakat Collection, issued by Decision of His Excellency the Minister of Finance No. (2082) dated 01/06/1438 AH.

Facts:

This is to consider the appeal submitted on 13/11/2024 AD by the Zakat, Tax and Customs Authority against the decision of the Second Circuit for Adjudication of Income Tax Violations and Disputes in Riyadh City, No. (ISR-2024-239985) issued in Case No. (Z-239985-2024) relating to the presumptive Zakat assessment for the year 1439 AH, in the case filed by the Taxpayer against the Zakat, Tax and Customs Authority, wherein the Resolution Circuit's decision ruled as follows:



First: Acceptance of the case filed by the Plaintiff / [...], National ID No. ([...]), owner of ([...]) Establishment), Commercial Registration No. ([...]), against the Defendant / Zakat, Tax and Customs Authority, procedurally.

Second: On the Merits: Annulment of the Defendant's procedure regarding the presumptive Zakat assessment for the year 1439 AH, in accordance with the grounds.

Whereas the challenged decision was not accepted by the Zakat, Tax and Customs Authority, it submitted an appeal brief that was reviewed by the Circuit, which contained the following:

The Authority appeals the Resolution Circuit's decision and requests the annulment of the Circuit's decision regarding the presumptive Zakat assessment for the year 1439 AH. The Circuit based its decision to annul the Authority's decision on the grounds that the Taxpayer's commercial registration expired on 25/12/1439 AH—which is prior to the completion of the zakat year (Hawl)—while it overlooked the existence of two (2) employees sponsored by the Taxpayer, in addition to the cancellation of the commercial registration on 26/06/2024 AD, which constitutes a sufficient indicator to prove the Taxpayer's exercise of business activity. Accordingly, the Authority requests the annulment of the Circuit's decision and a ruling to uphold its procedure.

On Tuesday, dated 22/07/2025 AD, the First Appeal Circuit for Income Tax Violations and Disputes held its hearing at exactly 12:00 PM in the presence of its members whose names are recorded in the minutes, via visual communication in accordance with the remote litigation procedures; based on the provisions of Clause No. (1) of Article Fifteen of the Rules of Operation for Zakat, Tax and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH.

Upon calling the litigants, the representative of the Appellant appeared, [...], National ID No. ([...]), by virtue of an authorization issued by the Deputy Governor of the Zakat, Tax and Customs Authority for Legal Affairs under No. ([...]) dated 19/03/1445 AH. The Respondent or its legal representative failed to appear despite being established that it was legally notified of the date of this hearing. Upon asking the Appellant's representative if she wished to add anything, she stated that she adheres to everything previously submitted in this case.

Grounds:

Whereas, upon reviewing the case documents and the appeal brief submitted by the Authority, it has been established to the Circuit that the requirements for considering the appeal procedurally have been satisfied in accordance with the conditions stipulated in the relevant laws, regulations, and decisions. Consequently, the appeal request is acceptable procedurally, as it was submitted by a party with legal standing and within the legally prescribed statutory period.

On the merits, and with respect to the Authority's appeal regarding the presumptive Zakat assessment for the year 1439 AH; whereas Paragraph (6) of Article (Thirteen) of the Implementing Regulations for Zakat Collection, issued by Ministerial Resolution No. (2082) dated 01/06/1438 AH, stipulates that: "6- The Zakat



base under the presumptive method shall consist of the following, unless the Taxpayer's return shows a larger base: a- Working capital, which is determined by any possible means, whether from the commercial registration, the company's contracts and bylaws, or any other document supporting that. If it appears that the actual working capital differs from that, the Authority may determine it in proportion to the volume of activity and the number of capital turnovers according to the custom in each industry, trade, or business. b- Net profits realized during the year, which are estimated at a minimum of 15% of the total revenues..." Based on the foregoing, whereas the dispute lies in the Authority's objection to the Resolution Circuit's decision which annulled the presumptive Zakat assessment for the year 1439 AH, and the Authority argues that the commercial registration was cancelled after the completion of the zakat year (Hawl) and that there is a labor force registered under the Taxpayer; Upon the Appellate Circuit's review of the Taxpayer's establishment data in the Social Insurance records, it found that there was activity in the employees' salaries on 31/05/2024 AD. Furthermore, the query results show the continuous activity of wage disbursements for the two years from 30/08/2019 AD until 31/05/2024 AD. Accordingly, since the Taxpayer's exercise of business activity has been established, the Authority has therefore exercised its granted powers to assess the Taxpayer based on the information and presumptions available to it, pursuant to the provisions of the aforementioned Article Thirteen. Consequently, the Circuit concludes to accept the Authority's appeal and annul the Resolution Circuit's decision.

Based on the foregoing, and adopting the aforementioned grounds, the Circuit unanimously rendered the following decision:

Decision

First: Acceptance of the appeal procedurally submitted by the Appellant / Zakat, Tax and Customs Authority, against the decision of the Second Circuit for Adjudication of Income Tax Violations and Disputes in Riyadh City, No. (ISR-2024-239985) issued in Case No. (Z-239985-2024) relating to the presumptive Zakat assessment for the year 1439 AH.

Second: On the Merits:

Acceptance of the Authority's appeal and annulment of the Resolution Circuit's decision.



Presumptive Zakat Assessment



Appeal Committee for Tax Violations and Disputes First Appeal Circuit for Income Tax Violations and Disputes in Riyadh City

Decision No. IR-2025-246011

Case No. Z-246011-2024

Keywords:

Zakat – Presumptive Assessment – Calculated Zakat Rate for Assessment – Zakat Refund and Carried-Forward Losses – Acceptance of the Authority's Appeal

Summary:

Both the Taxpayer and the Authority appealed the Resolution Circuit's decision regarding the Zakat assessment for the year 2016 AD, which ruled to reject the deduction of losses, dismiss the refund claim, and annul the Authority's procedure concerning the bases of calculation. In its appeal, the Authority argued that the Taxpayer submitted its return after the issuance of the Implementing Regulations via Ministerial Resolution No. (2082), which dictates that the Zakat base must not be less than the adjusted net profit as a minimum requirement pursuant to Article Four thereof. Upon the Appellate Circuit's review of the case file, it was established that the date of submitting the return was subsequent to the issuance of the Regulations, thereby rendering its provisions applicable and superseding the previous directives. The Circuit concluded to accept the Authority's appeal due to the validity of the assessment procedure, and to reject the Taxpayer's appeal owing to the lack of a prior objection regarding the refund, while affirming the Resolution Circuit's decision on the losses item based on its underlying grounds. The operative part of the decision ruled to accept the appeal procedurally, and on the merits: to reject the Taxpayer's appeal, accept the Authority's appeal, and annul the Resolution Circuit's decision regarding the item of calculating Zakat at the rate of 2.5% of the net Zakat base.

Document:

- Paragraph (I), Item (Second) of Article (4) of the Implementing Regulations for Zakat Collection, issued by Decision of His Excellency the Minister of Finance No. (2082) dated 01/06/1438 AH.

Facts:



This is to consider the appeal submitted on 10/11/2024 AD by [...], National ID No. ([...]), in his capacity as the proxy for the Appellant Company, by virtue of Power of Attorney No. ([...]) dated 06/08/1444 AH and Attorney License No. ([...]); and the appeal submitted by the Zakat, Tax and Customs Authority on 21/11/2024 AD, against the decision of the First Circuit for Adjudication of Income Tax Violations and Disputes in Riyadh City, No. (IFR-2024-239264) issued in Case No. (Z-239264-2024) relating to the Zakat assessment for the year 2016 AD, in the case filed by the Taxpayer against the Zakat, Tax and Customs Authority, wherein the Resolution Circuit's decision ruled as follows:

First: Establishing the settlement of the dispute between the Plaintiff / [...] Company (TIN No. [...]) and the Defendant / Zakat, Tax and Customs Authority regarding the item of foreign purchases, based on the Defendant's acceptance of the Plaintiff's requests in this regard.

Second: Rejection of the objection of the Plaintiff / [...] Company (TIN No. [...]) against the decision of the Defendant / Zakat, Tax and Customs Authority regarding the deduction of accumulated losses from the net profit subject to Zakat for the year subject of the case.

Third: Annulment of the procedure of the Defendant / Zakat, Tax and Customs Authority against the Plaintiff / [...] Company (TIN No. [...]) regarding the bases of calculating Zakat at the rate of 2.5% of the net Zakat base, as detailed in the grounds.

Fourth: Dismissal of the claim of the Plaintiff / [...] Company (TIN No. [...]) relating to the refund of the Zakat subject of the case, due to the failure to submit an objection regarding this matter to the Defendant / Zakat, Tax and Customs Authority during the objection stage before the Defendant.

Whereas this decision did not meet the acceptance by both parties, each submitted an appeal brief, the summary of which is as follows:

With respect to the Taxpayer's appeal against the Resolution Circuit's decision regarding the item of (Accumulated Losses), the Taxpayer requests the deduction of the carried-forward accumulated losses from the net profit subject to Zakat and the refund of the paid Zakat, on the basis that the company has the right to utilize the year's profits to cover these losses or to settle its debts—represented by the financial support provided by the shareholders—prior to being subjected to Zakat.

Furthermore, the decision was not accepted by the Zakat, Tax and Customs Authority, which submitted its appeal against the contested decision pursuant to an appeal brief, the summary of which is as follows:

With respect to the Authority's appeal against the Resolution Circuit's decision, its appeal centers around the item of (Calculating Zakat at the rate of 2.5% of the net Zakat base). The Authority appeals against the item subject of the dispute because the Circuit's decision was incorrect and contrary to the statutory requirements. The Authority clarifies to the Honorable Circuit that it calculated Zakat on the profit based on the provisions of Article (Four) of the Implementing Regulations for Zakat Collection, issued by Ministerial Resolution No.



(2082) for the year 1438 AH, which indicated that the net Zakat base must not be less than the adjusted net profit for Zakat purposes as a minimum requirement. Given that the Taxpayer submitted its return for the year subject of the dispute on 27/07/1438 AH, corresponding to 24/04/2017 AD—which is subsequent to the issuance of the Regulations—the articles of the Regulations apply to the Taxpayer. There is no validity to what was stated in the merits of the decision, which claimed that as long as the year's profits were used to finance these assets, limiting it to certain bounds has no Sharia or statutory basis because the subject of the dispute is for the year 2016 AD, i.e., prior to the issuance of the Zakat Collection Regulations. Accordingly, whereas Clause (Third) of the aforementioned Implementing Regulations for Zakat Collection explicitly states: "The attached Regulations shall apply to all Taxpayers subject to Zakat from the date of issuance of this decision." Consequently, the merits upon which the decision relied contradict what is stipulated in the aforementioned Regulations, and the decision does not align with the applicable laws. Based on the foregoing, the decision of the Circuit in this case subject of the appeal is statutorily incorrect and deserves judicial annulment without a doubt.

On Tuesday, dated 13/05/2025 AD, the First Appeal Circuit for Income Tax Violations and Disputes held its hearing at exactly 03:05 PM in the presence of its members whose names are recorded in the minutes, via visual communication in accordance with the remote litigation procedures; based on the provisions of Clause No. (1) of Article Fifteen of the Rules of Operation for Zakat, Tax and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. Upon calling the litigants, there appeared [...], National ID No. ([...]), in his capacity as the proxy for the Taxpayer, by virtue of Power of Attorney No. ([...]) issued on 17/09/1446 AH and Attorney License No. ([...]). The representative of the Authority appeared, [...], National ID No. ([...]), by virtue of an authorization issued by the Deputy Governor of the Zakat, Tax and Customs Authority for Legal Affairs under No. ([...]) dated 19/03/1445 AH. Upon asking the Taxpayer's proxy if he wished to add anything, he stated that he adheres to everything previously submitted in this case. Upon presenting this to the Authority's representative, she responded by adhering to everything previously submitted in this case. When both parties were asked if they wished to add anything further, they decided to rest their case on what had been previously submitted. Following the closure of the pleadings and deliberation:

Grounds:

Whereas, upon reviewing the case documents and the appeal briefs submitted by both the Taxpayer and the Zakat, Tax and Customs Authority, it has been established to the Circuit that the requirements for considering the appeals procedurally have been satisfied in accordance with the conditions stipulated in the relevant laws, regulations, and decisions. Consequently, both appeal requests are acceptable procedurally, as they were submitted by parties with legal standing, and within the legally prescribed statutory period.

On the merits, and with respect to the Authority's appeal regarding the item of (Calculating Zakat at the rate of 2.5% of the net Zakat base); whereas Paragraph (Second) of Ministerial Resolution No. (2082), issued on



01/06/1438 AH, stipulates the following: "The rules and procedures contained in the attached Regulations shall supersede all previous decisions, directives, and circulars relating to Zakat collection," and Paragraph (Third) thereof stipulates that: "The attached Regulations shall apply to all Taxpayers subject to Zakat from the date of issuance of this decision;" and pursuant to Paragraph (Second/I) of Article (Four) of the Implementing Regulations for Zakat Collection, issued by Ministerial Resolution No. (2082) dated 01/06/1438 AH, which stipulates: "When calculating the Zakat base of a Taxpayer, the base must not be less than the adjusted net profit for Zakat purposes as a minimum requirement." Based on the foregoing, whereas the dispute between the parties lies in calculating Zakat at the rate of (2.5%) of the net Zakat base, as the Authority argues that it calculated Zakat on the adjusted profit pursuant to Article (Four) of the Implementing Regulations for Zakat Collection, given that the Taxpayer submitted its Zakat Declaration after the issuance of the Regulations; while the Taxpayer demands the application of Fatwa No. (23408) issued by the Permanent Committee for Scholarly Research and Ifta, and asserts that the deduction of fixed assets and their equivalents should not be restricted to certain limits for the purpose of arriving at a Zakat base equivalent to the adjusted net profits of the year; Upon reviewing the case file and the arguments and documents contained therein; whereas the Authority indicated that the Taxpayer submitted its return on 27/07/1438 AH—which is subsequent to the issuance of the Regulations—and since the Implementing Regulations for Zakat Collection issued by Ministerial Resolution No. (2082) dated 01/06/1438 AH stipulated that the Regulations shall apply to all Taxpayers subject to Zakat from the date of issuance of this decision, and also stipulated that the rules and procedures contained in the Regulations shall supersede all previous decisions, directives, and circulars relating to Zakat collection;

Accordingly, whereas the date on which the Taxpayer submitted its return came after the issuance of the aforementioned Regulations, and since the Taxpayer did not contest the validity of the return submission date, the provisions of the Implementing Regulations for Zakat Collection issued by Ministerial Resolution No. (2082) dated 01/06/1438 AH must therefore be applied. Since the provisions of the Regulations indicated in Paragraph (Second/I) of Article (Four) that the base must not be less than the adjusted net profit, this Circuit consequently concludes to accept the Authority's appeal and annul the Resolution Circuit's decision with respect to the item of (Calculating Zakat at the rate of 2.5% of the net Zakat base).

Whereas, with respect to the Taxpayer's appeal regarding the remaining items subject of the case; and whereas The Circuit is not precluded from adopting the reasons of the appealed decision without adding to it whenever it deems that those reasons suffice without citing any new ones, because by endorsing it with what those reasons carried, it is confirmed that it found nothing in the challenges directed at the decision that deserves a response beyond what those reasons included. And since it is established that the appealed decision regarding the dispute concerning the appealed items was consistent with the sound reasons upon which it was based and which are sufficient to carry its ruling, as the issuing Circuit undertook the examination of the merits of the dispute therein and concluded regarding it to the result reached in its operative part. And whereas this Circuit



has not noticed anything requiring correction or comment regarding it in light of the defenses raised before it. This leads the Circuit to conclude the Rejection of the Taxpayer's appeal and affirming the appealed Resolution Circuit's decision regarding the result it reached in the remaining items subject of the lawsuit, based on its reasons.

Based on the foregoing, and adopting the aforementioned grounds, the Circuit unanimously rendered the following decision:

Decision

First: Acceptance of the appeal procedurally submitted by the Taxpayer / [...] Company, Commercial Registration No. ([...]), TIN No. ([...]), and the appeal submitted by the Zakat, Tax and Customs Authority, against the decision of the First Circuit for Adjudication of Income Tax Violations and Disputes in Riyadh City, No. (IFR-2024-239264) issued in Case No. (Z-239264-2024) relating to the Zakat assessment for the year 2016 AD.

Second: On the Merits:

- 1- Rejection of the Taxpayer's appeal and affirming the Resolution Circuit's decision regarding the refund of the Zakat subject of the case.
- 2- Rejection of the Taxpayer's appeal and affirming the Resolution Circuit's decision regarding the item of (Carried-Forward Losses).
- 3- Acceptance of the Authority's appeal and annulment of the Resolution Circuit's decision regarding the item of (Calculating Zakat at the rate of 2.5% of the net Zakat base).



Appeal Committee for Tax Violations and Disputes First Appeal Circuit for Income Tax Violations and Disputes in Riyadh City

Decision No. IR-2025-245829

Case No. Z-245829-2024

Keywords:

Zakat – Presumptive Assessment – Application of the Regulations for Zakat Collection – Exemption by the Authority – Acceptance of the Authority's Appeal

Summary:

The Authority appealed the Resolution Circuit's decision relating to the request for Zakat exemption for the year 2020 AD, which ruled to accept the Taxpayer's objection and obligate the Authority to apply Ministerial Resolution No. (37981). In its appeal, the Authority argued that the new rules of non-subjection do not apply to the Taxpayer because the decision subjecting him to Zakat had become final and immune to challenge due to his failure to object to it at the time. Upon the Appellate Circuit's review of the facts, it was established that the Taxpayer had submitted an exemption request and the Authority issued a decision to reject it; since the Taxpayer failed to file a grievance against it within the statutory period, the decision became immune to challenge and final against him. The Circuit concluded that Clause (Second) of Ministerial Resolution No. (37981) stipulated that for the rules to apply to previous financial years, no final decision on subjection must have been issued by the Authority in respect thereof, which is the condition that was met in the Taxpayer's case. The operative part of the decision ruled to accept the Authority's appeal procedurally and on the merits, and to annul the Resolution Circuit's decision.

Document:

- Paragraph (2) of Article (2) of the Rules for Non-Subjection of Taxpayers Owned by a Waqf to Zakat Collection, issued by Ministerial Resolution No. (37981) dated 09/06/1444 AH.

Facts:

This is to consider the appeal submitted on 05/11/2024 AD by the Zakat, Tax and Customs Authority against the decision of the First Circuit for Adjudication of Income Tax Violations and Disputes in Riyadh City, No. (IFR-2024-237365) issued in Case No. (Z-237365-2024) relating to the request for Zakat exemption for the year



2020 AD, in the case filed by the Taxpayer against the Zakat, Tax and Customs Authority, wherein the Resolution Circuit's decision ruled as follows:

Acceptance of the objection of the Plaintiff / [...] Awqaf (TIN No. [...]) relating to the Zakat exemption for the year subject of the case, and obligating the Defendant / Zakat, Tax and Customs Authority to apply Ministerial Resolution No. (37981) dated 09/06/1444 AH, in accordance with what is detailed in the grounds.

Whereas this decision did not meet the acceptance by the Appellant (Zakat, Tax and Customs Authority), it submitted an appeal brief, the summary of which is as follows:

In objecting to the contested Resolution Circuit's decision, the Authority claims that regarding the item of (The request for Zakat exemption for the year subject of the dispute and the application of Ministerial Resolution No. (37981) dated 09/06/1444 AH), the Authority clarifies that the Taxpayer submitted non-subjection requests for Zakat collection for the fiscal years 2019 AD and 2020 AD, requesting the application of Ministerial Resolution No. (37981) dated 09/06/1444 AH approving the Rules for Non-Subjection of Taxpayers Owned by a Waqf to Zakat Collection. Item (Second) thereof explicitly stipulates: "Second: These Rules attached to this Decision shall apply to fiscal years beginning on or after 1/1/2023 AD. They may, upon the Taxpayer's request, be applied to fiscal years governed by the Implementing Regulations for Zakat Collection issued by Ministerial Resolution No. 2216 dated 7/7/1440 AH, provided that no final decision on subjection has been issued by the Authority in respect thereof." The Authority did not accept the Taxpayer's request regarding the 2019 AD and 2020 AD fiscal years due to the issuance of decisions by the Authority subjecting the Taxpayer to Zakat, against which the Taxpayer failed to object. Consequently, the Authority's internal committee concluded that the Authority's decision had become final and that the new rules issued by Ministerial Resolution No. (37981) do not apply to the Taxpayer. The Authority argues that the Resolution Circuit erred in defining the core of the dispute because it failed to examine or rule on the primary substance of the dispute between the Authority and the Taxpayer, which centers around whether Ministerial Resolution No. (37981) applies retroactively. The Authority clarified in its memorandum that the core of its dispute with the Taxpayer lies in examining the extent to which the Ministerial Resolution applies retroactively. It is clear from the merits of the Honorable Circuit's decision that it did not investigate the correct core of the dispute or verify the applicability of the Decision to the case subject of the case. Therefore, the Authority's decision was issued in accordance with statutory and Sharia requirements, and the correct procedure is to first verify whether the Ministerial Resolution applies; if it does not apply, it is impermissible to enter into the substance of the procedures prior to establishing its applicability to the case. Furthermore, the Authority asserts that the Resolution Circuit contradicted itself in its decision: at one point, it stated that the Authority failed to mention the reason for rejecting the exemption, while elsewhere the decision noted that the Authority stated the rejection was because the endowment was dedicated to private charitable avenues and documentary evidence was not provided. In all these merits referenced by the Circuit, it completely failed to address the matter of the Ministerial Resolution's applicability to the case subject of the case, especially in light of an explicit statutory provision governing such instances.



The Circuit did not examine whether the Taxpayer objected to the subjection cases issued on 20/08/2020 AD and 08/09/2020 AD. Accordingly, the Authority reaffirms the validity of its procedure regarding the non-applicability of the Ministerial Resolution to the case subject of the case. It emphasizes that the general rule is the subjection of all Taxpayers to Zakat, and no exception can be made to this rule unless an explicit statutory text exempts the Taxpayer from Zakat. The Authority references Sub-paragraph (b) of Paragraph (5) of Article (Second) of the Implementing Regulations for Zakat Collection, issued by Ministerial Resolution No. (2216) dated 07/07/1440 AH, which stipulates: "The following shall be excluded from the provisions of this Article: A Taxpayer in respect of whom a decision of non-subjection to Zakat collection is issued by the Authority." The Authority clarified in its decision issued to the Taxpayer its confirmation of his subjection to Zakat on the grounds that the Waqf text specified private charitable avenues according to the aforementioned endowment deed, and its decision became final due to the lack of an objection against it. Consequently, the Authority requests the acceptance of its appeal and the annulment of the Resolution Circuit's decision.

On Tuesday, dated 05/08/2025 AD, the First Appeal Circuit for Income Tax Violations and Disputes held its hearing at exactly 11:45 AM in the presence of its members whose names are recorded in the minutes, via visual communication in accordance with the remote litigation procedures; based on the provisions of Clause No. (1) of Article Fifteen of the Rules of Operation for Zakat, Tax and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. Upon calling the litigants, the representative of the Appellant appeared, [...], National ID No. ([...]), by virtue of an authorization issued by the Deputy Governor of the Zakat, Tax and Customs Authority for Legal Affairs under No. ([...]) dated 19/03/1445 AH. There also appeared [...], National ID No. ([...]), in his capacity as the proxy for the Respondent, by virtue of Power of Attorney No. ([...]) issued on 23/10/1446 AH and Legal Paractice License No. ([...]). Upon asking the Respondent's proxy if he wished to add anything, he stated that he adheres to everything previously submitted in this case. Upon presenting this to the Authority's representative, she responded by adhering to everything previously submitted in this case. When both parties were asked if they wished to add anything further, they decided to rest their case on what had been previously submitted. Accordingly, the pleadings and deliberation were closed.

Grounds:

On the merits, and with respect to the Authority's appeal against (the request for Zakat exemption for the year 2020 AD and the application of Ministerial Resolution No. (37981) dated 09/06/1444 AH); Pursuant to Ministerial Resolution No. (37981) dated 09/06/1444 AH approving the Rules for Non-Subjection of Taxpayers Owned by a Waqf to Zakat Collection, which stipulates in Clause (Second) thereof as follows: "These Rules attached to this Decision shall apply to fiscal years beginning on or after 1/1/2023 AD. They may, upon the Taxpayer's request, be applied to fiscal years governed by the Implementing Regulations for Zakat Collection issued by Ministerial Resolution No. 2216 dated 7/7/1440 AH, provided that no final decision on subjection has been issued by the Authority in respect thereof;" And pursuant to Paragraph (2) of Article (2) of



the Rules for Non-Subjection of Taxpayers Owned by a Waqf to Zakat Collection, issued by Ministerial Resolution No. (37981) dated 09/06/1444 AH, which stipulates the following: "The Taxpayer referred to in Paragraph (1) of this Article shall not be subject to Zakat if the Waqf deed stipulates that all avenues of spending of the Waqf are dedicated to public charitable channels, with no specific designated beneficiary, or if it contains a specific designated beneficiary whose share does not exceed ten percent (10%) of the Waqf's yield, subject to the following: a. The calculation of the share of the specific designated beneficiary shall include everything spent on the founder of the Waqf (the Waquf), his descendants, any specific person, or anyone described in a manner that falls outside the scope of public charity, or entities associated with the Waqf. b. The calculation of the Waqf's yield shall include all annual revenues of the Waqf, including asset yields, income, and profits from investments, companies, donations, and the like. c. The calculation of the percentage for the specific designated beneficiary—in the event that more than one Waqf shares in the ownership of the Taxpayer—shall be on a pro-rata basis among these Waqfs. d. The proof for determining the percentage of the specific designated beneficiary—in the event that the Waqf deed stipulates spending on a specific beneficiary—shall be through audited financial reports of the Waqf, or a report from a certified public accountant licensed in the Kingdom." Based on the foregoing, and upon the Circuit's review of the case file, it was established that on 13/06/2021 AD, the Taxpayer submitted a request for Zakat subjection exemption for the year 2020 AD. The Authority issued a decision rejecting the request, and the Taxpayer failed to object to the Authority's decision that concluded with the rejection of the request at that time. Consequently, this resulted in that decision becoming immune to challenge and final against the Taxpayer. This conclusion is not undermined by what the Circuit that issued the appealed decision noted in its grounds—namely, that the Authority failed to state and clarify the reasons for rejecting the Zakat collection exemption request—inasmuch as the formal rules and requirements mandatory for the structure of assessments issued by the Authority do not extend to all administrative decisions issued by it, and the Taxpayer was required to object to the rejection at the time. Whereas Item (Second) of Ministerial Resolution No. (37981) dated 09/06/1444 AH approving the Rules for Non-Subjection of Taxpayers Owned by a Waqf to Zakat Collection, as referenced above, stipulates that the rules may, upon the Taxpayer's request, be applied to fiscal years governed by the Implementing Regulations for Zakat Collection issued by Ministerial Resolution No. (2216) dated 7/7/1440 AH, provided that no final decision on subjection has been issued by the Authority in respect thereof; and whereas the Authority's decision concluding with the rejection of the Zakat exemption request, issued on 30/10/2023 AD, became final against the Taxpayer, these Rules cannot therefore be applied to it. This is not affected by the Taxpayer's argument that it had submitted an exemption request and objected to the Authority's rejection thereof, since that request was submitted after the issuance of the aforementioned Ministerial Resolution, thereby demonstrating that those Rules do not apply to it in light of the existence of a final decision by the Authority dictating its subjection to Zakat. Furthermore, regarding the Taxpayer's argument that the Authority had exempted it for several years other than the year subject of the dispute, this matter falls within the discretionary power of the Authority based on the documents and facts presented to it concerning the Taxpayer. This does



not prejudice the Taxpayer's right to lodge a grievance before the Committees if it becomes clear to it that the application was improper, in accordance with the legally prescribed objection procedures. Consequently, the Circuit concludes to accept the Authority's appeal and annul the Resolution Circuit's decision.

Based on the foregoing, and adopting the aforementioned grounds, the Circuit unanimously rendered the following decision:

Decision

First: Acceptance of the appeal procedurally submitted by the Appellant / Zakat, Tax and Customs Authority, against the decision of the First Circuit for Adjudication of Income Tax Violations and Disputes in Riyadh City, No. (IFR-2024-237365) issued in Case No. (Z-237365-2024) relating to the request for Zakat exemption for the year 2020 AD.

Second: On the Merits:

Acceptance of the Authority's appeal and annulment of the Resolution Circuit's decision, in accordance with the grounds and merits set forth in this decision.



Appeal Committee for Tax Violations and Disputes First Appeal Circuit for Income Tax Violations and Disputes in Riyadh City

Decision No. IA-2025-122

Case No. Z-244648-2024

Keywords:

Zakat – Presumptive Assessment – Non-acceptance of the Plaintiff's Case Due to Res Judicata (Prior Adjudication) – Acceptance of the Authority's Appeal

Summary:

The Taxpayer appealed the Resolution Circuit's decision relating to the Zakat assessment for the year 2016 AD, which ruled the non-acceptance of the case due to res judicata. Upon the Appeal Circuit's review of the case file, it became evident that the subject matter of the dispute had been addressed in a prior decision issued by the Resolution Circuit in Riyadh City, which ruled the non-acceptance of the case due to the failure to submit the objection within the statutory period. In its judgment, the Circuit relied on Article (76) of the Law of Sharia Procedures, which permits pleading res judicata at any stage of the lawsuit and requires the court to rule upon it on its own motion. The Circuit affirmed the authoritative force of res judicata, which precludes the re-examination of the same dispute whenever the unity of the parties, subject matter, and cause of action is established, in order to safeguard the stability of judicial judgments and prevent the disruption of execution. The Circuit concluded to reject the Taxpayer's appeal due to the established unity of the dispute with what was previously adjudicated. The operative part of the decision ruled the acceptance of the appeal procedurally, and on the merits, its rejection and the affirmation of the Resolution Circuit's decision upheld on its own grounds.

Document:

- Article (76) of the Law of Sharia Procedures, issued by Royal Decree No. (M/1) dated 22/01/1435 AH.

Facts:

This is to consider the appeal submitted on 30/10/2024 AD, by [...] Company, Commercial Registration No. [...], against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Dammam City, No. (IZD-2024-238869), issued in Case No. (Z-238869-2024) relating to the Zakat assessment for the year 2016 AD, in the case filed by the appellant against the Zakat, Tax and Customs Authority, wherein the Resolution Circuit's decision ruled the following:



The non-acceptance of the plaintiff's case due to res judicata.

As this decision was not accepted by the Taxpayer, it submitted an appeal brief, which has been reviewed by the Circuit, the substance of which states that the Taxpayer demands the acceptance of its appeal and the reversal of the Resolution Circuit's decision.

On Wednesday, 30/04/2025 AD, at exactly 11:01 AM, the First Appeal Circuit for Income Tax Violations and Disputes held its session in the presence of its members whose names are recorded in the minutes, via visual communication in accordance with remote litigation procedures; pursuant to the provisions of Paragraph (1) of Article (Fifteen) of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. Upon reviewing the appeal request, the submitted memoranda, and the documents and papers contained within the case file, and after due deliberation, and whereas the case is ripe for judgment in its current state, the Circuit decides to close the pleadings and reserve the case for adjudication, following the closure of pleadings and deliberation.

The operative part of the decision ruled the acceptance of the appeal procedurally, and on the merits, its rejection and the affirmation of the Resolution Circuit's decision upheld on its own grounds.

Grounds:

Whereas, upon reviewing the case documents and the appeal brief submitted by the Taxpayer, it became evident to the Circuit that the conditions for considering the appeal procedurally have been met in accordance with the conditions stipulated in the relevant laws, regulations, and decisions; accordingly, the appeal request is acceptable procedurally for being submitted by an authorized party, and within the statutory period prescribed for its execution.

On the Merits, regarding the Taxpayer's appeal against the Resolution Circuit's decision ruling the (non-acceptance of the plaintiff's case due to res judicata); and whereas Article (76) of the Law of Sharia Procedures stipulates that: "...a pleading of the non-acceptance of a case due to res judicata may be raised at any stage of the case, and the court shall rule upon it on its own motion..."; and whereas it is established that the subject matter of the case has been previously adjudicated by the First Circuit for the Resolution of Income Tax Violations and Disputes in Riyadh City by its issued Decision No. (IFR-2022-2286) in Case No. (Z-132903-2022), which ruled the non-acceptance of the case due to the failure to file the objection case before the Adjudication Committee within the statutory period; and whereas it is established in jurisprudence and judiciary that a case that has been previously adjudicated by a final judgment may not be considered except after its reversal or review pursuant to the law; as doing otherwise would undermine the authoritative force of judicial judgments, shake their stability, create an endless sequence, and weaken the status of the judiciary before all, in addition to causing disruption upon execution and discrepancy upon application; therefore, the non-acceptance of considering a case due to prior adjudication is nothing less than the negative effect resulting



from the authoritative force of res judicata, which precludes the re-examination of the same dispute that was settled by a final judicial judgment before any other court through an initial case in which the same dispute is raised, provided that the unity of the parties, subject matter, and cause of action is present in both the prior and subsequent cases; accordingly, this Circuit concludes to reject the Taxpayer's appeal and affirm the contested Resolution Circuit's decision as to its final conclusion regarding the items subject to the case, upheld on its own grounds.

Decision

First: Acceptance of the appeal procedurally submitted by the appellant Taxpayer / [...] Company, Commercial Registration No. [...], Taxpayer Identification Number (TIN) [...], against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Dammam City, No. (IZD-2024-238869), issued in Case No. (Z-238869-2024) relating to the Zakat assessment for the year 2016 AD.

Second: On the Merits:

Rejection of the Taxpayer's appeal and the affirmation of the Resolution Circuit's decision, in accordance with the grounds and reasons set forth in this decision.



Appeal Committee for Tax Violations and Disputes
First Appeal Circuit for Income Tax Violations and Disputes
in Riyadh City

Decision No. IR-2025-244468

Case No. Z-244468-2024

Keywords:

Zakat – Presumptive Assessment – Zakat Rate Calculated for the Assessment – Exemption by the Authority – Acceptance of the Authority's Appeal

Summary:

The Taxpayer and the Authority appealed the Resolution Circuit's decision relating to the Zakat assessment for the year 2018 AD, which incorporated the items of payables, current loans, dividends, and lands. In its appeal, the Taxpayer pleaded the non-completion of one Zakat year (Al-Hawl) regarding the payables and loans; however, the Circuit concluded to reject these defenses due to the failure to submit supporting documents, deeming the submitted "Excel" files insufficient to prove the claim. Regarding dividends, the Circuit affirmed the assessment decision due to the non-reconciliation of the bank statement with the disputed amount and the lack of proof that the amounts were deposited into an independent and restricted account that prevents disposition. As for the lands item, the Circuit established the Authority's abandonment of its appeal based on its official request submitted in its supplemental brief and in application of Article (70) of the Law of Sharia Procedures. The operative part of the decision ruled the acceptance of the appeal procedurally, and on the merits, the rejection of the Taxpayer's appeal across all items, and the acceptance of the abandonment of litigation in the Authority's appeal.

Document:

- Paragraph (5), Item (First) of Article (4) of the Implementing Regulations for Zakat Collection, issued by Decision of His Excellency the Minister of Finance No. (2082) dated 01/06/1438 AH.

Facts:

This is to consider the appeal submitted on 28/10/2024 AD, by [...], National ID No. [...], in their capacity as the attorney for the appellant company pursuant to Power of Attorney No. [...] dated 03/12/1444 AH, and Legal Practice License No. [...]; and the appeal submitted by the Zakat, Tax and Customs Authority on 16/12/2021 AD, against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Jeddah



Governorate, No. (IZJ-2024-238709), issued in Case No. (Z-238709-2024) relating to the Zakat assessment for the year 2018 AD, in the case filed by the Taxpayer against the Zakat, Tax and Customs Authority, wherein the Resolution Circuit's decision ruled the following:

Dismissal of the case due to res judicata.

Whereas the Resolution Circuit issued its aforementioned decision and re-examined the case as a result of this Circuit's Decision No. (IR-2024-86708) dated 28/05/2024 AD, which provided: First: Acceptance of the appeal procedurally submitted by the Taxpayer / [...] Company, Commercial Registration [...], Taxpayer Identification Number (TIN) [...], and the appeal submitted by the Zakat, Tax and Customs Authority, against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Jeddah Governorate, No. (IZJ-2021-1537), issued in Case No. (Z-33179-2020) relating to the Zakat assessment for the year 2018 AD. Second: On the merits: Acceptance of the Taxpayer's appeal and remanding the case back to the Resolution Circuit for a consideration on the merits regarding the item of (non-addition of shareholders' dividends - banks - for the year 2018 AD). And whereas this Circuit reviewed the Resolution Circuit's Decision No. (IZJ-2024-238709) and decided to return the case to the Resolution Circuit to review and restate the decision to encompass all items subject to the case, and to return it to the Appeal Circuit including all requests of the plaintiff for adjudication, as the Circuit had not exhausted its jurisdiction in ruling upon all the plaintiff's requests. Consequently, as a result of that request, the First Circuit for the Resolution of Income Tax Violations and Disputes in Jeddah Governorate issued its Decision No. (IZJ-2025-238709) in Case No. (Z-238709-2024), which ruled the following:

First: Acceptance of the plaintiff's objection to the lands item for the year 2018 AD.

Second: Rejection of the plaintiff's objection to the shareholders' dividends item for the year 2018 AD.

Third: Rejection of the plaintiff's objection to the payables item for the year 2018 AD.

Fourth: Rejection of the plaintiff's objection to the loans item for the year 2018 AD.

Fifth: Dismissal of the case due to res judicata.

Accordingly, the Circuit decided to resume the consideration of the case. As this decision was not accepted by both parties, each of them submitted an appeal brief, the substance of which is summarized as follows:

Regarding the Taxpayer's appeal against the Resolution Circuit's decision, and specifically concerning the item of (addition of the payables item), the Taxpayer pleads that the detailed statements extracted from the accounting system demonstrate the movement of these items, and that the majority of these items have undergone the non-completion of one Zakat year (Al-Hawl). Furthermore, the Taxpayer argues that Paragraph (5) of Article (Fourth) of the Implementing Regulations for Zakat Collection, upon which the assessment is based, does not stipulate the addition of employees' payables and trusts, performance bonds, or third-party deposits. The Taxpayer also noted that the Circuit's decision did not address the company's request regarding



double Zakat. Concerning the item of (non-addition of current loans), the Taxpayer stated that the current portion thereof represents the installments that have matured or are nearing maturity, and thus, this portion is excluded from being among the loans subject to Zakat because it has become short-term. Regarding the item of (deduction of shareholders' dividends – banks), the Taxpayer demands the annulment of the Circuit's decision on this item on the grounds that these dividends were deposited into a special account at the bank. The Taxpayer claims this satisfies the paragraph exempting profits under distribution from addition, which excludes profits declared for distribution whose owners have not come forward to receive them, provided they are deposited into a special account that does not permit the company to dispose of them. Accordingly, the company requests an amendment to the assessment and the exclusion of shareholders' dividends from the Zakat base to reflect the company's application of its statutory obligation for this year. Therefore, the Taxpayer requests the reversal of the Resolution Circuit's decision regarding the items subject to the appeal based on the aforementioned grounds.

The decision was also not accepted by the Zakat, Tax and Customs Authority, which submitted its appeal against the contested decision via an appeal brief, the substance of which is summarized as follows:

Regarding the Authority's appeal against the Resolution Circuit's decision, its appeal concerning the item of (lands) states that upon reviewing the Circuit's decision, it was unclear what documents were relied upon, as the Circuit sufficed with its response that "the Authority did not provide proof that the lands are held for trading and not for the purposes of the plaintiff's business activity." However, upon reviewing what was submitted by the Taxpayer during the objection stage, it is noted that the company's activities include the buying, selling, renting, developing, and investing of lands; therefore, they constitute goods held for trade (Urud Al-Tijarah) subject to Zakat. Furthermore, the Taxpayer submitted Board of Directors Resolution No. (125) dated 01/07/2014 AD, corresponding to 04/09/1435 AH, which contains no reference whatsoever to that land or the purpose of its acquisition. Moreover, the land deed submitted on 12/08/1438 AH, corresponding to 08/05/2017 AD, postdates the aforementioned Board resolution. Since the Authority could not verify that this land is used in the business activity—as it remained classified as an unallocated real estate investment until 2019, while certain other real properties were classified as real estate held for lease and generating revenue—this confirms the validity of the Authority's procedure. The Authority bases its procedure on Article (Fourth) of the Implementing Regulations of Royal Decree No. (M/40) dated 02/07/1405 AH, issued by Ministerial Resolution No. (2082) dated 01/06/1438 AH. Accordingly, it demands the acceptance of the Authority's appeal and the annulment of the Resolution Circuit's decision, reserving its right to submit further responses and clarifications prior to the closure of pleadings.

On Tuesday, 26/08/2025 AD, at exactly 01:00 PM, the First Appeal Circuit for Income Tax Violations and Disputes held its session in the presence of its members whose names are recorded in the minutes, via visual communication in accordance with remote litigation procedures; pursuant to the provisions of Paragraph (1) of Article (Fifteen) of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree



No. (25711) dated 08/04/1445 AH. Upon calling upon the litigants, the representative of the respondent appeared, [...], National ID No. [...], pursuant to an authorization issued by the Deputy Governor of the Zakat, Tax and Customs Authority for Legal Affairs under No. [...] dated 19/03/1445 AH. No one appeared on behalf of the appellant despite their being legally notified of the date of this session. Upon reviewing the appeal request, the submitted memoranda, and the documents and papers contained within the case file, and after discussion and deliberation, the Circuit decided to close the pleadings and postpone the adjudication of the case for further study and reflection until the session of Tuesday, corresponding to 09/09/2025 AD.

On Tuesday, 09/09/2025 AD, at exactly 10:30 AM, the First Appeal Circuit for Income Tax Violations and Disputes held its session in the presence of its members whose names are recorded in the minutes, via visual communication in accordance with remote litigation procedures; pursuant to the provisions of Paragraph (1) of Article (Fifteen) of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. Upon calling upon the litigants, the representative of the Authority appeared, [...], National ID No. [...], pursuant to an authorization issued by the Deputy Governor of the Zakat, Tax and Customs Authority for Legal Affairs under No. [...] dated 19/03/1445 AH. No one appeared on behalf of the Taxpayer despite its being legally notified of the date of this session, following the closure of pleadings and deliberation.

Grounds:

Whereas, upon reviewing the case documents and the appeal briefs submitted by the Taxpayer and the Zakat, Tax and Customs Authority, it became evident to the Circuit that the conditions for considering the appeals procedurally have been met in accordance with the conditions stipulated in the relevant laws, regulations, and decisions; accordingly, both appeal requests are acceptable procedurally, as they were submitted by authorized parties and within the statutory period prescribed for their execution.

On the merits, regarding the Taxpayer's appeal concerning the item of (additions to payables for the year 2018 AD); and whereas Paragraph (5), Item (First) of Article (Fourth) of the Implementing Regulations for Zakat Collection, issued by Ministerial Resolution No. (2082) dated 01/06/1438 AH, stipulates that: "The Zakat base consists of all the Taxpayer's funds subject to Zakat, including: 5- Government and commercial loans and their equivalents from other sources of financing, such as creditors, notes payable, and bank Bank Overdrafts outstanding from the Taxpayer, in accordance with the following: a. What remains thereof in cash and has undergone the completion of one Zakat year (Al-Hawl). b. What was used thereof to finance what is held as fixed assets. c. What was used thereof in goods held for trade and has undergone the completion of one Zakat year (Al-Hawl)." Based on the foregoing, and upon the Circuit's review of the case file and the documents submitted by the parties, it became evident that the Taxpayer submitted an "Excel" file demonstrating the total movement of the payables, which is the exact same file submitted before the Resolution Circuit and is deemed insufficient to prove the non-completion of one Zakat year (Al-Hawl) regarding the disputed credit balances.



Whereas the Taxpayer failed to submit supporting documents confirming the validity of its claims in its appeal regarding the non-completion of one Zakat year (Al-Hawl) for the payables, and confirming the existence of a duplication in the addition of the item, thereby rendering its appeal without factual basis; accordingly, the Circuit concludes to reject the Taxpayer's appeal and affirm the Resolution Circuit's decision regarding the item of (additions to payables for the year 2018 AD).

Regarding the Taxpayer's appeal concerning the item of (non-addition of current loans for the year 2018 AD); and whereas Paragraph (5), Item (First) of Article (Fourth) of the Implementing Regulations for Zakat Collection, issued by Ministerial Resolution No. (2082) dated 01/06/1438 AH, stipulates that: "The Zakat base consists of all the Taxpayer's funds subject to Zakat, including: 5- Government and commercial loans and their equivalents from other sources of financing, such as creditors, notes payable, and bank Bank Overdrafts outstanding from the Taxpayer, in accordance with the following: a. What remains thereof in cash and has undergone the completion of one Zakat year (Al-Hawl). b. What was used thereof to finance what is held as fixed assets. c. What was used thereof in goods held for trade and has undergone the completion of one Zakat year (Al-Hawl)." Based on the foregoing, and upon the Circuit's review of the case file, it became evident that the Taxpayer failed to submit supporting documents confirming the validity of its claims in its appeal regarding the non-completion of one Zakat year (Al-Hawl) for the current loans. Whereas the defenses raised by the appellant represent, in their entirety, a repetition of what was previously raised before the Resolution Circuit when discussing the Taxpayer's objection; accordingly, the Circuit concludes to reject the Taxpayer's appeal and affirm the Resolution Circuit's decision regarding the item of (non-addition of current loans for the year 2018 AD).

Regarding the Taxpayer's appeal concerning the item of (deduction of shareholders' dividends – banks for the year 2018 AD); and whereas Paragraph (11), Item (First) of Article (Fourth) of the Implementing Regulations for Zakat Collection, issued by Ministerial Resolution No. (2082) dated 01/06/1438 AH, stipulates that: "The Zakat base consists of all the Taxpayer's funds subject to Zakat, including: 11- Profits under distribution, excluding profits declared for distribution whose owners have not come forward to receive them, provided they are deposited into a special account that does not permit the company to dispose of them." Based on the foregoing, as the dispute centers on the Authority's procedure of non-deduction of the item amounting to SAR 993,122 due to the failure to submit proof that these amounts had exited the company's accounts, and the failure to submit proof that these amounts were deposited into an independent account separate from the company's accounts prior to the end of the financial year for the purpose of distribution to partners and that the company is not permitted to dispose of them; and upon the Circuit's review of the case file, it became evident that the Taxpayer submitted an agreement with [...] Bank for shareholders' dividend payout services, and a bank statement showing an amount of SAR 635,660. Whereas the statement could not be reconciled with the disputed amount, and the submitted agreement did not include the account number to verify that the submitted statement relates to the shareholders' dividends account, the submitted documents are therefore



insufficient to support and establish the Taxpayer's appeal. Accordingly, the Circuit concludes to reject the Taxpayer's appeal and affirm the Resolution Circuit's Decision No. (IZJ-2021-1537) regarding the item of (deduction of shareholders' dividends – banks for the year 2018 AD).

Regarding the Authority's appeal concerning the item of (lands for the year 2018 AD); and whereas Article (70) of the Law of Sharia Procedures, issued by Royal Decree No. (M/1) dated 22/01/1435 AH, stipulates that: "The litigants may request the court at any stage of the case to record their agreement regarding an admission, settlement, or otherwise in the case minutes, and the court shall Issue an instrument to that effect." Furthermore, Paragraph (1) of Article (70) of the Implementing Regulations of the Law of Sharia Procedures, issued by Decision of the Minister of Justice No. (39933) dated 19/05/1435 AH, stipulates that: "If the agreement is reached before the case is recorded in the minutes, the substance of the case and the answer must be recorded prior to documenting the agreement, provided that the original case falls within the jurisdiction of the Circuit, even if the substance of the agreement falls within the jurisdiction of another court or circuit, on condition that the subject matter of the case, or part thereof, is included in the agreement." Based on the foregoing, and whereas the Authority's request to abandon the appeal has been established before this Circuit pursuant to its letter contained in its supplemental brief dated 17/01/2024 AD, which stated: "The Authority wishes to inform the esteemed Circuit of the abandonment of its appeal specifically regarding the above item and the procedures resulting from the Authority's appeal for this item, in accordance with the final conclusions and reasoning of the Resolution Circuit's decision..." Accordingly, the Circuit concludes to accept the abandonment of litigation with respect to the Authority's appeal on the item of (lands for the year 2018 AD).

Based on the foregoing, and adopting the aforementioned grounds, the Circuit unanimously rendered the following decision:

Decision

First: Acceptance of the appeal procedurally submitted by the Taxpayer / [...] Company, Commercial Registration [...], Taxpayer Identification Number (TIN) [...], and the appeal submitted by the Zakat, Tax and Customs Authority, against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Jeddah Governorate, No. (IZJ-2024-238709), issued in Case No. (Z-238709-2024) relating to the Zakat assessment for the year 2018 AD.

Second: On the Merits:

- 1- Rejection of the Taxpayer's appeal and the affirmation of the Resolution Circuit's decision regarding the item of (additions to payables for the year 2018 AD).
- 2- Rejection of the Taxpayer's appeal and the affirmation of the Resolution Circuit's decision regarding the item of (non-addition of current loans for the year 2018 AD).



- 3- Rejection of the Taxpayer's appeal and the affirmation of the Resolution Circuit's Decision No. (IZJ-2021-1537) regarding the item of (deduction of shareholders' dividends – banks for the year 2018 AD).
- 4- Acceptance of the abandonment of litigation with respect to the Authority's appeal on the item of (lands for the year 2018 AD).



Appeal Committee for Tax Violations and Disputes First Appeal Circuit for Income Tax Violations and Disputes in Riyadh City

Decision No. IR-2025-244215

Case No. Z-244215-2024

Keywords:

Zakat – Presumptive Assessment – Profits – Reserves and Retained Earnings – Settlement

Summary:

The Taxpayer and the Authority appealed the Resolution Circuit's decision relating to the Zakat assessment for the year 2016 AD, which included the items of retained earnings, accrued expenses, investments, and unadded activities. Regarding the Authority's appeal concerning accrued expenses, the Circuit established the settlement of the dispute based on the Taxpayer's acceptance of the Authority's procedure as stated in its reply brief, pursuant to Article (70) of the Law of Sharia Procedures. As for the Taxpayer's appeal on the additional paid-in capital item, the Circuit concluded to dismiss it on the grounds that it constitutes a new request that had not been previously raised before the Resolution Circuit, in compliance with Article (186) of the same Law, which precludes the admissibility of new requests at the appeal stage. Concerning the remaining disputed items (retained earnings, activities, and investments), the Circuit affirmed the Resolution Circuit's decision upheld on its own grounds, due to the soundness of the conclusion reached therein and the absence of any challenges warranting a reversal.

The operative part of the decision ruled the acceptance of the appeal procedurally, and on the merits, establishing the settlement of the dispute regarding the expenses item, dismissing the capital item, rejecting the Taxpayer's appeal, and affirming the assessment for the remaining items.

Document:

- Article (70 - 186) of the Law of Sharia Procedures, issued by Royal Decree No. (M/1) dated 22/01/1435 AH.

Facts:

This is to consider the appeal submitted on 21/10/2024 AD by the Zakat, Tax and Customs Authority, and the appeal submitted on 22/10/2024 AD by [...], National ID No. [...], against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Riyadh City, No. (IFR-2024-237394), issued in Case No.



(Z-237394-2024) relating to the Zakat assessment for the year 2016 AD, in the case filed by the Taxpayer against the Zakat, Tax and Customs Authority, wherein the Resolution Circuit's decision ruled the following:

First: Modification of the procedure of the Defendant / Zakat, Tax and Customs Authority, against the Plaintiff / [...] (Taxpayer Identification Number [TIN]: [...]) relating to the item of adding the retained earnings balance to the Zakat base by an amount of SAR 13,885,425 (thirteen million eight hundred eighty-five thousand four hundred twenty-five Saudi Riyals) for the year 2016 AD, as detailed in the grounds.

Second: Modification of the procedure of the Defendant / Zakat, Tax and Customs Authority, against the Plaintiff / [...] (Taxpayer Identification Number [TIN]: [...]) relating to the addition of other credit balances that have undergone the completion of one Zakat year (Al-Hawl), consisting of: (accrued expenses amounting to SAR 4,493 [four thousand four hundred ninety-three Saudi Riyals], and third-party deposits amounting to SAR 1,600 [one thousand six hundred Saudi Riyals]) for the year 2016 AD, in addition to the non-completion of one Zakat year (Al-Hawl) for unearned revenues balances for the year 2016 AD, as detailed in the grounds.

Third: Modification of the procedure of the Defendant / Zakat, Tax and Customs Authority, against the Plaintiff / [...] (Taxpayer Identification Number [TIN]: [...]) relating to the item of the Zakat base for unadded activities to be an amount of SAR 175,000 (one hundred seventy-five thousand Saudi Riyals) instead of an amount of SAR 275,000 (two hundred seventy-five thousand Saudi Riyals) for the year 2016 AD, as detailed in the grounds.

Fourth: Establishing the settlement of the dispute of the Plaintiff / [...] (Taxpayer Identification Number [TIN]: [...]) with the Defendant / Zakat, Tax and Customs Authority, based on the Defendant's acceptance of adding the accounts payable (suppliers) balances to the Zakat base by an amount of SAR 48,766 (forty-eight thousand seven hundred sixty-six Saudi Riyals) for the year 2016 AD, and the Plaintiff's acceptance of the Defendant's procedure.

Fifth: Annulment of the decision of the Defendant / Zakat, Tax and Customs Authority, against the Plaintiff / [...] (Taxpayer Identification Number [TIN]: [...]) regarding the permission to deduct the item of projects under execution (work-in-progress) amounting to SAR 4,908,318 (four million nine hundred eight thousand three hundred eighteen Saudi Riyals) from the Zakat base for the year 2016 AD.

Sixth: Rejection of the objection of the Plaintiff / [...] (Taxpayer Identification Number [TIN]: [...]) to the decision of the Defendant / Zakat, Tax and Customs Authority, regarding the non-permissibility of deducting the balance of investments in ([...] Company – Taxpayer Identification Number [TIN]: [...]), which is listed within the (accounts receivable) accounts, amounting to SAR 2,456,612 (two million four hundred fifty-six thousand six hundred twelve Saudi Riyals) for the year 2016 AD.

Whereas this decision did not meet the acceptance by the Taxpayer, who submitted an appeal brief reviewed by the Circuit, the substance of which requested the acceptance of its appeal and the reversal of the Resolution



Circuit's decision regarding the items subject to its appeal; and whereas this decision was also not accepted by the Authority, which submitted an appeal brief reviewed by the Circuit, the substance of which requested the acceptance of its appeal and the reversal of the Resolution Circuit's decision regarding the items subject to its appeal.

On Tuesday, 17/06/2025 AD, at exactly 09:00 AM, the First Appeal Circuit for Income Tax Violations and Disputes held its session in the presence of its members whose names are recorded in the minutes, via visual communication in accordance with remote litigation procedures; pursuant to the provisions of Paragraph (1) of Article (Fifteen) of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. Upon calling upon the litigants, the Taxpayer appeared in person, [...], National ID No. [...], and the representative of the Authority appeared, [...], National ID No. [...], pursuant to an authorization issued by the Deputy Governor of the Zakat, Tax and Customs Authority for Legal Affairs under No. [...] dated 19/03/1445 AH. Upon asking the Taxpayer if he wished to add anything, he stated that he adheres to what was previously submitted in this case. Upon presenting this to the Authority's representative, she responded by adhering to what was previously submitted in this case. When both parties were asked if they wished to add anything further, they resolved to suffice with what had been previously submitted.

Grounds:

Whereas, upon reviewing the case documents and the appeal briefs submitted by the Taxpayer and the Zakat, Tax and Customs Authority, it became evident to the Circuit that the conditions for considering the appeals procedurally have been met in accordance with the conditions stipulated in the relevant laws, regulations, and decisions; accordingly, both appeal requests are acceptable procedurally, as they were submitted by authorized parties and within the statutory period prescribed for their execution.

On the merits, regarding the Authority's appeal concerning the item of (adding other credit balances to the Zakat base [accrued expenses amounting to SAR 5,127] for the year 2016 AD); and whereas Article (70) of the Law of Sharia Procedures, issued by Royal Decree No. (M/1) dated 22/01/1435 AH, stipulates that: "The litigants may request the court at any stage of the case to record their agreement regarding an admission, settlement, or otherwise in the case minutes, and the court shall Issue an instrument to that effect." Furthermore, Paragraph (1) of Article (70) of the Implementing Regulations of the Law of Sharia Procedures, issued by Decision of the Minister of Justice No. (39933) dated 19/05/1435 AH, stipulates that: "If the agreement is reached before the case is recorded in the minutes, the substance of the case and the answer must be recorded prior to documenting the agreement, provided that the original case falls within the jurisdiction of the Circuit, even if the substance of the agreement falls within the jurisdiction of another court or circuit, on condition that the subject matter of the case, or part thereof, is included in the agreement." Based on the foregoing, the settlement of the dispute between the parties has been established before the Circuit due to the Taxpayer's acceptance of the Authority's procedure as stated in its submitted reply brief, which provided: "We



wish to notify you of our acceptance of your appeal regarding the accrued expenses item." Accordingly, the Circuit concludes to establish the settlement of the dispute with respect to the Authority's appeal on the item of (adding other credit balances to the Zakat base [accrued expenses amounting to SAR 5,127] for the year 2016 AD).

Regarding the Taxpayer's appeal concerning the item of (additional paid-in capital for the year 2016 AD); and whereas Article (186) of the Law of Sharia Procedures, issued by Royal Decree No. (M/1) dated 22/01/1435 AH, stipulates that: "New requests shall not be accepted at the appeal stage, and the court shall rule upon their inadmissibility on its own motion." Based on the foregoing, and upon the Circuit's review of the contested Resolution Circuit's decision, the Authority's reply brief, and the Taxpayer's objection brief submitted before the Resolution Circuit, it became evident that no objection was raised regarding the item of (additional paid-in capital for the year 2016 AD) initially before the Resolution Circuit. Accordingly, the Circuit concludes to dismiss the Taxpayer's appeal regarding the item of (additional paid-in capital for the year 2016 AD).

Regarding the Taxpayer's appeal concerning the remaining items; and whereas The Circuit is not precluded from adopting the reasons of the appealed decision without adding to it whenever it deems that those reasons suffice without citing any new ones, because by endorsing it with what those reasons carried, it is confirmed that it found nothing in the challenges directed at the decision that deserves a response beyond what those reasons included. And since it is established that the appealed decision regarding the dispute concerning the appealed items was consistent with the sound reasons upon which it was based and which are sufficient to carry its ruling, as the issuing Circuit undertook the examination of the merits of the dispute therein and concluded regarding it to the result reached in its operative part. And whereas this Circuit has not noticed anything requiring correction or comment regarding it in light of the defenses raised before it. This leads the Circuit to conclude the Rejection of the Taxpayer's appeal and affirming the appealed Resolution Circuit's decision regarding the result it reached in the remaining items subject of the lawsuit, based on its reasons.

Based on the foregoing, and adopting the aforementioned grounds, the Circuit unanimously rendered the following decision:

Decision

First: Acceptance of the appeal procedurally submitted by the Taxpayer, [...], National ID No. [...], Taxpayer Identification Number (TIN) [...], and the Zakat, Tax and Customs Authority, against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Riyadh City, No. (IFR-2024-237394), issued in Case No. (Z-237394-2024) relating to the Zakat assessment for the year 2016 AD.

Second: On the Merits:

- 1- Establishing the settlement of the dispute with respect to the Authority's appeal on the item of (adding other credit balances to the Zakat base [accrued expenses amounting to SAR 5,127] for the year 2016 AD).
- 2- Dismissal of the Taxpayer's appeal regarding the item of (additional paid-in capital for the year 2016 AD).



- 3- Rejection of the Taxpayer's appeal and the affirmation of the Resolution Circuit's decision regarding the item of (adding the retained earnings balance to the Zakat base by an amount of SAR 13,885,425 for the year 2016 AD).
- 4- Rejection of the Taxpayer's appeal and the affirmation of the Resolution Circuit's decision regarding the item of (the Zakat base for unadded activities by an amount of SAR 175,000 for the year 2016 AD).
- 5- Rejection of the Taxpayer's appeal and the affirmation of the Resolution Circuit's decision regarding the item of (investments [accounts receivable] by an amount of SAR 2,456,612 for the year 2016 AD).



Appeal Committee for Tax Violations and Disputes First Appeal Circuit for Income Tax Violations and Disputes in Riyadh City

Decision No. **IA-2025-114**

Case No. **Z-244087-2024**

Keywords:

Zakat – Presumptive Assessment – Loans – Long-Term Loans – Acceptance of the Taxpayer's Appeal

Summary:

The Taxpayer appealed the Resolution Circuit's decision relating to the Zakat assessment for the year 2019 AD, which ruled the rejection of its objection to the loans item. The Taxpayer claimed that the disputed loans arose during the assessment year to settle suppliers' accounts, have not undergone the completion of one Zakat year (Al-Hawl), and were not used to finance fixed assets. The Appeal Circuit relied on Paragraph (3) of Article (Fourth) of the Implementing Regulations for Zakat Collection, which requires the passage of 354 days to add debts to the Zakat base. Upon reviewing the attached bank statement, it became evident that the loan for the "Shaqra Housing Project" was settled in a period less than that, thereby rendering it not subject to addition as a long-term loan. As for the remaining loan items (the Al-Batha and Dhahran projects), the Circuit concluded to reject the Taxpayer's appeal and affirm the Resolution Circuit's decision upheld on its own grounds, due to the lack of proof requiring any rectification. The operative part of the decision ruled the acceptance of the appeal procedurally, and on the merits, its partial acceptance, the annulment of the assessment regarding the loan for the "Shaqra Housing Project," and its affirmation for the other items.

Document:

- Paragraph (3) of Article (4) of the Implementing Regulations for Zakat Collection, issued by Decision of His Excellency the Minister of Finance No. (2082) dated 01/06/1438 AH.

Facts:

This is to consider the appeal submitted on 17/10/2024 AD, by [...], National ID No. [...], in their capacity as the legal representative of the appellant company pursuant to the Articles of Association, against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Riyadh City, No. (IFR-2024-238059), issued in Case No. (Z-238059-2024) relating to the Zakat assessment for the year 2019 AD, in the



case filed by the Appellant against the Zakat, Tax and Customs Authority, wherein the Resolution Circuit's decision ruled the following:

Rejection of the objection of the Plaintiff / [...] Company Limited (Taxpayer Identification Number [TIN]: [...]) to the decision of the Defendant / Zakat, Tax and Customs Authority, relating to the assessment subject to the case.

Whereas this decision did not meet the acceptance by the Taxpayer, who submitted an appeal brief reviewed by the Circuit, the substance of which is summarized as follows:

Regarding the Taxpayer's appeal against the Resolution Circuit's decision, and specifically concerning the item of (loans), the Taxpayer demands the annulment of the Circuit's decision on this item, pleading that all documents, letters, and agreements supporting the ground of our objection have been attached. These demonstrate that the loans were originated during the year 2019 AD and consist of letters of credit (LCs) to settle suppliers' accounts through the bank upon the submission of shipping documents and invoices approved by the company's management. The letter of credit settles 65% of each progress payment certificate issued for the project for whose suppliers the letter of credit was established. Furthermore, the detailed movement statements of the loans were re-attached, proving that they have not undergone the completion of one Zakat year (Al-Hawl) and did not constitute financing for a fixed asset added to the Zakat base. Pursuant to Paragraph (5) of Article (Fourth), which clarified the addition of loans that have undergone the completion of one Zakat year (Al-Hawl) or those that financed what is held as fixed assets, only the balance that has undergone the completion of one Zakat year (Al-Hawl) must be added. As shown in the detailed loan account statements, the balance that has undergone the completion of one Zakat year (Al-Hawl) amounts to SAR 12,253,770, which is the balance that was added to the Zakat base. Accordingly, the Taxpayer objects to the addition of an amount of SAR 21,179,379, which is the amount disputed in the report prepared by the Authority, whereas the total differences amount to SAR 29,877,440.24, out of which the Taxpayer accepted items amounting to SAR 8,698,061.24.

On Tuesday, 06/05/2025 AD, at exactly 12:10 PM, the First Appeal Circuit for Income Tax Violations and Disputes held its session in the presence of its members whose names are recorded in the minutes, via visual communication in accordance with remote litigation procedures; pursuant to the provisions of Paragraph (1) of Article (Fifteen) of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. Upon calling upon the litigants, the representative of the respondent appeared, [...], National ID No. [...], pursuant to an authorization issued by the Deputy Governor of the Zakat, Tax and Customs Authority for Legal Affairs under No. [...] dated 19/03/1445 AH. No one appeared on behalf of the appellant despite its being legally notified of the date of this session. Upon asking the representative of the respondent if she wished to add anything, she stated that she had submitted a supplemental brief under



Ticket No. [...] dated 10/03/2025 AD. However, since the case is ready for adjudication and there is no impact from what was mentioned in the aforementioned brief, and following the closure of pleadings and deliberation.

Grounds:

Whereas, upon reviewing the case documents and the appeal brief submitted by the Taxpayer, it became evident to the Circuit that the conditions for considering the appeal procedurally have been met in accordance with the conditions stipulated in the relevant laws, regulations, and decisions; accordingly, the appeal request is acceptable procedurally, as it was submitted by a party with legal standing, and within the statutory period prescribed for its execution.

On the merits, regarding the Taxpayer's appeal concerning the item of (loans - [...] Housing Project); and pursuant to Paragraph (3) of Article (Fourth) of the Implementing Regulations for Zakat Collection, which stipulates that: "The Zakat base for a Taxpayer who maintains commercial books consists of all its funds subject to Zakat, including the following: 3- Debts outstanding from the Taxpayer that are classified as long-term and their equivalents from among the other components of the base, such as: government financing, commercial financing, creditors, notes payable, bank Bank Overdrafts, and loans from owners or partners (including current accounts held by them), provided that the following is taken into account: a. If the debts outstanding from the Taxpayer or other sources of financing have a duration of three hundred and fifty-four (354) days or more overlapping during the Zakat year and the year subsequent to it, they shall be added to the Zakat base in proportion to the number of days of each Zakat year. b. The Zakat year for debts is not interrupted by their renewal or rescheduling with the same creditor, or by replacing these debts with other debts or sources of financing that fund what these debts were funding. c. What is added from what is mentioned in this paragraph shall not exceed the total of what is deducted from the base in accordance with Article (Fifth) of the Regulations." Furthermore, Article (Eighteenth) stipulates that: "Without prejudice to the provisions of Article (Tenth) of the Regulations, every Taxpayer must maintain—within the Kingdom and in the Arabic language—the commercial books necessary to accurately determine the Zakat base, while maintaining the documents that prove their authenticity and the data and clarifications that support them. The burden of proving the correctness of the items reported in the return and any other data shall fall upon the Taxpayer. In the event that the Taxpayer is unable to prove the correctness of what is reported in its return, the Authority may disallow the item whose correctness has not been proven by the Taxpayer, or carry out a presumptive assessment in accordance with the Authority's perspective in light of the circumstances and facts associated with the case and the information available to it." Based on the foregoing, whereas loans constitute one of the components of the Zakat base pursuant to the aforementioned Paragraph (3) of Article (Fourth); and concerning the loan for the Shaqra Housing Project, it is clear that the Taxpayer settled the loan on 02/02/2020 AD, i.e., in less than (354) days, according to the bank statement attached by the Taxpayer, which renders the Authority's procedure of



adding it within long-term loans incorrect. Accordingly, the Circuit concludes to accept the Taxpayer's appeal and reverse the Resolution Circuit's decision regarding the ([...] Housing Project).

Regarding the Taxpayer's appeal concerning the remaining items subject to the case; and whereas The Circuit is not precluded from adopting the reasons of the appealed decision without adding to it whenever it deems that those reasons suffice without citing any new ones, because by endorsing it with what those reasons carried, it is confirmed that it found nothing in the challenges directed at the decision that deserves a response beyond what those reasons included. And since it is established that the appealed decision regarding the dispute concerning the appealed items was consistent with the sound reasons upon which it was based and which are sufficient to carry its ruling, as the issuing Circuit undertook the examination of the merits of the dispute therein and concluded regarding it to the result reached in its operative part. And whereas this Circuit has not noticed anything requiring correction or comment regarding it in light of the defenses raised before it. This leads the Circuit to conclude the Rejection of the Taxpayer's appeal and affirming the appealed Resolution Circuit's decision regarding the result it reached in the remaining items subject of the lawsuit, based on its reasons.

Based on the foregoing, and adopting the aforementioned grounds, the Circuit has decided by majority the following:

Decision

First: Acceptance of the appeal procedurally submitted by the Taxpayer / [...] Company, Commercial Registration No. [...], Taxpayer Identification Number (TIN) [...], against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Riyadh City, No. (IFR-2024-238059), issued in Case No. (Z-238059-2024) relating to the Zakat assessment for the year 2019 AD.

Second: On the Merits:

- 1- Regarding the Taxpayer's appeal concerning the item of (loans):
 - a) Acceptance of the Taxpayer's appeal and the annulment of the Resolution Circuit's decision regarding the ([...] Housing Project).
 - b) Rejection of the Taxpayer's appeal and the affirmation of the Resolution Circuit's decision regarding the ([...] Project).
 - c) Rejection of the Taxpayer's appeal and the affirmation of the Resolution Circuit's decision regarding the ([...] Project).



Appeal Committee for Tax Violations and Disputes First Appeal Circuit for Income Tax Violations and Disputes in Riyadh City

Decision No. IR-2025-243916

Case No. Z-243916-2024

Keywords:

Zakat – Presumptive Assessment – Calculated Zakat Percentage for Assessment – Zakat Refund and Carried-Forward Losses – Non-acceptance of the Taxpayer's Petition for Reconsideration

Summary:

The Taxpayer submitted a petition for reconsideration of the Appeal Circuit's decision relating to the Zakat assessment for the year 2018 AD, which had previously ruled the rejection of its appeal regarding the items of accumulated losses, the construction contractor, and accrued interest. In its petition, the Taxpayer pleaded the existence of errors in the valuation of real estate and the company's right to deduct necessary costs and legally permissible expenses. The Appeal Circuit based its judgment on Article (200) of the Law of Sharia Procedures, which exclusively specified the grounds for a petition for reconsideration, such as the emergence of forged documents, fraud committed by the litigant, or obtaining conclusive documents that could not be previously produced. The Circuit concluded that the petitioner's arguments addressed substantive and technical aspects of the subject matter of the dispute and do not fall within the prescribed statutory cases, emphasizing the stability of judicial judgments and the impermissibility of resorting to a petition as an extraordinary remedy except within the narrowest limits. The operative part of the decision ruled the non-acceptance of the petition for reconsideration.

Document:

- Article (200) of the Law of Sharia Procedures, issued by Royal Decree No. (M/1) dated 22/01/1435 AH.

Facts:

This is to consider the petition submitted on 15/10/2024 AD by [...] Company, Commercial Registration No. [...], for the reconsideration of the decision of the First Appeal Circuit for Income Tax Violations and Disputes, No. (IR-2024-202929), issued in Case No. (Z-202929-2023) relating to the Zakat assessment for the year 2018 AD, filed by the Taxpayer against the Zakat, Tax and Customs Authority, wherein the Appeal Circuit's decision ruled the following:



First: Acceptance of the appeal procedurally submitted by the Taxpayer / [...] Company, Commercial Registration No. [...], Taxpayer Identification Number (TIN) [...], against the decision of the First Resolution Circuit for Income Tax Violations and Disputes in Jeddah Governorate, No. (IZJ-2023-98180), issued in Case No. (Z-98180-2022) relating to the Zakat assessment for the year 2018 AD.

Second: On the Merits:

- 1- Rejection of the Taxpayer's appeal and the affirmation of the Resolution Circuit's decision regarding the item of (accumulated losses).
- 2- Acceptance of the Taxpayer's appeal and the annulment of the Resolution Circuit's decision regarding the item of (deduction of the railway land for the year 2018 AD).
- 3- Rejection of the Taxpayer's appeal and the affirmation of the Resolution Circuit's decision regarding the item of (the construction contractor for the year 2018 AD).
- 4- Rejection of the Taxpayer's appeal and the affirmation of the Resolution Circuit's decision regarding the item of (accrued interest for the year 2018 AD).

Whereas this decision did not meet the acceptance by the Taxpayer, who submitted a petition brief for reconsideration reviewed by the Circuit, the substance of which requested the reversal and annulment of the Appeal Circuit's decision.

On Monday, 25/08/2025 AD, at exactly 01:50 PM, the First Appeal Circuit for Income Tax Violations and Disputes held its session in the presence of its members whose names are recorded in the minutes, via visual communication in accordance with remote litigation procedures; pursuant to the provisions of Paragraph (1) of Article (Fifteen) of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. Upon reviewing the petition request, the submitted briefs, and the papers and documents contained in the case file, and after due deliberation, and whereas the case is ripe for judgment in its current state, the Circuit resolves to close the pleadings and reserve the case for adjudication.

Grounds:

Upon reviewing the grounds set forth in the petition for reconsideration, it became evident to the Appeal Circuit that the Taxpayer requests the annulment of the Circuit's decision. Regarding the item of (accumulated losses), the Taxpayer pleaded that the losses carried forward according to the financial statements amount to SAR 29,626,502, as International Standards were applied, resulting in the revaluation of real estate, which was not deducted from the Zakat Declaration for the year 2017 AD. Since the value of these real properties was calculated at fair value post-valuation in the financial statements for the year 2018 AD, and was not calculated at the original book value of those properties, the company has the right to take into consideration the results of the revaluation pursuant to the provisions of Article (Fourth) and Article (Sixth) of the Implementing



Regulations for Zakat Collection. Concerning the item of (the construction contractor) and the item of (accrued interest), the Taxpayer pleaded that they constitute necessary costs that satisfy the conditions set forth in Article (Fifth) of the Implementing Regulations for Zakat Collection as deductible expenses. Pursuant to Article (200) of the Law of Sharia Procedures, which stipulates: "1. Any of the litigants has the right to petition for a reconsideration of final judgments in the following cases: a. If the judgment was based on documents that were proven to be forged after the judgment, or based on testimony that a competent authority ruled—after the judgment—to be false. b. If the petitioner, after the judgment, obtained conclusive documents in the case that it had been unable to produce before the judgment. c. If fraud was committed by the litigant that would influence the judgment. d. If the judgment ruled for something not requested by the litigants or for more than what they requested. e. If the operative part of the judgment is mutually contradictory. f. If the judgment was rendered in absentia. g. If the judgment was rendered against a person who was not properly represented in the case. 2. Any person against whom the judgment constitutes a binding precedent, and who was not joined or did not intervene in the case, has the right to petition for a reconsideration of final judgments." Based on the foregoing, and upon examining the grounds included in the petition request, it became evident to the Circuit that what was submitted by the petitioner does not fall within the cases for a petition for reconsideration set forth in Article (200) of the Law of Sharia Procedures, as it became clear that its grounds addressed the substantive and technical aspects of the subject matter of the dispute. Accordingly, the petition—in accordance with the provisions of the applicable regulations—has failed to satisfy the necessary conditions to be considered, due to its failure to encompass any of the cases stipulated in Article (200) of the Law of Sharia Procedures. Whereas the decision subject to the petition has adjudicated the merits of the case, and since the general principle governing judgments is stability and finality, the legislator was keen to establish the principle of two-tier litigation to enable litigants to present their arguments before more than one judge or court. Consequently, resorting to a petition constitutes an extraordinary remedy that is unacceptable except within a narrow scope limited to the cases specified by the law, which are not satisfied in this case. Accordingly, the Circuit concludes to rule the non-acceptance of the petition for reconsideration.

Based on the foregoing, and adopting the aforementioned grounds, the Circuit unanimously rendered the following decision:

Decision

Non-acceptance of the petition for reconsideration submitted by the Taxpayer / [...] Company, Commercial Registration No. [...], Taxpayer Identification Number (TIN) [...], against the decision of the First Appeal Circuit for Income Tax Violations and Disputes, No. (IR-2024-202929), issued in Case No. (Z-202929-2023) relating to the Zakat assessment for the year 2018 AD.



Appeal Committee for Tax Violations and Disputes First Appeal Circuit for Income Tax Violations and Disputes in Riyadh City

Decision No. IA-2025-113

Case No. Z-243691-2024

Keywords:

Zakat – Presumptive Assessment – Annulment of the Decision and Ruling the Non-acceptance of the Case on Procedural Grounds – Acceptance of the Authority's Appeal

Summary:

The Taxpayer appealed the Resolution Circuit's decision relating to the Zakat assessment for the year 2019 AD, which had ruled the acceptance of its objection procedurally and its rejection on the merits. The Taxpayer claimed that the assessment amount was inflated, justifying its missing of the grievance deadline before the Authority by the lack of a bank balance to cover the required 10% percentage. Upon reviewing the facts, it became evident to the Appeal Circuit that the Taxpayer was notified of the Authority's decision on 13/02/2024 AD and did not submit its objection within the statutory period (60 days), nor did it produce any evidence supporting its claim regarding the Authority's payment condition despite being requested to do so. The Circuit based its decision on Article Six of the Rules of Operation for Zakat, Tax, and Customs Committees, which bars grievances against the Authority's decisions that have become immune to challenge by the lapse of time. The Circuit concluded to annul the Resolution Circuit's decision and rule the non-acceptance of the case on procedural grounds due to the lack of a prior grievance filed before the Authority. The operative part of the decision ruled the acceptance of the appeal procedurally, and on the merits, its rejection and the annulment of the Resolution Circuit's decision for failure to satisfy the statutory requirements for filing a grievance.

Document:

- Article (6) of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH.

Facts:

This is to consider the appeal submitted on 13/10/2024 AD by [...], National ID No. [...], in his capacity as the legal representative of the Appellant Company pursuant to the Articles of Association, against the decision of the Third Circuit for the Resolution of Income Tax Violations and Disputes in Riyadh City, No. (ITR-2024-



233577), issued in Case No. (Z-233577-2024) relating to the Zakat assessment for the year 2019 AD, filed by the Appellant against the Zakat, Tax and Customs Authority, wherein the Resolution Circuit's decision ruled the following:

Acceptance of the objection filed by the Plaintiff / [...] Company, Commercial Registration No. [...], against the decision of the Defendant / Zakat, Tax and Customs Authority on procedural grounds, and its rejection on the merits.

Whereas this decision did not meet the acceptance by the Taxpayer, who submitted an appeal brief reviewed by the Circuit, the summary of which is as follows:

Regarding the Taxpayer's appeal against the Resolution Circuit's decision concerning the item of (the Zakat assessment for the year 2019 AD), the Taxpayer requests the annulment of the Circuit's decision regarding this item, and pleaded that the assessment amount is inflated and does not represent the profit for the year 2019 AD. The Taxpayer also indicated that the reason for not filing an objection before the Authority was the lack of a bank balance to cover the required grievance percentage (10%).

On Tuesday, 06/05/2025 AD, at exactly 10:30 AM, the First Appeal Circuit for Income Tax Violations and Disputes held its session in the presence of its members whose names are recorded in the minutes, via visual communication in accordance with remote litigation procedures; pursuant to the provisions of Paragraph (1) of Article (Fifteen) of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. Upon calling upon the litigants, there appeared the representative of the Appellee / [...], (National ID No. [...]), pursuant to an authorization issued by the Deputy Governor of the Zakat, Tax and Customs Authority for Legal Affairs, No. [...] dated 19/03/1445 AH. No one appeared on behalf of the Appellant despite verification that it was legally notified of the date of this session. Upon asking the representative of the Appellee if she wished to add anything, she stated that she adheres to what was previously submitted in this case, and following the closure of pleadings and deliberation.

Grounds:

Whereas, upon reviewing the case documents and the appeal brief submitted by the Taxpayer, it became evident to the Circuit that the conditions for considering the appeal procedurally have been satisfied in accordance with the requirements stipulated in the relevant laws, regulations, and decisions; accordingly, the appeal request is procedurally acceptable for being submitted by an authorized capacity and within the statutory period prescribed for its execution.

On the merits, and whereas regarding the Taxpayer's appeal concerning the item of (the Zakat assessment for the year 2019 AD), Article (Sixth) of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH stipulates that: "Without prejudice to the provisions of Article (Fifth) of the Rules, the Authority's decision shall become immune to challenge before any other entity in any



of the following cases: a. If the Taxpayer does not file a grievance before the Authority against the decision within (sixty) days from the day following the date of notification thereof..." Whereas it is established from the case documents that the Taxpayer was notified of the Authority's decision on 13/02/2024 AD and did not initially file a grievance before it, rendering the contested decision immune to challenge by the lapse of time. This is not undermined by the Taxpayer's plea that it failed to submit the grievance before the Authority due to the condition imposed on it to pay (10%) of the disputed amount, as it failed to produce any evidence showing that the Authority requested it to do so; moreover, it was requested to provide evidence to that effect but failed to produce what was requested of it. Accordingly, the Circuit concludes to reject the Taxpayer's appeal, annul the Resolution Circuit's decision, and rule the non-acceptance of the case on procedural grounds due to the failure to file a grievance before the Authority in the first place.

Based on the foregoing, and adopting the aforementioned grounds, the Circuit unanimously rendered the following decision:

Decision

First: Acceptance of the appeal procedurally as submitted by the Taxpayer / [...] Company, Commercial Registration No. [...], Taxpayer Identification Number (TIN) [...], against the decision of the Third Circuit for the Resolution of Income Tax Violations and Disputes in Riyadh City, No. (ITR-2024-233577), issued in Case No. (Z-233577-2024) relating to the Zakat assessment for the year 2019 AD.

Second: On the Merits:

Rejection of the Taxpayer's appeal, annulment of the Resolution Circuit's decision, and ruling the non-acceptance of the case on procedural grounds due to the failure to file a grievance before the Authority in the first place.



Appeal Committee for Tax Violations and Disputes First Appeal Circuit for Income Tax Violations and Disputes in Riyadh City

Decision No. IR-2025-243681

Case No. Z-243681-2024

Keywords:

Zakat – Presumptive Assessment – Tax Base – Advance Payments – Rejection of Both Parties' Appeals

Summary:

Both the Taxpayer and the Authority submitted their respective appeals regarding the item of (advance payments from customers) within the Zakat assessment for the year 2020 AD. The Taxpayer requested the exclusion of the balance after netting on the grounds that it had not met the one-year holding period (Hawl) requirement. Conversely, the Authority pleaded the irregularity of the netting and the exclusion of the retention account ("performance guarantees held by customers") therefrom. Upon reviewing the case file, the Circuit found the exclusion of the retention account to be without merit, and it was established to its satisfaction that the counterpart to the advance payments consists of retentions under execution and accrued revenues for the exact same customer, thereby permitting the netting. After referencing the financial statements and the detailed transactions, and tracking the debit transactions, it became evident that the amount which met the one-year holding period (Hawl) requirement is SAR 103,047,266. By performing the netting—deducting the retentions under execution of SAR 25,797,941 and the accrued revenues of SAR 23,065,764—the Circuit concluded to reject both parties' appeals and to amend the outcome by adding SAR 54,183,561 to the Zakat base for this item.

Document:

- Paragraph (2) of Article (4) of the Implementing Regulations for Zakat Collection, issued by Decision of His Excellency the Minister of Finance No. (2082) dated 01/06/1438 AH.

Facts:

This is to consider the appeal submitted on 30/03/2023 AD by [...], National ID No. [...], in his capacity as the attorney for the Appellant Company pursuant to Power of Attorney No. [...] dated 24/02/1444 AH and Legal Practice License No. [...]; and the appeal submitted on 02/04/2023 AD by the Zakat, Tax and Customs Authority, against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in



Dammam City, No. (IZD-2024-238450), issued in Case No. (Z-238450-2024) relating to the Zakat assessment for the year 2020 AD, in the case filed by the Taxpayer against the Zakat, Tax and Customs Authority, wherein the Resolution Circuit's decision ruled the following:

Amendment of the Defendant's decision relating to the item of advance payments from customers for the year 2020 AD.

Whereas this decision did not meet the acceptance by both parties, they submitted appeals against it, and this Circuit issued its decision No. (IR-2024-191229) in Case No. (Z-191229-2023), ruling the following:

First: Acceptance of the appeal procedurally submitted by the Taxpayer / [...] Company, Commercial Registration No. [...], Taxpayer Identification Number (TIN) [...], and the appeal submitted by the Zakat, Tax and Customs Authority, against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Dammam City, No. (IZD-2023-93135), issued in Case No. (Z-93135-2022) relating to the Zakat assessment for the year 2020 AD.

Second: On the Merits:

Acceptance of the Taxpayer's appeal and remanding the case back to the Resolution Circuit to consider its merits regarding the item of (other credit balances for the year 2020).

Consequently, the First Circuit for the Resolution of Income Tax Violations and Disputes in Dammam City issued its decision No. (IZD-2024-238450) in Case No. (Z-238450-2024), wherein the Resolution Circuit's decision ruled the following:

Recording the settlement of the dispute.

Whereas the case was remanded back to the Appeal Circuit on 13/10/2024 AD, the Circuit reviewed the aforementioned decision of the Resolution Circuit and decided to send the case back to it to review and restate the decision to encompass all items subject to the lawsuit and to return it to the Appeal Circuit containing all requests for adjudication, as the Resolution Circuit had not exhausted its jurisdiction to rule on all of the Taxpayer's requests. As a result of that request, the First Circuit for the Resolution of Income Tax Violations and Disputes in Dammam City issued its corrective decision No. (ID-2025-238450) in Case No. (Z-238450-2024) on 28/07/2025 AD, which ruled the following:

Amendment of the Defendant's decision relating to the item of advance payments from customers for the year 2020 AD.

Recording the settlement of the dispute regarding the item of other credit balances for the year 2020 AD.

Whereas this decision did not meet the acceptance by the Taxpayer, who submitted an appeal brief reviewed by the Circuit, the summary of which is that the Taxpayer requests the acceptance of its appeal and the reversal of the Resolution Circuit's decision; and whereas this decision was also not accepted by the Authority, which



submitted an appeal brief reviewed by the Circuit, the summary of which is that the Authority requests the acceptance of its appeal and the reversal of the Resolution Circuit's decision.

On Tuesday, 03/03/1447 AH, corresponding to 26/08/2025 AD, at exactly 11:30 AM, the First Appeal Circuit for Income Tax Violations and Disputes held its session in the presence of its members whose names are recorded in the minutes, via visual communication in accordance with remote litigation procedures; pursuant to the provisions of Paragraph (1) of Article (Fifteen) of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. Upon calling upon the litigants, there appeared [...], National ID No. [...], in his capacity as the attorney for the Taxpayer pursuant to Power of Attorney No. [...] issued on 24/02/1444 AH and Legal Practice License No. [...]. There also appeared the representative of the Authority / [...], National ID No. [...], pursuant to an authorization issued by the Deputy Governor of the Zakat, Tax and Customs Authority for Legal Affairs, No. [...] dated 19/03/1445 AH. Upon asking the representative of the Authority if she wished to add anything, she stated that she adheres to what was previously submitted in this case. By presenting the same to the Taxpayer's attorney, he responded by adhering to what was previously submitted in this case. Upon asking both parties if they wished to add anything, they decided to suffice with what had been previously submitted; accordingly, the Circuit decided to adjourn the session for due deliberation in preparation for issuing the decision.

Grounds:

Whereas, upon reviewing the case documents and the appeal briefs submitted by both the Taxpayer and the Zakat, Tax and Customs Authority, it became evident to the Circuit that the conditions for considering the appeals procedurally have been satisfied in accordance with the requirements stipulated in the relevant laws, regulations, and decisions; accordingly, both appeal requests are procedurally acceptable for being submitted by authorized capacities and within the statutory period prescribed for their execution.

On the merits, and regarding the appeals of both the Taxpayer and the Authority concerning the item of (advance payments from customers), and pursuant to Paragraph (2) of Article (4) of the Implementing Regulations for Zakat Collection issued by Ministerial Resolution No. (2216) dated 07/07/1440 AH, which stipulates that: "The Zakat base for a Taxpayer maintaining commercial books shall consist of all of its assets subject to Zakat, including the following: ... 2. Revenues and advance payments made to the Taxpayer at the beginning or end of the year, whichever is lower"; Whereas the core and crux of the dispute between the two parties lies in the Taxpayer's demand to exclude the balance of advance payments after netting on the grounds that it has not met the one-year holding period (Hawl) requirement, while the Authority views that the Resolution Circuit's decision to perform the netting is incorrect since the Regulations do not provide for the possibility of netting between debit and credit balances, and that in the event that netting is performed, the retention account ("performance guarantees held by customers") must be excluded from the netting as it is an account subject to contractual terms and does not contain commercial transactions; Upon the Circuit's review



of the case file and its contents, and with regard to the Authority's appeal seeking the exclusion of the retentions under execution account from the netting, the arguments presented by the Authority are not based on any supported principle or treatment. Since it has been established that the counterpart to the advance payments consists of the retentions under execution account and accrued revenues for the exact same customer, the Taxpayer is entitled to perform a netting for both accounts; consequently, the Authority's appeal must be rejected. As for the Taxpayer's appeal, in which it requests the exclusion of the amount after netting on the grounds that it has not met the one-year holding period (Hawl) requirement; referencing the financial statements and the detailed transactions ledger submitted by the Taxpayer and tracking the detailed movement of the advance payments account—while taking into account the debit transactions executed on the account—revealed that the amount which met the one-year holding period (Hawl) requirement in the account is SAR 103,047,266. By performing the netting for the aforementioned amount—namely by deducting the retentions under execution of SAR 25,797,941 and the accrued revenues from customers of SAR 23,065,764—it becomes clear that the amount to be added is SAR 54,183,561, representing a variance of SAR 18,570 from what was decided by the Resolution Circuit. Accordingly, this Circuit concludes to reject both parties' appeals and to amend the Resolution Circuit's decision regarding this item by adding SAR 54,183,561 only to the Zakat base.

Based on the foregoing, and adopting the aforementioned grounds, the Circuit unanimously rendered the following decision:

Decision

First: Acceptance of the appeals procedurally submitted by the Taxpayer / [...] Company, Commercial Registration No. [...], Taxpayer Identification Number (TIN) [...], and by the Zakat, Tax and Customs Authority, against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Dammam City, No. (IZD-2024-238450), issued in Case No. (Z-238450-2024) relating to the Zakat assessment for the year 2020 AD.

Second: On the Merits:

Rejection of both parties' appeals, and amendment of the Resolution Circuit's decision regarding the item of (advance payments from customers).



Appeal Committee for Tax Violations and Disputes First Appeal Circuit for Income Tax Violations and Disputes in Riyadh City

Decision No. **IA-2025-111**

Case No. **Z-243511-2024**

Keywords:

**Zakat – Presumptive Assessment – Annulment of the Decision for Lack of Jurisdictional Competence
– Acceptance of the Taxpayer's Appeal**

Summary:

The Taxpayer appealed the Resolution Circuit's decision ruling the non-acceptance of the petition for reconsideration regarding the Zakat assessment for the years 2011 AD to 2015 AD. The Taxpayer claimed to have obtained new documents that were unavailable at the time the case was considered, whereas the Resolution Circuit justified its judgment by the non-fulfillment of any of the cases stipulated under Article (200) of the Law of Sharia Procedures. Upon the Appeal Circuit's review of the relevant lawsuits, it became evident that the decision subject to the petition was not final at the time the request was submitted, as it was still subject to objection before the appellate stage. The Circuit relied on Articles (49) and (51) of the Rules of Operation for Zakat, Tax, and Customs Committees, which restrict the right to petition for reconsideration to final decisions and mandate that it be considered by the circuit that issued the final decision. Pursuant to Article (76) of the Law of Sharia Procedures, the Circuit concluded to annul the initial decision due to the Resolution Circuit's lack of Jurisdictional Competence to consider the petition given the non-finality of the decision. The operative part of the decision ruled the annulment of the Resolution Circuit's decision for lack of Jurisdictional Competence.

Document:

- Article (49 - 50) of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH.

Facts:

This is to consider the appeal submitted on 07/10/2024 AD by [...], National ID No. [...], in his capacity as the owner of [...] Establishment, Commercial Registration No. [...], against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Jeddah Governorate, No. (IZJ-2024-239173), issued in



Case No. (Z-239173-2024) relating to the Zakat assessment for the years 2011 AD to 2015 AD, filed by the Appellant against the Zakat, Tax and Customs Authority, wherein the Resolution Circuit's decision ruled the following:

Non-acceptance of the petition for reconsideration.

Whereas this decision did not meet the acceptance by the Taxpayer, who submitted an appeal brief reviewed by the Circuit, the summary of which is as follows:

Regarding the Taxpayer's appeal against the Resolution Circuit's decision concerning the item of (the Zakat assessment for the years 2011 AD to 2015 AD), the Taxpayer indicated that the Resolution Circuit grounded its judgment on the non-acceptance of the petition procedurally due to the non-fulfillment of any of the cases stipulated under Article (Two Hundred) of the Law of Sharia Procedures. The Taxpayer pleaded that this reasoning is contrary to the facts and the law, as the Taxpayer has obtained new documents that were unavailable at the time the case was considered.

On Tuesday, 06/05/2025 AD, at exactly 10:30 AM, the First Appeal Circuit for Income Tax Violations and Disputes held its session in the presence of its members whose names are recorded in the minutes, via visual communication in accordance with remote litigation procedures; pursuant to the provisions of Paragraph (1) of Article (Fifteen) of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. Upon calling upon the litigants, there appeared [...], National ID No. [...], in his capacity as the attorney for the Appellant pursuant to Power of Attorney No. [...] issued on 18/05/1446 AH and Legal Practice License No. [...]. There also appeared the representative of the Appellee / [...], (National ID No. [...]), pursuant to an authorization issued by the Deputy Governor of the Zakat, Tax and Customs Authority for Legal Affairs, No. [...] dated 19/03/1445 AH. Whereas the case is ready for adjudication based on the documents contained in its file, and following the closure of pleadings and deliberation.

Grounds:

Upon the Circuit's due consideration of the subject matter of the dispute, and after reviewing the records and documents contained in the case file, as well as the related cases, it became evident that a decision had been issued by this Circuit in the appeal case registered under No. (Z-2022-94359). The said decision ruled on 31/08/2023 AD against the exact same decision subject to the petition for reconsideration, stating: "First: Acceptance of the appeal procedurally submitted by the Taxpayer / [...], National ID No. [...], Taxpayer Identification Number (TIN) [...], against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Jeddah Governorate, No. (IZJ-2021-2033), issued in Case No. (Z-25188-2020) relating to the Zakat assessment for the years 2011 AD to 2015 AD. Second: On the merits: Rejection of the Taxpayer's appeal and affirmation of the Resolution Circuit's decision, in accordance with the grounds and merits set forth in this decision." Pursuant to Article (49) of the Rules of Operation for Zakat, Tax, and Customs



Committees, which stipulates that: "Any of the parties to the case shall have the right to petition for reconsideration against the final decisions issued by either of the two Committees"; and pursuant to the text of Article (51) of the same Rules, which stipulates that: "The circuit that issued the final contested decision shall consider and adjudicate the petition for reconsideration." Based on the foregoing, and since the decisive factor in considering a petition for reconsideration is the finality of the decision, and whereas the Resolution Circuit's decision subject to the petition was not final while the Resolution Circuit was considering the petition in its regard—as it was subject to objection before the appellate stage—the Resolution Circuit erred in its judgment. It would have been more proper for it not to consider the case and to rule its lack of Jurisdictional Competence to consider the petition, based on Article (76) of the Law of Sharia Procedures, which stipulates that: "A plea of lack of jurisdiction by the court due to the lack of general jurisdiction... may be raised at any stage of the case, and the court shall rule on it on its own motion." Accordingly, the Circuit concludes to annul the contested decision of the Circuit and to rule the Resolution Circuit's lack of Jurisdictional Competence to consider the case.

Based on the foregoing, and adopting the aforementioned grounds, the Circuit has by majority decided the following:

Decision

Annulment of the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Jeddah Governorate, No. (IZJ-2024-239173), issued in Case No. (Z-239173-2024) relating to the Zakat assessment for the years 2011 AD to 2015 AD, for lack of Jurisdictional Competence.



Appeal Committee for Tax Violations and Disputes First Appeal Circuit for Income Tax Violations and Disputes in Riyadh City

Decision No. **IR-2025-243413**

Case No. **Z-243413-2024**

Keywords:

Zakat – Presumptive Assessment – Profits – Profits of Investee Companies – Acceptance of the Authority's Appeal

Summary:

Both the Taxpayer and the Authority appealed the Resolution Circuit's decision concerning the Zakat assessment for the year 2020 AD, which ruled to amend the assessment under the item of the Taxpayer's share in the profits of investee companies and to reject all other claims. In its appeal, the Authority pleaded that the Resolution Circuit erred by deducting the investments using the beginning-of-period balance while ignoring the additions and adjustments shown in the financial statements; it demanded that they be deducted using the end-of-period balance after excluding the profits of the investee companies and that the adjusted profit be amended by the said share. The Appeal Circuit affirmed this procedure on the grounds that it aligns with the correct accounting and Zakat treatment for the equity method, and it also comports with the core of the Taxpayer's request in its initial objection. Conversely, with respect to the Taxpayer's appeal regarding the two items of loans and investments for trading, the Circuit concluded to reject it and to affirm the Resolution Circuit's decision based on its own grounds due to the soundness of the outcome it reached. The operative part of the decision ruled the acceptance of the appeals procedurally; and on the merits, the acceptance of the Authority's appeal and the annulment of the Resolution Circuit's decision regarding the profit share item, and the rejection of the Taxpayer's appeal and the affirmation of the assessment for the remaining items.

Document:

- Paragraph (4) of Article (5) of the Implementing Regulations for Zakat Collection issued by Decision of His Excellency the Minister of Finance No. (2216) dated 07/07/1440 AH.

Facts:

This is to consider the appeal submitted on 05/10/2024 AD by [...], National ID No. [...], in his capacity as the attorney for the Appellant Company pursuant to Power of Attorney No. [...] dated 08/05/1445 AH; and the



appeal submitted by the Zakat, Tax and Customs Authority on 06/10/2024 AD, against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Riyadh City, No. (IFR-2024-233286), issued in Case No. (Z-233286-2024) relating to the Zakat assessment for the year 2020 AD, in the case filed by the Appellant against the Zakat, Tax and Customs Authority, wherein the Resolution Circuit's decision ruled the following:

First: Amendment of the procedure of the Defendant / Zakat, Tax and Customs Authority, against the Plaintiff / [...] Company (TIN [...]) relating to the item of the Company's share in the profits of investee companies by an amount of SAR 3,376,857 (three million, three hundred seventy-six thousand, eight hundred fifty-seven Saudi Riyals) for the year 2020 AD, in accordance with what is detailed in the grounds.

Second: Rejection of all other objections raised by the Plaintiff / [...] Company (TIN [...]) against the decision of the Defendant / Zakat, Tax and Customs Authority, relating to the assessment subject matter of the case.

Whereas this decision did not meet the acceptance by the Taxpayer, who submitted an appeal brief reviewed by the Circuit, the summary of which is as follows:

Regarding the Taxpayer's appeal against the Resolution Circuit's decision, and specifically concerning the item of (loans), the Taxpayer requests the annulment of the Circuit's decision on this item on the grounds that the loans funded investments that were not deducted from the Zakat base because they were classified in the financial statements under current assets as investments in securities for trading. Regarding the item of (investments in securities for trading), the Taxpayer requests the annulment of the Circuit's decision on this item on the grounds that these are long-term investments intended for profitability and generating returns, rather than for trading or sale, and even if classified as investments available for sale, they are categorized as long-term.

The decision was also not accepted by the Zakat, Tax and Customs Authority, which submitted its appeal against the contested decision via an appeal brief, the summary of which is as follows:

Regarding the Authority's appeal against the Resolution Circuit's decision, its appeal centers on the item of (the Company's share in the profits of investee companies). The Authority clarifies that it amended the Taxpayer's return and deducted the item of investments in subsidiaries and associates using the equity method in accordance with the financial statements of the investee companies based on the end-of-period balance as per the statement of changes in owners' equity, amounting to an deduction of SAR 247,610,067.29 from the Zakat base without adjusting the net profit, pursuant to Paragraph (4) of Article (5) of the Implementing Regulations for Zakat Collection issued by Decision No. (2216) dated 07/07/1440 AH. The Authority added that the Taxpayer's objection was partially accepted by adjusting the investments balance from the Zakat base using the book value shown in the audited financial statements at a value of SAR 252,915,647 instead of SAR 247,610,067.29, without adjusting the Company's share within the net adjusted profit. Upon reviewing the adjusted assessment, it appears that the investments were calculated using the end-of-period balance



according to the Taxpayer's financial statements at a value of SAR 252,915,647. By reviewing Note (10) of the financial statements, it is clear that the Taxpayer's share of the profit amounts to SAR 3,376,857. In application of the issued Principle No. (Z-24-32) dated 14/05/2024 AD—which clarified the Zakat treatment for investments under the equity method—if a Taxpayer utilizes the equity method in treating investments, it is entitled to deduct its share of profits or losses of the investee companies by adjusting the net profit (loss) by its share, while taking into account the adjustment of the value of investments deducted from the base. However, the Circuit that issued the contested decision amended the Authority's decision by excluding the Company's share in the subsidiary's profits by an amount of SAR 3,376,857 and deducting the investments using the beginning-of-period balance of SAR 277,159,678, while failing to take into consideration the amounts of additions, distributions, and adjustments made to the investments balance during the year according to Note (10) in the financial statements, which is incorrect and erroneous. Accordingly, the Authority appeals against the conclusion of the Adjudication decision and demands the deduction of the Company's share in the profits of the investee companies from the adjusted profit, and the rejection of the Adjudication decision's deduction of the investment using the beginning-of-period balance due to the presence of additions, dividend distributions, and adjustments executed during the year, which consequently have a reducing effect on the beginning-of-period investment balance, bringing it to SAR 249,538,790 instead of SAR 277,159,678. Therefore, the Authority requests the deduction of investments from the Zakat base using the end-of-period balance at a value of SAR 249,538,790 (SAR 252,915,647 – SAR 3,376,857) after deducting the profits of the investee companies, instead of deducting the beginning-of-period balance valued at SAR 277,159,678. Consequently, the Authority requests the annulment of the Resolution Circuit's decision, while reserving its right to submit further replies and clarifications prior to the close of pleadings.

On Tuesday, 06/05/2025 AD, at exactly 09:00 AM, the First Appeal Circuit for Income Tax Violations and Disputes held its session in the presence of its members whose names are recorded in the minutes, via visual communication in accordance with remote litigation procedures; pursuant to the provisions of Paragraph (1) of Article (Fifteen) of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. Upon calling upon the litigants, there appeared the representative of the Authority / [...] (National ID No. [...]), pursuant to an authorization issued by the Deputy Governor of the Zakat, Tax and Customs Authority for Legal Affairs, No. [...] dated 19/03/1445 AH. No one appeared on behalf of the Taxpayer despite being legally notified of the date of this session. Upon asking the representative of the Authority if she wished to add anything, she stated that she adheres to what was previously submitted in this case. Since it became evident to the Circuit that the case required further study and deliberation, the Circuit decided to adjourn the case to the hearing session of Monday, 26/05/2025 AD.

On Monday, 26/05/2025 AD, at exactly 11:00 AM, the First Appeal Circuit for Income Tax Violations and Disputes held its session in the presence of its members whose names are recorded in the minutes, via visual communication in accordance with remote litigation procedures; pursuant to the provisions of Paragraph (1)



of Article (Fifteen) of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. Upon calling upon the litigants, there appeared the representative of the Authority / [...] (National ID No. [...]), pursuant to an authorization issued by the Deputy Governor of the Zakat, Tax and Customs Authority for Legal Affairs, No. [...] dated 19/03/1445 AH. No one appeared on behalf of the Taxpayer despite being legally notified of the date of this session; And whereupon the door of pleading was closed and deliberation commenced, and whereas this session is designated for the pronouncement of the decision.

Grounds:

Whereas upon reviewing the case documents and the appeal briefs submitted by the Taxpayer and the Zakat, Tax and Customs Authority, it became evident to the Circuit that the requirements for considering the appeals procedurally have been met in accordance with the conditions stipulated under the relevant laws, regulations, and decisions; consequently, both appeal requests are acceptable procedurally, as they were submitted by qualified parties within the statutory period prescribed for their submission.

On the merits, and whereas with respect to the Authority's appeal regarding the item of (statutory expenses for the year 2017 AD); and whereas Paragraph (4) of Article (5) of the Implementing Regulations for Zakat Collection, issued by Ministerial Resolution No. (2216) dated 07/07/1440 AH, stipulates that: "Investments in an entity inside the Kingdom for non-trading purposes, provided that such entity is registered with the Authority and is subject to Zakat under the Regulations. Finance-leased assets in the commercial books of the lessor shall not be deemed an investment to be deducted from the Zakat base regardless of their classification in the financial statements; likewise, debit loans, subordinate or additional financing, and the like, granted to the investee entity, shall not be deemed an investment to be deducted from the Zakat base." Based on the foregoing, and whereas the dispute between the parties centers on the Authority's procedure of deducting the investments balance from the Zakat base according to the ownership percentage in the equity of the investee companies without adjusting the net adjusted profit, while the Taxpayer demands the adjustment of the year's results by deducting the investments profits on the grounds that Zakat has already been paid on them by the investee companies; and upon the Circuit's review of the case file and its contents, it became evident to it that the Authority's appeal lies in its rejection of the Adjudication decision to deduct the investment using the beginning-of-period balance due to the presence of additions and distributions, as the Authority demands the deduction of the investment from the Zakat base using the end-of-period balance after deducting the profits of the investee companies. Accordingly, upon the Circuit's review of the Resolution Circuit's decision, which concluded to accept the deduction of the investment using the beginning-of-period balance, it became evident to it that the circuit issuing the decision failed to take into consideration the amounts of additions, distributions, and adjustments made to the investments balance during the year of dispute, as clarified within the Taxpayer's financial statements and their accompanying notes. Therefore, the correct procedure is that which was clarified



by the Authority within its appeal brief, which consists of deducting SAR 249,538,790 representing the end-of-period balance of SAR 252,915,647 minus the profits of the investee companies amounting to SAR 3,376,857, while adjusting the adjusted profit by the Company's share in the profits of the investee companies. Furthermore, according to the Taxpayer's objection memo before the Resolution Circuit, it appeared that it indicated its request consists of demanding the adjustment of the net profit by the profits of the subsidiaries and the deduction of the investments balance from the base excluding the Company's share of the profit, which is precisely what the Authority affirmed within its appeal brief. Consequently, the Circuit concludes to accept the Authority's appeal and to annul the Resolution Circuit's decision regarding the item of (the Company's share in the profits of investee companies in the amount of SAR 3,376,857 for the year 2020 AD).

Whereas with respect to the Taxpayer's appeal regarding the remaining items subject matter of the case; and whereas The Circuit is not precluded from adopting the reasons of the appealed decision without adding to it whenever it deems that those reasons suffice without citing any new ones, because by endorsing it with what those reasons carried, it is confirmed that it found nothing in the challenges directed at the decision that deserves a response beyond what those reasons included. And since it is established that the appealed decision regarding the dispute concerning the appealed items was consistent with the sound reasons upon which it was based and which are sufficient to carry its ruling, as the issuing Circuit undertook the examination of the merits of the dispute therein and concluded regarding it to the result reached in its operative part. And whereas this Circuit has not noticed anything requiring correction or comment regarding it in light of the defenses raised before it. This leads the Circuit to conclude the Rejection of the Taxpayer's appeal and affirming the appealed Resolution Circuit's decision regarding the result it reached in the remaining items subject of the lawsuit, based on its reasons.

Based on the foregoing, and adopting the aforementioned grounds, the Circuit unanimously rendered the following decision:

Decision

First: Acceptance of the appeals procedurally submitted by the Taxpayer / [...] Company, Commercial Registration No. [...], Taxpayer Identification Number (TIN) [...], and by the Zakat, Tax and Customs Authority, against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Riyadh City, No. (IFR-2024-233286), issued in Case No. (Z-233286-2024) relating to the Zakat assessment for the year 2020 AD.

Second: On the Merits:

1. Acceptance of the Authority's appeal and annulment of the Resolution Circuit's decision regarding the item of (the Company's share in the profits of investee companies in the amount of SAR 3,376,857 for the year 2020 AD).



2. Rejection of the Taxpayer's appeal and affirmation of the Resolution Circuit's decision regarding the item of (loans in the amount of SAR 153,296,314 for the year 2020 AD).
3. Rejection of the Taxpayer's appeal and affirmation of the Resolution Circuit's decision regarding the item of (investments in securities for trading in the amount of SAR 146,473,189 for the year 2020 AD).



Appeal Committee for Tax Violations and Disputes
First Appeal Circuit for Income Tax Violations and Disputes
in Riyadh City

Decision No. IR-2025-243376

Case No. Z-243376-2024

Keywords:

Zakat – Presumptive Assessment – Settlement – Acceptance of the Authority's Appeal – Acceptance of the Abandonment of Litigation

Summary:

The Authority appealed the Resolution Circuit's decision concerning the presumptive Zakat assessment for the year 1444 AH, which ruled to amend the Authority's procedure and accept the Taxpayer's objection in the amount of SAR 444,628.20. During the pleading sessions, the Taxpayer submitted a statement from the General Food Security Authority confirming that the Zakat on wheat had been deducted from his receivables and remitted to the Authority. Accordingly, the Authority requested the abandonment of its appeal after verifying the validity of the submitted document. The Appeal Circuit relied on Article (70) of the Law of Sharia Procedures, which allows litigants to record what they have agreed upon in the case minutes. The Circuit concluded to accept the Authority's request to abandon the litigation due to the absence of a subject matter of dispute, following the verification of the remittance of the deducted Zakat. The operative part of the decision ruled the acceptance of the appeal procedurally; and on the merits, the acceptance of the abandonment of litigation regarding the Authority's appeal against the Zakat assessment for the year 1444 AH.

Document:

- Article (70) of the Law of Sharia Procedures, issued by Royal Decree No. (M/1) dated 22/01/1435 AH.
- Paragraph (1) of Article (70) of the Implementing Regulations of the Law of Sharia Procedures issued by Decision of the Minister of Justice No. (39933) dated 19/05/1435 AH.

Facts:

This is to consider the appeal submitted on 03/10/2024 AD by the Zakat, Tax and Customs Authority, against the decision of the Second Circuit for the Resolution of Income Tax Violations and Disputes in Riyadh City, No. (ISR-2024-236158), issued in Case No. (Z-236158-2024) relating to the presumptive Zakat assessment for the



year 1444 AH, filed in the case brought by the Taxpayer against the Zakat, Tax and Customs Authority, wherein the Resolution Circuit's decision ruled the following:

First: Acceptance of the case filed by the Plaintiff / [...], National ID No. [...], owner of ([...]) Farm), Commercial Registration No. [...], against the Defendant / Zakat, Tax and Customs Authority, procedurally.

Second: On the Merits: Amendment of the Defendant's procedure by accepting the Plaintiff's objection in the amount of SAR 444,628.20 (four hundred forty-four thousand, six hundred twenty-eight Saudi Riyals and twenty Halalas) and rejecting the remaining amount of SAR 3,447.83, in accordance with what is detailed in the grounds.

Whereas this decision did not meet the acceptance by the Zakat, Tax and Customs Authority, which submitted an appeal brief reviewed by the Circuit, the substance of which is that the Authority requests the acceptance of its appeal and the reversal of the Resolution Circuit's decision.

On Monday, 28/04/2025 AD, at exactly 03:00 PM, the First Appeal Circuit for Income Tax Violations and Disputes held its session in the presence of its members whose names are recorded in the minutes, via visual communication in accordance with remote litigation procedures; pursuant to the provisions of Paragraph (1) of Article (Fifteen) of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. Upon calling upon the litigants, there appeared the representative of the Appellant / [...] (National ID No. [...]), pursuant to an authorization issued by the Deputy Governor of the Zakat, Tax and Customs Authority for Legal Affairs, No. [...] dated 19/03/1445 AM. There also appeared [...], National ID No. [...], in his capacity as the Appellee in person. Upon asking the Appellee if he wished to add anything, he stated that he brought a letter from the Food Security Authority concerning the amount of the deducted Zakat. He further noted that he attempted to attach the letter but was unable to do so after several attempts as the "Hiyad" system did not accept it, and that he had contacted the Secretariat by telephone to attach the letter but was not enabled to do so; accordingly, he requests an extension of time to submit the letter due to its significant impact on the outcome of this case. Upon presenting this to the representative of the Appellant, she responded by requesting that an extension be granted to review and reply to the Taxpayer's letter after it is attached. Consequently, the Circuit decided to grant the Taxpayer an extension of (10) days ending on 08/05/2025 AD, and to grant the Authority an extension of (10) days to reply to it ending on 19/05/2025 AD, after which date the door of pleading will be closed, and the case will be submitted for deliberation and issuance of the decision. The Circuit will not accept any new documents or briefs that were not submitted before the aforementioned date. The next session, scheduled for 26/05/2025 AD, shall be designated for the pronouncement of the decision.

On Monday, 26/05/2025 AD, at exactly 10:00 AM, the First Appeal Circuit for Income Tax Violations and Disputes held its session in the presence of its members whose names are recorded in the minutes, via visual communication in accordance with remote litigation procedures; pursuant to the provisions of Paragraph (1)



of Article (Fifteen) of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. Upon calling upon the litigants, there appeared the representative of the Appellant / [...] (National ID No. [...]), pursuant to an authorization issued by the Deputy Governor of the Zakat, Tax and Customs Authority for Legal Affairs, No. [...] dated 19/03/1445 AH. There also appeared [...], National ID No. [...], in his capacity as the Appellee in person. Upon asking the Taxpayer about the reason for his delay in attaching the letter issued by the General Food Security Authority—which states that the Authority deducted the wheat Zakat from the farmer's entitlements and remitted it to the Zakat, Tax and Customs Authority in an amount of SAR 444,628.20—he replied that he had requested this statement from the General Food Security Authority a long time ago, and was not provided with this letter until the date indicated therein. Upon asking the representative of the Authority if she wished to add anything, she requested an extension of time to reply to it. Accordingly, the Circuit decided to grant the Authority an extension of ten days ending on 05/06/2025 AD, provided that the next session, scheduled for 23/06/2025 AD, shall be for the pronouncement of the decision.

On Monday, 07/07/2025 AD, at exactly 10:30 AM, the First Appeal Circuit for Income Tax Violations and Disputes held its session in the presence of its members whose names are recorded in the minutes, via visual communication in accordance with remote litigation procedures; pursuant to the provisions of Paragraph (1) of Article (Fifteen) of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. Upon calling upon the litigants, there appeared the representative of the Authority / [...] (National ID No. [...]), pursuant to an authorization issued by the Deputy Governor of the Zakat, Tax and Customs Authority for Legal Affairs, No. [...] dated 19/03/1445 AH. Neither the Taxpayer nor any legal representative on his behalf appeared, despite being fully and legally notified of the session date; And whereupon the door of pleading was closed and deliberation commenced, and whereas this session is designated for the pronouncement of the decision.

Grounds:

Whereas upon reviewing the case documents and the appeal brief submitted by the Authority, it became evident to the Circuit that the requirements for considering the appeal procedurally have been met in accordance with the conditions stipulated under the relevant laws, regulations, and decisions; consequently, the appeal request is acceptable procedurally, as it was submitted by a party with legal standing, and within the statutory period prescribed for its submission.

On the merits, and whereas Article (70) of the Law of Sharia Procedures, issued by Royal Decree No. (M/1) dated 22/01/1435 AH, stipulates that: "The litigants may request the court, at any stage of the case, to record what they have agreed upon by way of admission, settlement, or otherwise in the case minutes, and the court shall Issue an instrument to that effect." Moreover, Paragraph (1) of Article (70) of the Implementing Regulations of the Law of Sharia Procedures, issued by Decision of the Minister of Justice No. (39933) dated



19/05/1435 AH, stipulates that: "If the agreement is reached before the case is recorded, the substance of the case and the response must be entered prior to recording the agreement, taking into account that the original case must fall within the jurisdiction of the circuit, even if the substance of the agreement falls within the jurisdiction of another court or circuit, provided that the subject matter of the case, or a part thereof, is included in what has been agreed upon." Based on the foregoing, and whereas the Authority's request to abandon the appeal has been established before this Circuit, which states: "Upon reviewing the document submitted by the Taxpayer and the statement of the General Food Security Authority confirming the validity of the deduction of the amount and its remittance for Zakat... the Authority hereby notifies the esteemed Circuit of the abandonment of the appeal." Accordingly, it is incumbent upon the Circuit to accept the abandonment of litigation regarding the Authority's appeal against the presumptive Zakat assessment for the year 1444 AH.

Based on the foregoing, and adopting the aforementioned grounds, the Circuit unanimously rendered the following decision:

Decision

First: Acceptance of the appeal request submitted by the Zakat, Tax and Customs Authority against the decision of the Second Circuit for the Resolution of Income Tax Violations and Disputes in Riyadh City, No. (ISR-2024-236158), issued in Case No. (Z-236158-2024) relating to the presumptive Zakat assessment for the year 1444 AH, procedurally.

Second: On the Merits: Acceptance of the abandonment of litigation regarding the Authority's appeal against the presumptive Zakat assessment for the year 1444 AH.



Appeal Committee for Tax Violations and Disputes First Appeal Circuit for Income Tax Violations and Disputes in Riyadh City

Decision No. IR-2025-243337

Case No. Z-243337-2024

Keywords:

Zakat – Presumptive Assessment – Profits – Distributed Dividends – Settlement – Termination of Dispute – Acceptance of the Taxpayer's Appeal

Summary:

The Taxpayer appealed the Resolution Circuit's decision concerning the Zakat assessment for the year 2014 AD, which ruled to reject its objection to the distributed dividends item. With respect to a portion of the distributed dividends item amounting to SAR 5,020,000, the Appeal Circuit established the termination of the dispute between the parties pursuant to Article (70) of the Law of Sharia Procedures, following the Authority's partial acceptance of the Taxpayer's request within the limits of the supporting documents submitted by it. Conversely, regarding the remaining portion of the same item amounting to SAR 5,574,785, the Circuit concluded to reject the Taxpayer's appeal and to affirm the Resolution Circuit's decision based on its own grounds, due to the soundness of the outcome reached by the initial decision and the absence of challenges that warrant correction. The operative part of the decision ruled the acceptance of the appeal procedurally; and on the merits, establishing the termination of the dispute in the portion accepted by the Authority, and the rejection of the appeal and the affirmation of the Adjudication decision in all other respects.

Document:

- Article (70) of the Law of Sharia Procedures, issued by Royal Decree No. (M/1) dated 22/01/1435 AH.
- Paragraph (1) of Article (70) of the Implementing Regulations of the Law of Sharia Procedures issued by Decision of the Minister of Justice No. (39933) dated 19/05/1435 AH.

Facts:

This is to consider the appeal submitted on 02/10/2024 AD by [...], National ID No. [...], in his capacity as the legal representative of the Appellant Company pursuant to its Articles of Association, against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Jeddah Governorate, No. (IZJ-2024-235408), issued in Case No. (Z-235408-2024) relating to the Zakat assessment for the year 2014 AD, filed in



the case brought by the Taxpayer against the Zakat, Tax and Customs Authority, wherein the Resolution Circuit's decision ruled the following:

Rejection of the Plaintiff's objection to the distributed dividends item for the year 2014 AD.

Whereas the Resolution Circuit issued its aforementioned decision and considered the case anew as a result of this Circuit's Decision No. (IR-2024-181251) issued on 28/04/2024 AD, which entailed remanding the case to the Resolution Circuit to consider its merits, and accordingly, this Circuit decided to resume the consideration of the case; and Whereas this decision did not meet the acceptance by the Taxpayer, who submitted an appeal brief reviewed by the Circuit, the substance of which is that the Taxpayer requests the acceptance of its appeal and the reversal of the Resolution Circuit's decision.

On Thursday, 24/04/2025 AD, at exactly 11:01 AM, the First Appeal Circuit for Income Tax Violations and Disputes held its session in the presence of its members whose names are recorded in the minutes, via visual communication in accordance with remote litigation procedures; pursuant to the provisions of Paragraph (1) of Article (Fifteen) of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. Upon reviewing the appeal request, the submitted briefs, and the papers and documents contained in the case file, and after deliberation, and whereas the case is ripe for judgment in its current state, the Circuit decides to close the door of pleading and reserve the case for adjudication.

Grounds:

Whereas upon reviewing the case documents and the appeal brief submitted by the Taxpayer, it became evident to the Circuit that the requirements for considering the appeal procedurally have been met in accordance with the conditions stipulated under the relevant laws, regulations, and decisions; consequently, the appeal request is acceptable procedurally, as it was submitted by a party with legal standing, and within the statutory period prescribed for its submission.

On the merits, and with respect to the Taxpayer's appeal regarding the item of (distributed dividends for the year 2014 AD: A- an amount of SAR 5,020,000); and whereas Article (70) of the Law of Sharia Procedures, issued by Royal Decree No. (M/1) dated 22/01/1435 AH, stipulates that: "The litigants may request the court, at any stage of the case, to record what they have agreed upon by way of admission, settlement, or otherwise in the case minutes, and the court shall Issue an instrument to that effect." Moreover, Paragraph (1) of Article (70) of the Implementing Regulations of the Law of Sharia Procedures, issued by Decision of the Minister of Justice No. (39933) dated 19/05/1435 AH, stipulates that: "If the agreement is reached before the case is recorded, the substance of the case and the response must be entered prior to recording the agreement, taking into account that the original case must fall within the jurisdiction of the circuit, even if the substance of the agreement falls within the jurisdiction of another court or circuit, provided that the subject matter of the case, or a part thereof, is included in what has been agreed upon." Based on the foregoing, and whereas it has been



established to this Circuit that the dispute has terminated by virtue of the Authority's acceptance of the Taxpayer's requests, as stated in the letter issued by it in the supplementary brief, which includes: "...Accordingly, the Authority partially accepts the Taxpayer's appeal within the limits of the supporting documents in the amount of SAR 5,020,000." Therefore, it is incumbent upon the Circuit to record the termination of the dispute regarding the item of (distributed dividends for the year 2014 AD: A- an amount of SAR 5,020,000).

With respect to the Taxpayer's appeal regarding the item of (distributed dividends for the year 2014 AD: B- an amount of SAR 5,574,785), and upon the Circuit's review of the appeal; and whereas The Circuit is not precluded from adopting the grounds of the contested decision without further addition, whenever it deems that such grounds preclude the need to introduce anything new; because its affirmation of the decision based on the grounds it carried confirms that it found nothing in the challenges directed against the decision that merits a response beyond what those grounds contained. Since it is established that the contested decision regarding the dispute over the challenged items came in conformity with the sound grounds upon which it was built and which are sufficient to support its judgment—as the circuit issuing it undertook a thorough examination of the core of the dispute therein and concluded with respect to it the outcome reached in its operative part—and whereas this Circuit has not noticed anything that warrants correction or comment in its regard in light of the defenses raised before it; consequently, this Circuit concludes to reject the Taxpayer's appeal and to affirm the contested Resolution Circuit's decision regarding the outcome it reached for the item of (distributed dividends for the year 2014 AD: B- an amount of SAR 5,574,785), based on its own grounds.

Based on the foregoing, and adopting the aforementioned grounds, the Circuit unanimously rendered the following decision:

Decision

First: Acceptance of the appeal procedurally as submitted by the Taxpayer / [...] Company, Commercial Registration No. [...], Taxpayer Identification Number (TIN) [...], against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Jeddah Governorate, No. (IZJ-2024-235408), issued in Case No. (Z-235408-2024) relating to the Zakat assessment for the year 2014 AD.

Second: On the Merits:

With respect to the Taxpayer's appeal regarding the item of (distributed dividends for the year 2014 AD):

- (A) Establishing the termination of the dispute regarding the Taxpayer's appeal with respect to (the amount of SAR 5,020,000).
- (B) Rejection of the Taxpayer's appeal and affirmation of the Resolution Circuit's decision with respect to (the amount of SAR 5,574,785).



Appeal Committee for Tax Violations and Disputes First Appeal Circuit for Income Tax Violations and Disputes in Riyadh City

Decision No. IR-2025-243271

Case No. Z-243271-2024

Keywords:

Zakat – Presumptive Assessment – Provisions – Donations – Traffic Violations – Rejection of the Taxpayer's Appeal

Summary:

The Taxpayer appealed the Resolution Circuit's decision concerning the Zakat assessment for the year 2019 AD, which ruled to reject its objection to the items of donations, traffic violations, and provisions (end-of-service benefits and slow-moving inventory). In its appeal, the Taxpayer maintained its demand to reverse the Resolution Circuit's decision, while the Authority maintained the validity of its procedures. Upon reviewing the case file, the Appeal Circuit found nothing in the challenges directed against the decision that merits a response beyond what was contained in the grounds of the initial decision, deeming those grounds sound and sufficient to support its judgment. The Circuit concluded to affirm the Resolution Circuit's decision based on its own grounds due to the soundness of the outcome it reached across all items subject to the dispute. The operative part of the decision ruled the acceptance of the appeal procedurally; and on the merits, its rejection and the affirmation of the Resolution Circuit's decision regarding the items of donations, traffic violations, and the created and carried-forward provisions.

Document:

- The Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH.

Facts:

This is to consider the appeal submitted on 01/10/2024 AD by [...], National ID No. [...], in his capacity as the legal representative of the Appellant Company pursuant to a Board of Directors' resolution, against the decision of the Third Circuit for the Resolution of Income Tax Violations and Disputes in Riyadh City, No. (ITR-2024-236138), issued in Case No. (Z-236138-2024) relating to the Zakat assessment for the year 2019 AD, filed in



the case brought by the Taxpayer against the Zakat, Tax and Customs Authority, wherein the Resolution Circuit's decision ruled the following:

First: Acceptance of the objection filed by the Plaintiff / [...] Company, Commercial Registration No. [...], against the decision of the Defendant / Zakat, Tax and Customs Authority, procedurally.

Second: On the Merits:

- 1- Rejection of the Plaintiff's objection to the donations item in the amount of SAR 4,156 for the year 2019 AD.
- 2- Rejection of the Plaintiff's objection to the traffic violations item in the amounts of SAR 8,144 and SAR 17,050 for the year 2019 AD.
- 3- Rejection of the Plaintiff's objection to the created end-of-service benefits provision item in the amount of SAR 1,876,567 for the year 2019 AD.
- 4- Rejection of the Plaintiff's objection to the created slow-moving inventory provision item in the amount of SAR 1,000,000 for the year 2019 AD.
- 5- .
 - A. Establishing the termination of the dispute regarding the related parties item for the year 2019 AD.
 - B. Acceptance of the Plaintiff's objection to the related parties (shareholders) item, and amending the Defendant's decision by adding it to the Zakat base in a manner not exceeding the deducted amount for the year 2019 AD.
- 6- Rejection of the Plaintiff's objection to the carried-forward end-of-service benefits provision item in the amount of SAR 4,868,847 for the year 2019 AD.

Whereas this decision did not meet the acceptance by the Taxpayer, who submitted an appeal brief reviewed by the Circuit, the substance of which is that the Taxpayer requests the acceptance of its appeal and the reversal of the Resolution Circuit's decision.

On Monday, 02/06/2025 AD, at exactly 11:00 AM, the First Appeal Circuit for Income Tax Violations and Disputes held its session in the presence of its members whose names are recorded in the minutes, via visual communication in accordance with remote litigation procedures; pursuant to the provisions of Paragraph (1) of Article (Fifteen) of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. Upon calling upon the litigants, there appeared [...], National ID No. [...], in his capacity as the attorney for the Appellant pursuant to Power of Attorney No. [...] issued on 15/01/1445 AH, and Legal Practice License No. [...]. There also appeared the representative of the Appellee / [...] (National ID No. [...]), pursuant to an authorization issued by the Deputy Governor of the Zakat, Tax and Customs Authority for Legal Affairs, No. [...] dated 19/03/1445 AH. Upon asking the Appellant's attorney if he wished to add anything, he stated that he maintains everything previously submitted in this case. Upon presenting this to the representative of the Appellee, she responded by maintaining everything previously submitted in this case. Upon asking both parties if they wished to add anything further, they decided to rest their case on what had been previously submitted.



Grounds:

Whereas upon reviewing the case documents and the appeal brief submitted by the Taxpayer, it became evident to the Circuit that the requirements for considering the appeal procedurally have been met in accordance with the conditions stipulated under the relevant laws, regulations, and decisions; consequently, the appeal request is acceptable procedurally, as it was submitted by a party with legal standing, and within the statutory period prescribed for its submission.

On the merits, and upon the Circuit's review of the appeal; and whereas The Circuit is not precluded from adopting the reasons of the appealed decision without adding to it whenever it deems that those reasons suffice without citing any new ones, because by endorsing it with what those reasons carried, it is confirmed that it found nothing in the challenges directed at the decision that deserves a response beyond what those reasons included. And since it is established that the appealed decision regarding the dispute concerning the appealed items was consistent with the sound reasons upon which it was based and which are sufficient to carry its ruling, as the issuing Circuit undertook the examination of the merits of the dispute therein and concluded regarding it to the result reached in its operative part. And whereas this Circuit has not noticed anything requiring correction or comment regarding it in light of the defenses raised before it. This leads the Circuit to conclude the Rejection of the Taxpayer's appeal and affirming the appealed Resolution Circuit's decision regarding the result it reached in the remaining items subject of the lawsuit, based on its reasons.

Based on the foregoing, and adopting the aforementioned grounds, the Circuit unanimously rendered the following decision:

Decision

First: Acceptance of the appeal procedurally submitted by the Taxpayer / [...] Company, Commercial Registration No. [...], Taxpayer Identification Number (TIN) [...], against the decision of the Third Circuit for the Resolution of Income Tax Violations and Disputes in Riyadh City, No. (ITR-2024-236138), issued in Case No. (Z-2024-236138) relating to the Zakat assessment for the year 2019 AD.

Second: On the Merits:

- 1- Rejection of the Taxpayer's appeal and affirmation of the Resolution Circuit's decision with respect to the item of (donations).
- 2- Rejection of the Taxpayer's appeal and affirmation of the Resolution Circuit's decision with respect to the item of (traffic violations).
- 3- Rejection of the Taxpayer's appeal and affirmation of the Resolution Circuit's decision with respect to the item of (created end-of-service benefits provision).
- 4- Rejection of the Taxpayer's appeal and affirmation of the Resolution Circuit's decision with respect to the item of (created slow-moving inventory provision).



- 5- Rejection of the Taxpayer's appeal and affirmation of the Resolution Circuit's decision with respect to the item of (carried-forward provision).



Appeal Committee for Tax Violations and Disputes First Appeal Circuit for Income Tax Violations and Disputes in Riyadh City

Decision No. IA-2025-102

Case No. Z-243205-2024

Keywords:

Zakat – Presumptive Assessment – Profits – Profits of Investee Companies – Acceptance of the Authority's Appeal

Summary:

The Authority appealed the Resolution Circuit's decision concerning the Zakat assessment for the year 2017 AD, which ruled to cancel the Authority's procedure regarding the item of profits from investments in associate companies. The Taxpayer argued that its share of the associate companies' profits must be deducted from the adjusted net profit, and that the beginning balance of the investments must be deducted from the Zakat base. Conversely, the Authority maintained the validity of its procedure, which consisted of adjusting the year's results by adding those profits to avoid double Zakat, while deducting the investment balance using the ending balance after excluding the aforementioned profits. The Appeal Circuit relied on Article (4/5) of the Implementing Regulations for Zakat Collection and International Accounting Standard (IAS) 28 regarding the equity method, confirming that the Authority's processing methodology achieves the regulatory objective and aligns with the Taxpayer's accounting reality. The Circuit concluded to accept the Authority's appeal due to the soundness of its treatment of the item subject to the dispute. The operative part of the decision ruled the acceptance of the Authority's appeal procedurally and on the merits, and the annulment of the Resolution Circuit's decision with respect to the item of profits from investments in associate companies.

Document:

- Paragraph (4) of Article (5) of the Implementing Regulations for Zakat Collection issued by Decision of His Excellency the Minister of Finance No. (2216) dated 07/07/1440 AH.

Facts:

This is to consider the appeal submitted on 29/09/2024 AD by the Zakat, Tax and Customs Authority, against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Riyadh City, No. (IFR-2024-233536), issued in Case No. (Z-233536-2024) relating to the Zakat assessment for the year 2017



AD, filed in the case brought by the Taxpayer against the Zakat, Tax and Customs Authority, wherein the Resolution Circuit's decision ruled the following:

First: Cancellation of the decision of the Defendant / Zakat, Tax and Customs Authority, against the Plaintiff / [...] Company (Taxpayer Identification Number (TIN) [...]) concerning the item of profits from investments in associate companies in the amount of SAR 1,869,962 (one million eight hundred sixty-nine thousand nine hundred sixty-two Saudi Riyals) for the year 2017 AD.

Second: Cancellation of the decision of the Defendant / Zakat, Tax and Customs Authority, against the Plaintiff / [...] Company (Taxpayer Identification Number (TIN) [...]) concerning the addition of the full amounts of related parties in the amount of SAR 61,688,550 (sixty-one million six hundred eighty-eight thousand five hundred fifty Saudi Riyals) for the year 2017 AD.

Third: Rejection of the objection filed by the Plaintiff / [...] Company (Taxpayer Identification Number (TIN) [...]) against the decision of the Defendant / Zakat, Tax and Customs Authority, concerning the item of advance payments for the purchase of investments in the amount of SAR 5,638,781 (five million six hundred thirty-eight thousand seven hundred eighty-one Saudi Riyals) for the year 2017 AD.

Whereas this decision did not meet the acceptance by the Appellant (the Zakat, Tax and Customs Authority), it submitted an appeal brief reviewed by the Circuit, the substance of which is as follows:

In contesting the challenged decision of the Resolution Circuit, the Authority claims that with respect to the item of (profits from investments in associate companies in the amount of SAR 1,869,962), the Authority argued that the Circuit cancelled the Authority's procedure—which consisted of deducting the investments from the Zakat base using the ending balance without adjusting the year's results by deducting the profits of the investments that had already been subjected to Zakat within the investee company. The Authority responds that the regulatory requirement for treating investments under the equity method entails taking investment profits into account within the investing company's net profit and deducting the beginning balance of the investment from the base. Based on the aforementioned, the Authority appeals what the Adjudication decision concluded and demands that the Zakat be calculated in accordance with the Taxpayer's declaration. This is because the correct calculation requires deducting investments from the Zakat base using the ending balance at a value of SAR 49,741,602 (SAR 51,636,589 – SAR 1,894,987) after deducting the profits of the investee companies, instead of deducting the beginning balance at a value of SAR 52,820,259, which is less than the Taxpayer's declaration wherein it deducted an amount of SAR 1,894,987 from the net profit and deducted an amount of SAR 48,911,460 from the Zakat base. Based on the foregoing, the Circuit's decision in this case subject to appeal is legally incorrect and is undoubtedly worthy of judicial cancellation. Consequently, the Authority demands the acceptance of its appeal against the Resolution Circuit's decision, and the Authority reserves its right to submit further responses and clarifications prior to closing the door of pleading.



On Monday, 05/05/2025 AD, at exactly 02:30 PM, the First Appeal Circuit for Income Tax Violations and Disputes held its session in the presence of its members whose names are recorded in the minutes, via visual communication in accordance with remote litigation procedures; pursuant to the provisions of Paragraph (1) of Article (Fifteen) of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. Upon calling upon the litigants, there appeared the representative of the Appellant / [...] (National ID No. [...]), pursuant to an authorization issued by the Deputy Governor of the Zakat, Tax and Customs Authority for Legal Affairs under No. [...]. No representative appeared on behalf of the Appellee despite established proof of their being legally notified of the date of this session. Upon asking the Appellant's representative, she responded by maintaining everything previously submitted in this case. Whereas the case is ready for adjudication based on the documents contained in its file, and accordingly, after closing the door of pleading and deliberation.

Grounds:

Whereas upon reviewing the case documents and the appeal brief submitted by the Authority, it became evident to the Circuit that the requirements for considering the appeal procedurally have been met in accordance with the conditions stipulated under the relevant laws, regulations, and decisions; consequently, the appeal request is acceptable procedurally, as it was submitted by a party with legal standing, and within the statutory period prescribed for its submission.

On the merits, and with respect to the Authority's appeal regarding the item of (profits from investments in associate companies in the amount of SAR 1,869,962); and based on Paragraph (4) of Article (Five) of the Implementing Regulations for Zakat Collection, issued by Ministerial Resolution No. (2216) dated 07/07/1440 AH, which stipulates that: "Investments in an entity within the Kingdom for non-trading purposes, provided that such entity is registered with the Authority and is subject to Zakat under the Regulations. Finance-leased assets in the lessor's commercial books shall not be considered an investment to be deducted from the Zakat base, regardless of their classification in the financial statements. Similarly, debit loans, subordinate or additional financing, and the like, granted to the investee entity, shall not be considered an investment to be deducted from the Zakat base." And based on Paragraph (10) —Equity Method— of International Accounting Standard (IAS) 28, which stipulates: "Under the equity method, on initial recognition the investment in an associate or a joint venture is recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The investor's share of the investee's profit or loss is recognised in the investor's profit or loss. Distributions received from an investee reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in the investor's proportionate interest in the investee arising from changes in the investee's other comprehensive income. Such changes include those arising from the revaluation of property, plant and equipment and from foreign exchange translation differences. The investor's share of those changes is



recognised in the investor's other comprehensive income." Based on the foregoing, and upon the Circuit's review of the case file and the documents submitted by both parties, it became evident that the Taxpayer's claim centers around deducting the company's share of affiliate companies' profits within the adjustments to net profit, if Zakat is calculated based on the adjusted net profit, and deducting the beginning balance of investments in the amount of SAR 48,911,460. Upon reviewing the Authority's statement of defense No. (2) submitted before the Resolution Circuit, it became evident that the Authority adjusted the year's results by adding the investment profits to avoid double Zakat—once in the investee company and again in the investing company—and deducted the investment balance from the Zakat base using the ending balance in the amount of SAR 49,741,602, after excluding the profits of the investee companies by which the year's results were adjusted in the amount of SAR 1,894,987. This demonstrates the soundness of the Authority's procedure, rather than deducting the beginning balance of investments in affiliate companies amounting to SAR 52,820,259, which is less than the Taxpayer's declaration wherein it deducted an amount of SAR 1,894,987 from the net profit and deducted an amount of SAR 48,911,460. Consequently, this Circuit concludes to accept the Authority's appeal and to cancel the Resolution Circuit's decision with respect to the item of (profits from investments in associate companies in the amount of SAR 1,869,962).

Based on the foregoing, and adopting the aforementioned grounds, the Circuit unanimously rendered the following decision:

Decision

First: Acceptance of the appeal procedurally submitted by the Zakat, Tax and Customs Authority against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Riyadh City, No. (IFR-2024-233536), issued in Case No. (Z-233536-2024) relating to the Zakat assessment for the year 2017 AD.

Second: On the Merits:

Acceptance of the Authority's appeal and annulment of the Resolution Circuit's decision with respect to the item of (profits from investments in associate companies in the amount of SAR 1,869,962).



Appeal Committee for Tax Violations and Disputes First Appeal Circuit for Income Tax Violations and Disputes in Riyadh City

Decision No. IR-2025-243147

Case No. Z-243147-2024

Keywords:

Zakat – Presumptive Assessment – Penalties – Procedural Defect in the Amendment Letter – Acceptance of the Authority's Appeal

Summary:

Both the Taxpayer and the Authority appealed the Resolution Circuit's decision concerning the Zakat assessment for the year 2020 AD, which encompassed various items, including current-period provisions, taxes and penalties, and lease liabilities. The Authority's appeal focused on the Resolution Circuit's cancellation of its procedure regarding the two items of "taxes and penalties" and "lease liabilities" on the grounds of a procedural defect in the assessment amendment letter. Upon the Appeal Circuit's review of the documents in the case file, it was established that the Authority had notified the Taxpayer of the initial assessment and received its feedback thereon, thereby negating the existence of the alleged procedural defect. The Circuit relied on Article (20) of the Implementing Regulations for Zakat Collection, which mandates stating the grounds for amendment, confirming that the procedure was executed in accordance with the regulatory requirements. The Circuit concluded to accept the Authority's appeal and cancel the Resolution Circuit's decision, while remanding the case back to it to consider the merits of the aforementioned items. The operative part of the decision ruled the acceptance of the appeal procedurally from both parties; and on the merits, the acceptance of the Authority's appeal and the annulment of the Resolution Circuit's decision with respect to the procedural defect item.

Document:

- Article (20) of the Implementing Regulations for Zakat Collection issued by Decision of His Excellency the Minister of Finance No. (2216) dated 07/07/1440 AH.

Facts:

This is to consider the appeal submitted on 26/09/2024 AD by [...], National ID No. [...], in his capacity as the attorney for the Appellant Company pursuant to Power of Attorney No. [...] dated 12/06/1445 AH, and Legal



Practice License No. [...]; and the appeal submitted by the Zakat, Tax and Customs Authority on 29/09/2024 AD, against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Riyadh City, No. (IFR-2024-132495), issued in Case No. (Z-132495-2022) relating to the Zakat assessment for the year 2020 AD, filed in the case brought by the Taxpayer against the Zakat, Tax and Customs Authority, wherein the Resolution Circuit's decision ruled the following:

First: Rejection of the objection filed by the Plaintiff / [...] Company (Taxpayer Identification Number (TIN) [...]) against the decision of the Defendant / Zakat, Tax and Customs Authority, concerning the item of procedural defect in the assessment amendment letter regarding the item of provisions charged to the period's accounts and the item of the share of profits from investments in other companies for the year 2020 AD subject to the case.

Second: Cancellation of the decision of the Defendant / Zakat, Tax and Customs Authority, against the Plaintiff / [...] Company (Taxpayer Identification Number (TIN) [...]) concerning the item of procedural defect in the assessment amendment letter regarding the taxes and penalties item and the lease liabilities item for the year 2020 AD subject to the case.

Third: Dismissal of the objection filed by the Plaintiff / [...] Limited Company (Taxpayer Identification Number (TIN) [...]) against the decision of the Defendant / Zakat, Tax and Customs Authority, concerning the item of provisions charged to the period's accounts in the amount of SAR 9,087,462 (nine million eighty-seven thousand four hundred sixty-two Saudi Riyals) for the year 2020 AD subject to the case, as detailed in the grounds.

Fourth: Dismissal of the objection filed by the Plaintiff / [...] Company (Taxpayer Identification Number (TIN) [...]) against the decision of the Defendant / Zakat, Tax and Customs Authority, concerning the item of the share of profits from investments in other companies in the amount of SAR 18,583,000 (eighteen million five hundred eighty-three thousand Saudi Riyals) for the year 2020 AD subject to the case, as detailed in the grounds.

Fifth: Cancellation of the decision of the Defendant / Zakat, Tax and Customs Authority, against the Plaintiff / [...] Company (Taxpayer Identification Number (TIN) [...]) concerning the taxes and penalties item in the amount of SAR 3,211,476 (three million two hundred eleven thousand four hundred seventy-six Saudi Riyals) for the year 2020 AD subject to the case.

Sixth: Amending the procedure of the Defendant / Zakat, Tax and Customs Authority, against the Plaintiff / [...] Company (Taxpayer Identification Number (TIN) [...]) concerning the loans item subject to the case, as detailed in the grounds.



Seventh: Cancellation of the decision of the Defendant / Zakat, Tax and Customs Authority, against the Plaintiff / [...] Company (Taxpayer Identification Number (TIN) [...]) concerning the lease liabilities item for the year 2020 AD in the amount of SAR 243,000 (two hundred forty-three thousand Saudi Riyals) subject to the case.

Eighth: Amending the procedure of the Defendant / Zakat, Tax and Customs Authority, against the Plaintiff / [...] Company (Taxpayer Identification Number (TIN) [...]) concerning the contract liabilities item subject to the case, by adding an amount of SAR 97,250,662.32 (ninety-seven million two hundred fifty thousand six hundred sixty-two Saudi Riyals and thirty-two Halalas), in a manner not exceeding the deductions, as detailed in the grounds.

Ninth: Amending the procedure of the Defendant / Zakat, Tax and Customs Authority, against the Plaintiff / [...] Company (Taxpayer Identification Number (TIN) [...]) concerning the dividends payable item subject to the case, as detailed in the grounds.

Tenth: Cancellation of the decision of the Defendant / Zakat, Tax and Customs Authority, against the Plaintiff / [...] Company (Taxpayer Identification Number (TIN) [...]) concerning the projects under execution item for the year 2020 AD in the amount of SAR 624,228,962 (six hundred twenty-four million two hundred twenty-eight thousand nine hundred sixty-two Saudi Riyals).

Eleventh: Rejection of the objection filed by the Plaintiff / [...] Company (Taxpayer Identification Number (TIN) [...]) against the decision of the Defendant / Zakat, Tax and Customs Authority, concerning the long-term trade receivables item for the year 2020 AD in the amount of SAR 335,275,288 (three hundred thirty-five million two hundred seventy-five thousand two hundred eighty-eight Saudi Riyals) subject to the case.

Twelfth: Cancellation of the decision of the Defendant / Zakat, Tax and Customs Authority, against the Plaintiff / [...] Company (Taxpayer Identification Number (TIN) [...]) concerning the collection guarantees item – Wafi Program for Off-Plan Sales for the year 2020 AD in the amount of SAR 702,865,000 (seven hundred two million eight hundred sixty-five thousand Saudi Riyals).

Whereas this decision did not meet the acceptance by the Taxpayer ([...] Company), it submitted an appeal brief reviewed by the Circuit, the substance of which is that the Taxpayer requests the acceptance of its appeal and the reversal of the Resolution Circuit's decision regarding the items subject to its appeal; and whereas this decision was likewise not accepted by the Authority, it submitted an appeal brief reviewed by the Circuit, the substance of which is that the Authority requests the acceptance of its appeal and the reversal of the Resolution Circuit's decision regarding the items subject to its appeal.

On Tuesday, 11/02/2025 AD, at exactly 11:00 AM, the First Appeal Circuit for Income Tax Violations and Disputes held its session in the presence of its members whose names are recorded in the minutes, via visual communication in accordance with remote litigation procedures; pursuant to the provisions of Paragraph (1) of Article (Fifteen) of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree



No. (25711) dated 08/04/1445 AH. Upon calling upon the litigants, there appeared [...], National ID No. [...], and Legal Practice License No. [...], in his capacity as the attorney for [...] Company pursuant to Power of Attorney No. [...] issued on 12/06/1445 AH. There also appeared the representative of the Authority / [...] (National ID No. [...]), pursuant to an authorization issued by the Deputy Governor of the Zakat, Tax and Customs Authority for Legal Affairs, No. [...] dated 19/03/1445 AH.

Upon asking the Taxpayer's attorney if he wished to add anything, he stated that he maintains everything previously submitted in this case. Upon asking the Authority's representative if she wished to add anything, she requested a grace period to submit her arguments in a subsequent session for the reasons detailed in Request No. (GSTC-0000011247). Being convinced of those reasons, the Circuit decided to grant the Authority a period of (14) fourteen days to submit its arguments, expiring on 25/02/2025 AD, and to grant the Taxpayer a period of (14) fourteen days to respond thereto, expiring on 11/03/2025 AD. After this date, the door of pleading will be closed, and the case will be submitted for deliberation and the issuance of the decision; the Circuit shall not accept any new documents or briefs that were not submitted prior to the aforementioned date. The next session, scheduled for 25/03/2025 AD, shall be for the pronouncement of the decision.

On Monday, 24/03/2025 AD, at exactly 03:15 PM, the First Appeal Circuit for Income Tax Violations and Disputes held its session in the presence of its members whose names are recorded in the minutes, via visual communication in accordance with remote litigation procedures; pursuant to the provisions of Paragraph (1) of Article (Fifteen) of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. Upon calling upon the litigants, there appeared [...], National ID No. [...], in his capacity as the attorney for the Taxpayer pursuant to Power of Attorney No. [...] issued on 12/06/1445 AH, and Legal Practice License No. [...]. There also appeared [...] (National ID No. [...]), in her capacity as the Authority's representative pursuant to an authorization issued by the Deputy Governor of the Zakat, Tax and Customs Authority for Legal and Compliance Affairs under No. [...] dated 19/03/1445 AH. Upon reviewing both appeal requests, the submitted briefs, and the papers and documents contained in the case file, and after discussion and deliberation, the Circuit deems that the case requires further study; accordingly, the Circuit decided to adjourn the case to the hearing session of Monday, corresponding to 21/04/2025 AD.

On Monday, 21/04/2025 AD, at exactly 03:03 PM, the First Appeal Circuit for Income Tax Violations and Disputes held its session in the presence of its members whose names are recorded in the minutes, via visual communication in accordance with remote litigation procedures; pursuant to the provisions of Paragraph (1) of Article (Fifteen) of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. Upon calling upon the litigants, there appeared [...], National ID No. [...], in his capacity as the attorney for the Taxpayer pursuant to Power of Attorney No. [...] issued on 12/06/1445 AH, and Company No. [...]. There also appeared the representative of the Authority / [...] (National ID No. [...]), pursuant to an authorization issued by the Deputy Governor of the Zakat, Tax and Customs Authority for Legal



and Compliance Affairs under No. [...] dated 19/03/1445 AH. Whereas the door of pleading and deliberation has been closed, and whereas this session is designated for the pronouncement of the decision.

Grounds:

Whereas upon reviewing the case documents and the appeal briefs submitted by the Taxpayer and the Zakat, Tax and Customs Authority, it became evident to the Circuit that the requirements for considering the appeal procedurally have been met in accordance with the conditions stipulated under the relevant laws, regulations, and decisions; consequently, both appeal requests are acceptable procedurally, as they were submitted by parties with legal standing, and within the statutory period prescribed for their submission.

On the merits, and whereas with respect to the Authority's appeal regarding the item of (procedural defect in the assessment amendment letter for the taxes and penalties item and the lease liabilities item for the year 2020 AD); and whereas Article (20) of the Implementing Regulations for Zakat Collection, issued by Ministerial Resolution No. (2216) dated 07/07/1440 AH, stipulates that: "The Authority shall issue the assessment, including its approval of the declaration or its amendment thereto, while stating the grounds for amendment. The Taxpayer may object to the assessment in accordance with the provisions of Chapter (Seven) of the Regulations." Based on the foregoing, and upon reviewing the contested Resolution Circuit's decision, which concluded to cancel the Defendant's decision regarding the item of (procedural defect in the assessment amendment letter for the taxes and penalties item and the lease liabilities item for the year 2020 AD)—basing its reasoning on the Authority's failure to submit a response regarding the Plaintiff's plea of a procedural defect in the assessment amendment letter for the said year; And whereas it is established from the Authority's appeal brief—wherein it clarified that the Taxpayer was notified of the initial assessment via email, and the Authority provided a copy of the sent email containing the taxes and penalties item and the lease liabilities item, as well as the Taxpayer's response to the Authority's initial assessment via email; Accordingly, and whereas it has become evident that the assessment was initially discussed by the Authority with the Taxpayer, and the Taxpayer responded by providing its views; and whereas the Authority executed its procedure in light of the Implementing Regulations for Zakat Collection for the year 1440 AH and based on Article Twenty of the Implementing Regulations for Zakat Collection; consequently, this Circuit concludes to accept the Authority's appeal, cancel the Resolution Circuit's decision, and remand the case back to it to consider its merits with respect to the item of (procedural defect in the assessment amendment letter for the taxes and penalties item and the lease liabilities item for the year 2020 AD).

Based on the foregoing, and adopting the aforementioned grounds, the Circuit unanimously rendered the following decision:



Decision

First: Acceptance of the appeal procedurally submitted by the Taxpayer / [...] Company, Commercial Registration No. [...], Taxpayer Identification Number (TIN) [...], and the appeal submitted by the Zakat, Tax and Customs Authority, against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Riyadh City, No. (IFR-2024-132495), issued in Case No. (Z-132495-2022) relating to the Zakat assessment for the year 2020 AD.

Second: On the Merits:

Acceptance of the Authority's appeal, annulment of the Resolution Circuit's decision, and remanding the case back to it to consider its merits with respect to the item of (procedural defect in the assessment amendment letter for the taxes and penalties item and the lease liabilities item for the year 2020 AD).



Application of the Implementing Regulations for Zakat Collection



Appeal Committee for Tax Violations and Disputes First Appeal Circuit for Income Tax Violations and Disputes in Riyadh City

Decision No. IR-2025-243110

Case No. Z-243110-2024

Keywords:

Zakat – Application of the Implementing Regulations for Zakat Collection – Bad Debts – Due to Related Parties – Settlement of Dispute – Rejection of the Taxpayer's Appeal

Summary:

The Taxpayer appealed the Resolution Circuit's decision concerning the Zakat assessment for the year 2021 AD, which ruled to reject its objection to the bad debts item, while recording the settlement of the dispute regarding the related parties, Zakat expense, and violation fees items. In its appeal, the Taxpayer requested clarification on the addition amount for the related parties item, and further argued the validity of the bad debts on the grounds that they were approved in the financial statements and uploaded to the "Qawaem" system. Upon the Appeal Circuit's review of the decision's merits, it became evident that the addition amount for the related parties item was clearly specified so as not to exceed the deducted amount, thereby negating the validity of the request for clarification. Regarding the bad debts, the Circuit concluded to uphold the grounds of the initial decision due to the soundness of the outcome reached therein, and because the Taxpayer failed to submit any evidence necessitating an amendment thereto. The operative part of the decision ruled the acceptance of the appeal procedurally; and on the merits, the dismissal of the Taxpayer's appeal with respect to the related parties item, and its rejection and the affirming of the Resolution Circuit's decision with respect to the bad debts item.

Document:

- The Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH.

Facts:

This is to consider the appeal submitted on 25/09/2024 AD by [...], National ID No. [...], in his capacity as the legal representative of the Appellant Company pursuant to its Articles of Association, against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Dammam City, No. (IZD-2024-



237370), issued in Case No. (Z-237370-2024) relating to the Zakat assessment for the year 2021 AD, filed in the case brought by the Taxpayer against the Zakat, Tax and Customs Authority, wherein the Resolution Circuit's decision ruled the following:

- 1- Recording the settlement of the dispute with respect to the related parties item.
- 2- Rejection of the Plaintiff's objection with respect to the bad debts item.
- 3- Recording the settlement of the dispute with respect to the Zakat expense item.
- 4- Recording the settlement of the dispute with respect to the violation fees item.

Whereas this decision did not meet the acceptance by the Taxpayer, it submitted an appeal brief reviewed by the Circuit, the substance of which is that the Taxpayer requests the acceptance of its appeal and the reversal of the Resolution Circuit's decision.

On Tuesday, 25/02/2025 AD, at exactly 11:45 AM, the First Appeal Circuit for Income Tax Violations and Disputes held its session in the presence of its members whose names are recorded above, via visual communication in accordance with remote litigation procedures; pursuant to the provisions of Paragraph (1) of Article (Fifteen) of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. Upon calling upon the litigants, there appeared [...] (National ID No. [...]) in his capacity as the representative of [...] Company pursuant to the Articles of Association attached to the case file. There also appeared the representative of the Appellee / [...] (National ID No. [...]), pursuant to an authorization issued by the Deputy Governor of the Zakat, Tax and Customs Authority for Legal Affairs under No. [...] dated 19/03/1445 AH. Upon asking the Appellant's representative if he wished to add anything, he stated that with respect to the related parties item, they seek clarification as to whether the accepted objection entails adding the balance to the Zakat base up to the limit of the deducted amount of SAR 315,146. As for the bad debts item, he stated that it is approved in the financial statements and uploaded to the Business Center in the "Qawaem" system, but the Authority rejected it on the grounds that a certified public accountant's certificate must be provided; he then inquired whether the financial auditor's procedure of approving and uploading it to the "Qawaem" system is sufficient, or if a specific certification is required. Upon presenting this to the Appellee's representative, she responded by maintaining everything previously submitted in this case. Accordingly, the Circuit decided to close the door of pleading and deliberation.

Grounds:

Whereas upon reviewing the case documents and the appeal brief submitted by the Taxpayer, it became evident to the Circuit that the requirements for considering the appeal procedurally have been met in accordance with the conditions stipulated under the relevant laws, regulations, and decisions; consequently,



the appeal request is acceptable procedurally, as it was submitted by a party with legal standing, and within the statutory period prescribed for its submission.

On the merits, and with respect to the Taxpayer's appeal regarding the item of (due to related parties); and after the Circuit's review of the appeal, and whereas the contested decision concluded by recording the settlement of the dispute with respect to this item, and since the Taxpayer's request centers around clarifying and explicitly stating the amounts in the decision—amounting to SAR 2,101,587—and whereas the contested decision concluded by recording the settlement of the dispute by adding an amount of SAR 315,146 within the limit of the deducted amount, it therefore demonstrates that there is no validity to the Taxpayer's appeal; consequently, this Circuit concludes to dismiss the Taxpayer's appeal with respect to this item.

With respect to the Taxpayer's appeal regarding the item of (bad debts); and after the Circuit's review of the appeal, and whereas The Circuit is not precluded from adopting the reasons of the appealed decision without adding to it whenever it deems that those reasons suffice without citing any new ones, because by endorsing it with what those reasons carried, it is confirmed that it found nothing in the challenges directed at the decision that deserves a response beyond what those reasons included. And since it is established that the appealed decision regarding the dispute concerning the appealed items was consistent with the sound reasons upon which it was based and which are sufficient to carry its ruling, as the issuing Circuit undertook the examination of the merits of the dispute therein and concluded regarding it to the result reached in its operative part. And whereas this Circuit has not noticed anything requiring correction or comment regarding it in light of the defenses raised before it. This leads the Circuit to conclude the Rejection of the Taxpayer's appeal and affirming the appealed Resolution Circuit's decision regarding the result it reached in the remaining items subject of the lawsuit, based on its reasons.

Based on the foregoing, and adopting the aforementioned grounds, the Circuit unanimously rendered the following decision:

Decision

First: Acceptance of the appeal procedurally submitted by the Taxpayer / [...] Company, Commercial Registration No. [...], Taxpayer Identification Number (TIN) [...], against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Dammam City, No. (IZD-2024-237370), issued in Case No. (Z-237370-2024) relating to the Zakat assessment for the year 2021 AD.

Second: On the Merits:

- 1- Dismissal of the Taxpayer's appeal with respect to the item of (due to related parties).
- 2- Rejection of the Taxpayer's appeal and affirming the Resolution Circuit's decision with respect to the item of (bad debts).



Appeal Committee for Tax Violations and Disputes
First Appeal Circuit for Income Tax Violations and Disputes
in Riyadh City

Decision No. IR-2025-243099

Case No. Z-243099-2024

Keywords:

Zakat – Application of the Implementing Regulations for Zakat Collection – Assessment – Acceptance of the Taxpayer's Appeal and Remanding the Case to the Resolution Circuit for Consideration on the Merits

Summary:

The Taxpayer appealed the Resolution Circuit's decision concerning the Zakat assessment for the year 2017 AD, which ruled the inadmissibility of the case due to filing the grievance after the expiration of the statutory period. Upon the Appeal Circuit's review of the facts of the dispute, it became evident that the Taxpayer was notified of the objection's outcome on 01/04/2024 AD and filed the grievance on 29/04/2024 AD—which falls within the statutory timeline; however, the case was erroneously classified under the designation of "Value Added Tax." The Circuit clarified that the Taxpayer complied with the directive to abandon the misclassified case and registered it under the correct classification on 19/05/2024 AD; nevertheless, the Resolution Circuit considered the latter registration as the baseline and disregarded the initial filing submitted within the prescribed timeline. The Circuit concluded that it is established that the Taxpayer communicated with the General Secretariat of the Committees within the statutory period via email, and consequently decided to reverse the initial decision to enable the parties to the case to exercise their right to litigation across two tiers of courts. The operative part of the decision ruled the acceptance of the appeal procedurally and on the merits, the annulment of the Resolution Circuit's decision, and remanding the case back to it to consider its merits.

Document:

- The Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH.

Facts:

This is to consider the appeal submitted on 25/09/2024 AD by [...], National ID No. [...], in his capacity as the attorney for the Appellant Company pursuant to Power of Attorney No. [...] and Legal Practice License No. [...],



against the decision of the Second Circuit for the Resolution of Income Tax Violations and Disputes in Riyadh City, No. (ISR-2024-236609), issued in Case No. (Z-236609-2024) relating to the Zakat assessment for the year 2017 AD, filed in the case brought by the Appellant against the Zakat, Tax and Customs Authority, wherein the Resolution Circuit's decision ruled the following:

The inadmissibility of the case filed by the Plaintiff / [...] Company, Commercial Registration No. [...], against the Defendant / Zakat, Tax and Customs Authority, due to filing the grievance before the Adjudication Committee after the expiration of the statutory period.

Whereas this decision did not meet the acceptance by the Taxpayer, it submitted an appeal brief reviewed by the Circuit, the substance of which is that the Taxpayer argues that it submitted the grievance within (30) days from the date of being notified of the objection's outcome; accordingly, the Taxpayer requests the reversal of the contested Resolution Circuit's decision for the reasons stated above.

On Tuesday, 21/01/2025 AD, at exactly 12:15 PM, the First Appeal Circuit for Income Tax Violations and Disputes held its session in the presence of its members whose names are recorded in the minutes, via visual communication in accordance with remote litigation procedures; pursuant to the provisions of Paragraph (1) of Article (Fifteen) of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. Upon calling upon the litigants, there appeared [...], National ID No. [...], in his capacity as the attorney for the Appellant pursuant to Power of Attorney No. [...] issued on 24/02/1446 AH, and Legal Practice License No. [...]. There also appeared the representative of the Appellee / [...] (National ID No. [...]), pursuant to an authorization issued by the Deputy Governor of the Zakat, Tax and Customs Authority for Legal Affairs under No. [...] dated 19/03/1445 AH. Upon asking the Appellee's representative if she wished to add anything, she stated that she maintains everything previously submitted in this case. Upon presenting this to the Appellant's attorney, he responded by maintaining everything previously submitted in this case. Upon asking both parties if they wished to add anything, they decided to suffice with what had been previously submitted. Whereupon the door of pleading and deliberation was closed.

Grounds:

Whereas upon reviewing the case documents and the appeal brief submitted by the Taxpayer, it became evident to the Circuit that the requirements for considering the appeal procedurally have been met in accordance with the conditions stipulated under the relevant laws, regulations, and decisions; consequently, the appeal request is acceptable procedurally, as it was submitted by a party with legal standing, and within the statutory period prescribed for its submission.

On the merits, and upon the Circuit's contemplation of the Taxpayer's appeal, and by reference to the appeal brief and the documents and defenses submitted by the Taxpayer, it became evident to the Circuit that the Taxpayer submitted its case before the Adjudication Committee within the statutory period; as it was notified



of the objection's rejection outcome on 01/04/2024 AD, and filed a grievance against the rejection of the objection on 29/04/2024 AD. However, its case was classified as relating to Value Added Tax rather than Zakat, and as a result, it was directed to abandon the misclassified case and submit a new case under the correct classification. Consequently, the Taxpayer abandoned it and submitted the case subject to the objection on 19/05/2024 AD. Nevertheless, the Resolution Circuit, in its contested decision, considered the latter registration of the case as the initial registration, without taking into account the initial case registration submitted within the statutory period. Accordingly, and whereas it is established to this Circuit that the Taxpayer communicated with the General Secretariat of the Zakat, Tax and Customs Committees to submit the objection within the statutory period via email; and in order to enable the parties to the case to exercise their right to litigation across two tiers of courts, the Circuit concludes to accept the Taxpayer's appeal, cancel the Resolution Circuit's decision, and remand the case back to the Resolution Circuit to consider its merits.

Based on the foregoing, and adopting the aforementioned grounds, the Circuit unanimously rendered the following decision:

Decision

First: Acceptance of the appeal procedurally submitted by the Taxpayer / [...] Company, Commercial Registration No. [...], Taxpayer Identification Number (TIN) [...], against the decision of the Second Circuit for the Resolution of Income Tax Violations and Disputes in Riyadh City, No. (ISR-2024-236609), issued in Case No. (Z-236609-2024) relating to the Zakat assessment for the year 2017 AD.

Second: On the Merits:

Acceptance of the Taxpayer's appeal on the merits, annulment of the Resolution Circuit's decision, and remanding it back to the Resolution Circuit to consider its merits.



Appeal Committee for Tax Violations and Disputes First Appeal Circuit for Income Tax Violations and Disputes in Riyadh City

Decision No. IR-2025-242981

Case No. Z-242981-2024

Keywords:

Zakat – Application of the Implementing Regulations for Zakat Collection – Investments – Owner's Current Account – Deductions Item – Acceptance of the Taxpayer's Appeal

Summary:

The Taxpayer appealed the Resolution Circuit's decision concerning the Zakat assessment for the year 2019 AD, which ruled to reject its objection to the owner's current account and assets (deductions) items. Regarding the "owner's current account" item, the Circuit recorded the settlement of the dispute after the Authority submitted a supplementary memo partially accepting the appeal up to the limit of the deducted amount from the base, valued at SAR 17,223,689, in application of Article (70) of the Law of Sharia Procedures. As for the "deductions" item, the Taxpayer objected to the Authority's exclusion of agricultural lands from the deductions while keeping their funding sources added to the Zakat base, which violated the principle of balance-sheet equilibrium. The Circuit concluded that the funding source of the assets excluded from deductions must also be excluded in order to balance the accounting equation; it consequently decided to cancel the Resolution Circuit's decision due to the Authority's failure to prove the exclusion of those corresponding sources matching the excluded assets. The operative part of the decision ruled the acceptance of the appeal procedurally; and on the merits, recording the settlement of the dispute with respect to the owner's current account item, and accepting the appeal and cancelling the Resolution Circuit's decision with respect to the deductions item.

Document:

- Article (70) of the Law of Sharia Procedures, issued by Royal Decree No. (M/1) dated 22/01/1435 AH.
- Paragraph (1) of Article (70) of the Implementing Regulations of the Law of Sharia Procedures issued by Decision of the Minister of Justice No. (39933) dated 19/05/1435 AH.

Facts:



This is to consider the appeal submitted on 19/09/2024 AD by [...], National ID No. [...], in his capacity as the owner of [...] Establishment, Commercial Registration No. [...], against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Jeddah Governorate, No. (IZJ-2024-237102), issued in Case No. (Z-237102-2024) relating to the Zakat assessment for the year 2019 AD, filed in the case brought by the Taxpayer against the Zakat, Tax and Customs Authority, wherein the Resolution Circuit's decision ruled the following:

First: Rejection of the Plaintiff's objection with respect to the partners' current account item for the year 2019 AD.

Second: Rejection of the Plaintiff's objection with respect to the assets item for the year 2019 AD.

Whereas this decision did not meet the acceptance by the Taxpayer, it submitted an appeal brief, the substance of which is summarized as follows:

Regarding the Taxpayer's appeal against the Resolution Circuit's decision, and specifically with respect to the (owner's current account) item, the Taxpayer requests the cancellation of the Circuit's decision regarding this item on the grounds that the decision-issuing Circuit stated that the Plaintiff objects to the Defendant's procedure of adding the owner's current account by an amount of SAR 23,612,239. The Circuit explicitly noted that the Defendant did not submit its defense from a substantive perspective, yet the Circuit upheld the Authority's procedure based on Article (Eighteen) of the Implementing Regulations for Zakat Collection, stating that the Plaintiff failed to submit supporting documents for its case, such as the financial statements. Accordingly, the Taxpayer attached from the outset the documents requested by the Circuit, noting that the Plaintiff's objection to the Authority's procedure is based on a statutory principle—namely, the violation of the provisions of the Zakat Regulations. Consequently, it does not need to submit a document to prove it, and it was incumbent upon the Circuit to examine the Plaintiff's objection by reviewing the Regulations and determining whether or not the Defendant violated the texts of the Regulations, especially since the Defendant did not provide any responses to the Taxpayer's objections or submit any documents supporting its procedure in violation of the text, pursuant to Article (Four) of the Implementing Regulations for Zakat Collection. Furthermore, the owner's current account was classified within the financial statements under non-current (long-term) liabilities, and the aforementioned paragraph was applied when calculating Zakat and submitting the Zakat declaration. Therefore, the Authority's procedure of adding the owner's current account to the base without applying Sub-paragraph (C) of the aforementioned paragraph is deemed a violation of the Law, the Regulations, and Sharia Fatwas, and stands without basis. Moreover, nothing appeared within the owner's current account entries in any of the branches indicating that the owner engaged in any such transactions with the Establishment, which renders the addition of his current account to the base as part of the internal funding sources an action tainted by a violation of the Law, the Regulations, and accounting standards. For these reasons, the Taxpayer objects to adding the current account balance in the amount of SAR 23,612,239 to the



Zakat base without applying the text of Paragraph (3/C) of Article (Four) of the Implementing Regulations for Zakat Collection, issued by His Excellency the Minister of Finance's Resolution No. (2216) dated 7/7/1440 AH, which clarifies that owners' current accounts fall under long-term liabilities that are added to the Zakat base to the extent of the deducted amount absorbed therein.

With respect to the Taxpayer's appeal regarding the (deductions) item, the Taxpayer requests the cancellation of the Circuit's decision because the Authority adjusted the deductions by removing an amount of SAR 6,200,000 due to it not being utilized in the activity, relying therein on the text of Article (5) of the Implementing Regulations for Zakat Collection. The Taxpayer objects to this on the grounds that there are no assets in the financial statements without a corresponding liability, and all liabilities corresponding to the Zakat assets were added to the base, as non-current assets appeared in the amount of SAR 23,423,708, while non-current liabilities and equity amounted to SAR 34,156,635, which means that the liabilities added to the base are greater than the Zakat assets. Furthermore, the guidelines and the Zakat Collection Book—all issued by the Defendant Authority—state that the Authority utilizes the "sources of funds" method in calculating the Zakat base, which is based on an indirect approach to the Zakat base by determining the internal and external funding sources absorbed in Zakat assets. However, the Authority failed to apply this method when canceling its deduction for advance payments made for purchasing assets; since adding the partners' current account in the amount of SAR 34,738,776, in addition to equity, must correspond to the assets deducted from the base—which include the amount of advance payments for purchasing assets—if the deductions are reduced, the corresponding liabilities absorbed therein must be reduced accordingly.

On Monday, 21/04/2025 AD, at exactly 12:03 PM, the First Appeal Circuit for Income Tax Violations and Disputes held its session in the presence of its members whose names are recorded in the minutes, via visual communication in accordance with remote litigation procedures; pursuant to the provisions of Paragraph (1) of Article (Fifteen) of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. Upon calling upon the litigants, there appeared [...], National ID No. [...], in his capacity as the attorney for the Taxpayer pursuant to Power of Attorney No. [...] issued on 15/02/1446 AH, and Legal Practice License No. [...]. There also appeared the representative of the Authority / [...], National ID No. [...], pursuant to an authorization issued by the Deputy Governor of the Zakat, Tax and Customs Authority for Legal and Compliance Affairs under No. [...] dated 19/03/1445 AH. During this session, the Circuit reviewed the supplementary memo submitted by the Authority, in which it states its acceptance of the Taxpayer's appeal and requests recording the settlement of the dispute with respect to the (owner's current account) item. Upon presenting this to the Taxpayer's attorney, he responded that he had no objection and maintained everything previously submitted. Upon asking the Authority's representative if he wished to add anything, he stated that he maintains everything previously submitted in this case. Whereupon the door of pleading and deliberation was closed.



Grounds:

Whereas upon reviewing the case documents and the appeal brief submitted by the Taxpayer, it became evident to the Circuit that the requirements for considering the appeal procedurally have been met in accordance with the conditions stipulated under the relevant laws, regulations, and decisions; consequently, the appeal request is acceptable procedurally, as it was submitted by a party with legal standing, and within the prescribed statutory period.

On the merits, and whereas with respect to the Taxpayer's appeal regarding the (owner's current account) item, Article (70) of the Law of Sharia Procedures, issued by Royal Decree No. (M/1) dated 22/01/1435 AH, stipulates that: "The litigants may request the court, at any stage of the case, to record what they have agreed upon by way of acknowledgment, settlement, or otherwise in the case minutes, and the court shall Issue an instrument to that effect." Furthermore, Paragraph (1) of Article (70) of the Implementing Regulations of the Law of Sharia Procedures, issued by Minister of Justice Resolution No. (39933) dated 19/05/1435 AH, stipulates that: "If the agreement is reached prior to recording the case, the substance of the case and the answer must be recorded before documenting the agreement, while ensuring that the core of the case falls within the jurisdiction of the Circuit, even if the substance of the agreement falls within the jurisdiction of another court or circuit, provided that the subject matter of the case, or part thereof, is included in what was agreed upon." Based on the foregoing, and whereas it is established that the dispute has settled by virtue of the Authority's acceptance of the Taxpayer's requests, as stated in the letter issued by it within its supplementary memo, which includes: "The Authority informs the venerable Circuit that it accepts the Taxpayer's objection to the above item (owner's current account), up to the limit of the deducted amount from the Zakat base valued at SAR 17,223,689 in accordance with the Taxpayer's demands, and the Authority requests the venerable Circuit to record the settlement of the dispute accordingly." Consequently, it is incumbent upon the Circuit to record the settlement of the dispute regarding the (owner's current account) item.

With respect to the Taxpayer's appeal regarding the (deductions) item, where the Taxpayer objects to the item subject to dispute on the grounds that there are no assets in the financial statements without a corresponding liability, and all liabilities corresponding to the Zakat assets were added to the base, as non-current assets appeared in the amount of SAR 23,423,708, while non-current liabilities and equity amounted to SAR 34,156,635, which means that the liabilities added to the base are greater than the Zakat assets. Based on the foregoing, it is evident that the core of the dispute centers around the deduction of lands from the Zakat base; as the Authority did not deduct the lands from the Zakat base on the grounds that they are agricultural lands and do not pertain to the company's activity, whereas the Taxpayer demands the deduction of the lands on the grounds that their funding source was added to the Zakat base, and in the event that the deduction of the agricultural lands is not accepted, their funding source added to the Zakat base must be excluded. Upon the Circuit's review of the case file and the arguments and documents contained therein, it became evident that the



Authority submitted in its statement of defense that the land is agricultural and does not pertain to the Taxpayer's activity, and was not deducted based on that rationale; however, it failed to provide documented evidence proving its non-eligibility for deduction from the Zakat base despite the addition of its funding sources. Since the lands were recorded within the Taxpayer's assets in the financial statements, it is necessary to exclude their funding source so that the equation balances in accordance with the principle of balance-sheet equilibrium. Given that the accounting equation dictates that $\text{Assets} = \text{Liabilities} + \text{Equity}$, when an asset in the financial statements is not deducted, its funding source must be excluded so that the equation balances in accordance with the principle of balance-sheet equilibrium. Whereas the Authority did not prove the exclusion of the funding source of those excluded assets, and since the Taxpayer requested in its appeal brief the reduction of the added liabilities that correspond to those lands, this Circuit consequently concludes to accept the Taxpayer's appeal and to cancel the Resolution Circuit's decision with respect to the (deductions) item.

Based on the foregoing, and adopting the aforementioned grounds, the Circuit unanimously rendered the following decision:

Decision

First: Acceptance of the appeal procedurally submitted by the Taxpayer / [...], National ID No. [...], Taxpayer Identification Number (TIN) [...], against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Jeddah Governorate, No. (IZJ-2024-237102), issued in Case No. (Z-237102-2024) relating to the Zakat assessment for the year 2019 AD.

Second: On the Merits:

- 1- Recording the settlement of the dispute with respect to the Taxpayer's appeal regarding the item of (owner's current account).
- 2- Acceptance of the Taxpayer's appeal and annulment of the Resolution Circuit's decision with respect to the item of (deductions).



Appeal Committee for Tax Violations and Disputes
First Appeal Circuit for Income Tax Violations and Disputes
in Riyadh City

Decision No. IR-2025-242808

Case No. Z-242808-2024

Keywords:

Zakat – Application of the Implementing Regulations for Zakat Collection – Profits – Distributed Dividends – Settlement

Summary:

The Taxpayer appealed the Resolution Circuit's decision concerning the Zakat assessment for the year 2015 AD, which ruled to reject its objection to the distributed dividends item. The Appeal Circuit recorded the partial settlement of the dispute regarding an amount of SAR 2,080,000, following the Authority's acceptance of this amount in its statement of defense based on the submitted supporting documents.

As for the remaining amount of the same item, totaling SAR 7,803,009, the Circuit concluded to reject the Taxpayer's appeal and affirm the Resolution Circuit's decision on its own merits due to the sound conclusion it reached and the absence of any challenges warranting a reversal. The operative part of the decision ruled the acceptance of the appeal procedurally; and on the merits, recording the settlement of the dispute with respect to the portion accepted by the Authority, and rejecting the Taxpayer's appeal and affirming the Resolution Circuit's decision with respect to the remaining amount.

Document:

- Article (70) of the Law of Sharia Procedures, issued by Royal Decree No. (M/1) dated 22/01/1435 AH.
- Paragraph (1) of Article (70) of the Implementing Regulations of the Law of Sharia Procedures issued by Decision of the Minister of Justice No. (39933) dated 19/05/1435 AH.

Facts:

This is to consider the appeal submitted on 18/09/2024 AD by [...], National ID No. [...], in his capacity as the manager of the Appellant Company pursuant to the Articles of Association, against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Jeddah Governorate, No. (IZJ-2024-234016), issued in Case No. (Z-234016-2024) relating to the Zakat assessment for the year 2015 AD, wherein the Circuit's decision ruled the following:



The rejection of the Plaintiff's objection with respect to the distributed dividends item for the year 2015 AD.

Whereas the Resolution Circuit issued its aforementioned decision and reconsidered the case anew as a result of this Circuit's decision No. (IR-2024-189870) issued on 24/03/2024 AD, which entailed remanding the case back to the Resolution Circuit to consider its merits; accordingly, the Circuit decided to resume the consideration of the case. Whereas the contested decision was not accepted by the Taxpayer, it submitted an appeal brief reviewed by the Circuit, the substance of which is that the Taxpayer requests the acceptance of its appeal and the reversal of the contested Resolution Circuit's decision.

On Thursday, 24/04/2025 AD, at exactly 9:00 AM, the First Appeal Circuit for Income Tax Violations and Disputes held its session in the presence of its members whose names are recorded in the minutes, via visual communication in accordance with remote litigation procedures; pursuant to the provisions of Paragraph (1) of Article (Fifteen) of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. Upon reviewing the appeal request, the submitted briefs, and the papers and documents contained within the case file, and after due deliberation, and whereas the case is ripe for judgment in its current state, the Circuit decides to close the door of pleading and reserve the case for adjudication.

Grounds:

Whereas upon reviewing the case documents and the appeal brief submitted by the Taxpayer, it became evident to the Circuit that the requirements for considering the appeal procedurally have been met in accordance with the conditions stipulated under the relevant laws, regulations, and decisions; consequently, the appeal request is acceptable procedurally, as it was submitted by a party with legal standing, and within the statutory period prescribed for its submission.

On the Merits, and after the Circuit reviewed the appeal regarding the Taxpayer's appeal concerning the item of (distributed dividends for the year 2015 AD in the amount of SAR 2,080,000), and whereas Article (70) of the Law of Sharia Procedures, issued by Royal Decree No. (M/1) dated 22/01/1435 AH, stipulates that: "The litigants may request the court, at any stage of the case, to record what they have agreed upon by way of acknowledgment, settlement, or otherwise in the case minutes, and the court shall Issue an instrument to that effect." Furthermore, Paragraph (1) of Article (70) of the Implementing Regulations of the Law of Sharia Procedures, issued by Minister of Justice Resolution No. (39933) dated 19/05/1435 AH, stipulates that: "If the agreement is reached prior to recording the case, the substance of the case and the answer must be recorded before documenting the agreement, while ensuring that the core of the case falls within the jurisdiction of the Circuit, even if the substance of the agreement falls within the jurisdiction of another court or circuit, provided that the subject matter of the case, or part thereof, is included in what was agreed upon." Based on the foregoing, whereas it is established to the Circuit upon reviewing the Authority's statement of defense that it



partially accepted the Taxpayer's objection regarding the amount of SAR 2,080,000, which contained the following: "...Accordingly, the Authority partially accepts the Taxpayer's appeal within the limit of the supporting documents in the amount of SAR 2,080,000, and asserts the correctness and validity of its procedure in rejecting the remaining amount of SAR 7,803,009." Consequently, the Circuit concludes to record the settlement of the dispute with respect to the Taxpayer's appeal concerning the item of (distributed dividends for the year 2015 AD in the amount of SAR 2,080,000).

With respect to the Taxpayer's appeal regarding the remaining items, and whereas The Circuit is not precluded from adopting the reasons of the appealed decision without adding to it whenever it deems that those reasons suffice without citing any new ones, because by endorsing it with what those reasons carried, it is confirmed that it found nothing in the challenges directed at the decision that deserves a response beyond what those reasons included. And since it is established that the appealed decision regarding the dispute concerning the appealed items was consistent with the sound reasons upon which it was based and which are sufficient to carry its ruling, as the issuing Circuit undertook the examination of the merits of the dispute therein and concluded regarding it to the result reached in its operative part. And whereas this Circuit has not noticed anything requiring correction or comment regarding it in light of the defenses raised before it. This leads the Circuit to conclude the Rejection of the Taxpayer's appeal and affirming the appealed Resolution Circuit's decision regarding the result it reached in the remaining items subject of the lawsuit, based on its reasons.

Based on the foregoing, and adopting the aforementioned grounds, the Circuit unanimously rendered the following decision:

Decision

First: Acceptance of the appeal procedurally submitted by the Taxpayer / [...] Company, Commercial Registration No. [...], Taxpayer Identification Number (TIN) [...], against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Jeddah Governorate, No. (IZJ-2024-234016), issued in Case No. (Z-234016-2024) relating to the Zakat assessment for the year 2015 AD.

Second: On the Merits:

- 1- With respect to the Taxpayer's appeal regarding the item of (distributed dividends for the year 2015 AD):
 - A. Recording the settlement of the dispute with respect to the Taxpayer's appeal regarding the (amount of SAR 2,080,000).
 - B. Rejecting the Taxpayer's appeal and affirming the Resolution Circuit's decision with respect to the (amount of SAR 7,803,009).



Appeal Committee for Tax Violations and Disputes
First Appeal Circuit for Income Tax Violations and Disputes
in Riyadh City

Decision No. IR-2025-242665

Case No. Z--242665-2024

Keywords:

Zakat – Application of the Implementing Regulations for Zakat Collection – Base – Addition of Debts to the Zakat Base – Partial Acceptance of the Taxpayer's Appeal

Summary:

The Taxpayer appealed the Resolution Circuit's decision concerning the Zakat assessment for the year 2017 AD, which ruled to reject its objection to the related parties, creditors, and doubtful debts items. Regarding the "creditors" item, the Taxpayer argued that the balance that has met the one-year holding period (Hawl) is only SAR 207,490, submitting a detailed statement consistent with the financial statements to prove it. The Appeal Circuit relied on Paragraph (5/A) of Article (Four) of the Implementing Regulations for Zakat Collection, and concluded to accept its appeal under this item due to the established authenticity of its documents and their conformity with the accounting reality. As for the remaining items (related parties and doubtful debts), the Circuit upheld the Resolution Circuit's decision sustained upon its own merits, due to the sound conclusion reached by the first-instance decision and the absence of any challenges warranting a modification. The operative part of the decision ruled the acceptance of the appeal procedurally; and on the merits, accepting the Taxpayer's appeal with respect to the creditors item and adjusting the "net adjusted base and Zakat balance" accordingly, and rejecting the appeal with respect to the remaining items.

Document:

- Paragraph (5), Item (First) of Article (4) of the Implementing Regulations for Zakat Collection issued by Decision of His Excellency the Minister of Finance No. (2216) dated 07/07/1440 AH.

Facts:

This is to consider the appeal submitted on 17/09/2024 AD by [...], National ID No. [...], in his capacity as the manager of the Appellant Company, against the decision of the Third Circuit for the Resolution of Income Tax Violations and Disputes in Riyadh City, No. (ITR-2024-236070), issued in Case No. (Z-236070-2024) relating



to the Zakat assessment for the year 2017 AD, filed in the case brought by the Appellant against the Zakat, Tax and Customs Authority, wherein the Resolution Circuit's decision ruled the following:

- 1- Rejection of the Plaintiff's objection with respect to the creditors item for the year 2017 AD.
- 2- Rejection of the Plaintiff's objection with respect to the doubtful debts item for the year 2017 AD.
- 3- Recording the settlement of the dispute with respect to the accrued expenses and professional fees item.
- 4- Recording the settlement of the dispute with respect to the end-of-service provision item.

Whereas the Resolution Circuit issued its aforementioned decision and reconsidered the case anew as a result of this Circuit's decision No. (IR-2024-179831) issued on 12/05/2024 AD, which entailed remanding the case back to the Resolution Circuit to consider its merits; accordingly, the Circuit decided to resume the consideration of the case. Whereas this decision did not meet the acceptance by the Taxpayer, it submitted an appeal brief reviewed by the Circuit, the substance of which is summarized as follows:

Regarding the Taxpayer's appeal against the Resolution Circuit's decision, and specifically with respect to the (related parties) item, the Taxpayer requests the cancellation of the Circuit's decision regarding this item on the grounds that the grounds of appeal are summarized in the emergence of subsequent events. Specifically, the pleadings for the 2017 AD Zakat assessment took place prior to the issuance of the judgment relied upon in this case to establish the balance of bad debts. Consequently, the contested judgment was issued in violation of what was ruled by the final and binding judgment No. (IR-2024-191284) concerning the Zakat assessment for the year 2016 AD. The contested judgment is based on reviving what the aforementioned judgment had previously adjudicated with final and binding effect, by re-including what had been offset in 2016 AD into the reassessment of 2017 AD. This results in the nullity of re-including the amount written off by offsetting under the aforementioned judgment, valued at SAR 2,375,250, which resulted from the offset between the credit balance of [...] Company and the debit balance (bad debts). By enforcing what was ruled in the judgment, the Zakat base must be adjusted by deducting this amount from it, so that the net base after this adjustment becomes as follows: the base according to the assessment is SAR 5,587,243, from which an amount of SAR 2,375,250 representing the offset ruled by the aforementioned judgment is deducted, resulting in an adjusted base of SAR 3,211,993. With respect to the (creditors) item, the Taxpayer requests the cancellation of the Circuit's decision regarding this item on the grounds that the creditors balance, totaling SAR 1,034,346, includes an amount of SAR 550,000 connected to this judgment. The Taxpayer stated that it attached a detailed statement for the creditors item that matches the balances of the financial statements, which clearly shows that the balance that has met the one-year holding period (Hawl) is only SAR 207,490; accordingly, it requests the deduction of the amount of SAR 1,034,346 from the base, and then adding only what has met the one-year holding period (Hawl).



With respect to the (doubtful debts) item, the Taxpayer requests the cancellation of the Circuit's decision regarding this item on the grounds that the company requests the deduction of an amount of SAR 335,635, as it is established that these are bad debts that are impossible to collect and are no longer deemed doubtful debts, given that they fell due during the period from 2007 AD to 2013 AD, and it is now established after the passage of years that they are impossible to collect. By deducting this amount from the base, the net adjusted base becomes SAR 2,876,358, which represents the base amount referred to in the related parties item (SAR 3,211,993) minus SAR 335,635. With respect to the (net adjusted base and Zakat balance) item, the Taxpayer stated that the company paid a total amount of SAR 61,374.13 via bank transfers, which was deducted from the credit balance.

On Monday, 28/04/2025 AD, at exactly 4:00 PM, the First Appeal Circuit for Income Tax Violations and Disputes held its session in the presence of its members whose names are recorded in the minutes, via visual communication in accordance with remote litigation procedures; pursuant to the provisions of Paragraph (1) of Article (Fifteen) of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. Upon calling upon the litigants, there appeared the representative of the Respondent / [...], National ID No. [...], pursuant to an authorization issued by the Deputy Governor of the Zakat, Tax and Customs Authority for Legal Affairs under No. [...] dated 19/03/1445 AH. No one appeared on behalf of the Taxpayer despite established proof of their formal notification of the date of this session. Upon asking the representative of the Respondent if she wished to add anything, she responded by maintaining everything previously submitted in this case, and further affirmed the supplementary memo attached under ticket No. [...]. Whereas the case is ripe for judgment in its current state, the Circuit decides to close the door of pleading and reserve the case for adjudication.

Grounds:

Whereas upon reviewing the case documents and the appeal brief submitted by the Taxpayer, it became evident to the Circuit that the requirements for considering the appeal procedurally have been met in accordance with the conditions stipulated under the relevant laws, regulations, and decisions; consequently, the appeal request is acceptable procedurally, as it was submitted by a party with legal standing, and within the statutory period prescribed for its submission.

On the Merits, and with respect to the Taxpayer's appeal regarding the item of (creditors for the year 2017 AD), and whereas Paragraph (First/5) of Article (Four) of the Implementing Regulations for Zakat Collection, issued by Ministerial Resolution No. (2082) dated 1/6/1438 AH, stipulates that: "The Zakat base shall consist of all the Taxpayer's funds subject to Zakat, including: 5- Government and commercial loans and their equivalents from other funding sources, such as creditors, notes payable, and bank Bank Overdrafts outstanding against the Taxpayer, in accordance with the following: A- Whatever remains thereof in cash and has met the one-year holding period (Hawl). B- Whatever is used thereof to finance what is classified as a fixed asset (Qunyah). C-



Whatever is used thereof in trade goods (Uroud Al-Tijarah) and has met the one-year holding period (Hawl)." Based on the foregoing, and since creditors constitute one of the components of the Zakat base regardless of their type, source, or classification—provided that they have met the one-year holding period (Hawl) or have been utilized to finance assets deducted from the Zakat base without requiring the completion of the one-year holding period (Hawl)—and upon the Circuit's review of the case file, it became evident that the Taxpayer submitted a detailed statement for the creditors item in addition to an excerpt from the financial statements for Note No. (7) relating to creditors. Through this excerpt, the conformity of the detailed statement with the audited financial statements was established, and it was demonstrated that the portion that met the one-year holding period (Hawl) amounts to a value of SAR 207,490, in accordance with what the Taxpayer declared. Upon reviewing the Authority's supplementary memo, it was found that it partially accepts the Taxpayer's appeal by adding creditors for the year 2017 AD in the amount of SAR 205,489; however, this contradicts the balance that the Taxpayer declared as having met the one-year holding period (Hawl), which totals SAR 207,490. Consequently, the Circuit concludes to accept the Taxpayer's appeal and cancel the Resolution Circuit's decision with respect to the item of (creditors for the year 2017 AD).

With respect to the Taxpayer's appeal regarding the item of (net adjusted base and Zakat balance), and based on the foregoing, whereas the Circuit's decision regarding the item relating to creditors for the year 2017 AD concluded to accept the Taxpayer's appeal and cancel the Resolution Circuit's decision, and since this item is linked to the outcome of the decision in the aforementioned item subject to dispute, the Circuit consequently concludes to modify the Resolution Circuit's decision with respect to the item of (net adjusted base and Zakat balance).

With respect to the Taxpayer's appeal regarding the remaining items, and whereas The Circuit is not precluded from adopting the reasons of the appealed decision without adding to it whenever it deems that those reasons suffice without citing any new ones, because by endorsing it with what those reasons carried, it is confirmed that it found nothing in the challenges directed at the decision that deserves a response beyond what those reasons included. And since it is established that the appealed decision regarding the dispute concerning the appealed items was consistent with the sound reasons upon which it was based and which are sufficient to carry its ruling, as the issuing Circuit undertook the examination of the merits of the dispute therein and concluded regarding it to the result reached in its operative part. And whereas this Circuit has not noticed anything requiring correction or comment regarding it in light of the defenses raised before it. This leads the Circuit to conclude the Rejection of the Taxpayer's appeal and affirming the appealed Resolution Circuit's decision regarding the result it reached in the remaining items subject of the lawsuit, based on its reasons.

Based on the foregoing, and adopting the aforementioned grounds, the Circuit unanimously rendered the following decision:



Decision

First: Acceptance of the appeal procedurally submitted by the Taxpayer / [...] Company, Commercial Registration No. [...], Taxpayer Identification Number (TIN) [...], against the decision of the Third Circuit for the Resolution of Income Tax Violations and Disputes in Riyadh City, No. (ITR-2024-236070), issued in Case No. (Z-236070-2024) relating to the Zakat assessment for the year 2017 AD.

Second: On the Merits:

1. Rejecting the Taxpayer's appeal and affirming the Resolution Circuit's decision with respect to the item of (related parties).
2. Accepting the Taxpayer's appeal and annulling the Resolution Circuit's decision with respect to the item of (creditors for the year 2017 AD).
3. Rejecting the Taxpayer's appeal and affirming the Resolution Circuit's decision with respect to the item of (allowance for doubtful accounts in the amount of SAR 335,635 for the year 2017 AD).
4. Modifying the Resolution Circuit's decision with respect to the item of (net adjusted base and Zakat balance).



Appeal Committee for Tax Violations and Disputes
First Appeal Circuit for Income Tax Violations and Disputes
in Riyadh City

Decision No. IR-2025-242494

Case No. Z-242494-2024

Keywords:

Zakat – Application of the Implementing Regulations for Zakat Collection – Taxpayers – Taxpayer's Share of Net Profit or Loss – Settlement of Dispute – Rejection of the Taxpayer's Appeal

Summary:

The Taxpayer appealed the Resolution Circuit's decision concerning the Zakat assessment for the years 2019 AD and 2020 AD, which included the items of share of profits in associates, deduction of investments, and debit current account of related parties. With respect to the share of profits item for the year 2019 AD, the Appeal Circuit recorded the settlement of the dispute based on Article (70) of the Law of Sharia Procedures, following the Authority's acceptance of the Taxpayer's treatment in its declaration regarding local investments, and the established acceptance by the Taxpayer (via electronic correspondence) to pay the Zakat on foreign investments. As for the remaining items (the share of profits item for the year 2020 AD, deduction of investments, and the debit current account), the Circuit concluded to reject the Taxpayer's appeal and affirm the Resolution Circuit's decision sustained upon its own merits, due to the sound conclusions reached by the first-instance decision and their compliance with the laws and regulations. The operative part of the decision ruled the acceptance of the appeal procedurally; and on the merits, recording the settlement of the dispute with respect to the 2019 AD share of profits item, and rejecting the appeal and affirming the assessment with respect to all other items.

Document:

- Article (70) of the Law of Sharia Procedures, issued by Royal Decree No. (M/1) dated 22/01/1435 AH.
- Paragraph (1) of Article (70) of the Implementing Regulations of the Law of Sharia Procedures issued by Decision of the Minister of Justice No. (39933) dated 19/05/1435 AH.

Facts:

This is to consider the appeal submitted on 16/09/2024 AD by [...], National ID No. [...], in his capacity as the attorney for the Appellant Company pursuant to Power of Attorney No. [...] dated 03/03/1445 AH, and Law



Practice License No. [...], against the decision of the Third Circuit for the Resolution of Income Tax Violations and Disputes in Riyadh City, No. (ITR-2024-211090), issued in Case No. (Z-211090-2023) relating to the Zakat assessment for the years 2019 AD and 2020 AD, filed in the case brought by the Taxpayer against the Zakat, Tax and Customs Authority, wherein the Resolution Circuit's decision ruled the following:

First: Acceptance of the objection of the Plaintiff / [...] Company, Commercial Registration No. [...], against the decision of the Defendant / Zakat, Tax and Customs Authority, procedurally.

Second: On the Merits:

First: Rejection of the Plaintiff's objection with respect to the item of adjusting the company's share in the income (profits and losses) of local and foreign associates for the years 2019 AD and 2020 AD.

Second: Rejection of the Plaintiff's objection with respect to the item of non-acceptance and adjustment of the deduction of local and foreign investments in associates for the years 2019 AD and 2020 AD.

Third: Rejection of the Plaintiff's objection with respect to the item of deduction of related parties (debit current account) for the years 2019 AD and 2020 AD.

Fourth: Recording the settlement of the dispute with respect to the item of excluding other deductions (other provisions) for the year 2020 AD.

Whereas this decision did not meet the acceptance by the Taxpayer, it submitted an appeal brief reviewed by the Circuit, the substance of which is that the Taxpayer requests the acceptance of its appeal and the reversal of the Resolution Circuit's decision.

On Wednesday, 23/04/2025 AD, at exactly 12:30 PM, the First Appeal Circuit for Income Tax Violations and Disputes held its session in the presence of its members whose names are recorded in the minutes, via visual communication in accordance with remote litigation procedures; pursuant to the provisions of Paragraph (1) of Article (Fifteen) of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. Upon reviewing the appeal request, the submitted briefs, and the papers and documents contained within the case file, and after due deliberation, and whereas the case is ripe for judgment in its current state, the Circuit decides to close the door of pleading and reserve the case for adjudication.

Grounds:

Whereas upon reviewing the case documents and the appeal brief submitted by the Taxpayer, it became evident to the Circuit that the requirements for considering the appeal procedurally have been met in accordance with the conditions stipulated under the relevant laws, regulations, and decisions; consequently, the appeal request is acceptable procedurally, as it was submitted by a party with legal standing, and within the statutory period prescribed for its submission.



On the Merits, and with respect to the Taxpayer's appeal regarding the item of (adjusting the company's share in the income -profits and losses- of local and foreign associates for the year 2019 AD), and whereas Article (70) of the Law of Sharia Procedures, issued by Royal Decree No. (M/1) dated 22/01/1435 AH, stipulates that: "The litigants may request the court, at any stage of the case, to record what they have agreed upon by way of acknowledgment, settlement, or otherwise in the case minutes, and the court shall Issue an instrument to that effect." Furthermore, Paragraph (1) of Article (70) of the Implementing Regulations of the Law of Sharia Procedures, issued by Minister of Justice Resolution No. (39933) dated 19/05/1435 AH, stipulates that: "If the agreement is reached prior to recording the case, the substance of the case and the answer must be recorded before documenting the agreement, while ensuring that the core of the case falls within the jurisdiction of the Circuit, even if the substance of the agreement falls within the jurisdiction of another court or circuit, provided that the subject matter of the case, or part thereof, is included in what was agreed upon." Based on the foregoing, whereas it is established to the Circuit upon reviewing the Authority's statement of defense that it partially accepted the Taxpayer's objection for the year 2019 AD, as follows: "...Accordingly, the Authority adjusted the net book loss for the year by adding the share in the net (loss)/profit from investments in associates under the equity method for the year 2019 AD in the amount of SAR 4,695,000, which is an action consistent with what the Taxpayer performed in its declaration." Whereupon it became clear that the Authority adjusted the profits by the Taxpayer's share from the results of local investments only, due to the Taxpayer's acceptance of the Authority's procedure not to deduct foreign investments, in accordance with the printout of the email attached to the Authority's statement of defense, dated 18/02/2024 AD, wherein it acknowledged its acceptance to pay the Zakat due on the foreign investment as follows: "Further to the previous email, and with respect to the second request (the Zakat assessment concerning the foreign investment), we hereby inform you that the company accepts payment of the Zakat due on the assessment amount." Consequently, the Circuit concludes to record the settlement of the dispute with respect to the Taxpayer's appeal concerning the item of (adjusting the company's share in the income -profits and losses- of local and foreign associates for the year 2019 AD).

As for the Taxpayer's appeal regarding the remaining items, and upon the Circuit's review of the appeal, and whereas The Circuit is not precluded from adopting the reasons of the appealed decision without adding to it whenever it deems that those reasons suffice without citing any new ones, because by endorsing it with what those reasons carried, it is confirmed that it found nothing in the challenges directed at the decision that deserves a response beyond what those reasons included. And since it is established that the appealed decision regarding the dispute concerning the appealed items was consistent with the sound reasons upon which it was based and which are sufficient to carry its ruling, as the issuing Circuit undertook the examination of the merits of the dispute therein and concluded regarding it to the result reached in its operative part. And whereas this Circuit has not noticed anything requiring correction or comment regarding it in light of the defenses raised before it. This leads the Circuit to conclude the Rejection of the Taxpayer's appeal and affirming the appealed



Resolution Circuit's decision regarding the result it reached in the remaining items subject of the lawsuit, based on its reasons.

Based on the foregoing, and adopting the aforementioned grounds, the Circuit unanimously rendered the following decision:

Decision

First: Acceptance of the appeal procedurally submitted by the Taxpayer / [...], Commercial Registration No. [...], Taxpayer Identification Number (TIN) [...], against the decision of the Third Circuit for the Resolution of Income Tax Violations and Disputes in Riyadh City, No. (ITR-2024-211090), issued in Case No. (Z-211090-2023) relating to the Zakat assessment for the years 2019 AD and 2020 AD.

Second: On the Merits:

- 1- With respect to the Taxpayer's appeal regarding the item of (adjusting the company's share in the income -profits and losses- of local and foreign associates for the years 2019 AD and 2020 AD):
 - A. Recording the settlement of the dispute with respect to the Taxpayer's appeal regarding (the year 2019 AD).
 - B. Rejecting the Taxpayer's appeal and affirming the Resolution Circuit's decision with respect to (the year 2020 AD).
- 2- Rejecting the Taxpayer's appeal and affirming the Resolution Circuit's decision with respect to the item of (non-acceptance and adjustment of the deduction of local and foreign investments in associates for the years 2019 AD and 2020 AD).
- 3- Rejecting the Taxpayer's appeal and affirming the Resolution Circuit's decision with respect to the item of (deduction of related parties -debit current account- for the years 2019 AD and 2020 AD in the amounts of SAR 119,533,618 and SAR 115,541,972 respectively).



Appeal Committee for Tax Violations and Disputes First Appeal Circuit for Income Tax Violations and Disputes in Riyadh City

Decision No. IA-2025-106

Case No. Z-242389-2024

Keywords:

Zakat – Application of the Implementing Regulations for Zakat Collection – Assessment – Presumptive Assessment – Acceptance of the Authority's Appeal

Summary:

The Authority appealed the Resolution Circuit's decision, which had ruled to cancel the presumptive Zakat assessment for the year 2022 AD on the grounds that the company was under voluntary liquidation and its operations had ceased. The Authority argued the validity of its procedure due to the Taxpayer's failure to submit Zakat Declaration and financial statements within the statutory deadlines, emphasizing that liquidation does not exempt a Taxpayer from Zakat liability or the obligation to submit declarations pursuant to Articles (17) and (32) of the Implementing Regulations. The Appeal Circuit relied on Article (11) of the Implementing Regulations for Zakat Collection, which grants the Authority the right to assess taxes on a presumptive basis in the event of a failure to submit the Zakat declaration or financial statements. Accordingly, the Circuit concluded to accept the Authority's appeal and cancel the Resolution Circuit's decision due to the established failure of the Taxpayer to submit its declarations, financial statements, and supporting documents. The operative part of the decision ruled the acceptance of the appeal procedurally and on the merits, and the cancellation of the first-instance decision with respect to the presumptive assessment for the year 2022 AD.

Document:

- Article (11) of the Implementing Regulations for Zakat Collection issued by Ministerial Resolution No. (2216) dated 07/07/1440 AH.

Facts:

This is to consider the appeal submitted on 15/09/2024 AD by the Zakat, Tax and Customs Authority against the decision of the Third Circuit for the Resolution of Income Tax Violations and Disputes in Riyadh City, No. (ITR-2024-234673), issued in Case No. (Z-234673-2024) relating to the presumptive Zakat assessment for the



year 2022 AD, filed in the case brought by the Taxpayer against the Zakat, Tax and Customs Authority, wherein the Resolution Circuit's decision ruled the following:

Acceptance of the objection of the Plaintiff / [...] Company, Commercial Registration No. [...], against the decision of the Defendant / Zakat, Tax and Customs Authority, procedurally; and the cancellation of the Defendant's procedure with respect to the item of (presumptive Zakat assessment on capital for the year 2022 AD) on the merits.

Whereas this decision did not meet the acceptance by the Appellant (the Zakat, Tax and Customs Authority), it submitted an appeal brief reviewed by the Circuit, the substance of which is summarized as follows:

In challenging the contested Resolution Circuit's decision, the Authority asserts that regarding the item of (presumptive Zakat assessment on capital), the Authority issued a presumptive assessment against the Taxpayer based on Paragraph (5) of Article (Thirteen) of the Implementing Regulations for Zakat issued by Ministerial Resolution No. (2082) with respect to the years 2017 AD and 2018 AD, and based on Paragraph (2) of Article (Eleven) of the Implementing Regulations for Zakat Collection issued by Ministerial Resolution No. (2216) with respect to the years 2020 AD, 2021 AD, and 2022 AD, due to its non-compliance with submitting the declaration. Consequently, the assessment was performed based on the capital registered in the Commercial Registration. Upon reviewing the Taxpayer's objection, the Authority found that the Taxpayer failed to submit its declaration within the statutory deadline for the years 2017 AD and 2018 AD as prescribed by Paragraph (2) of Article (Twenty) of the Implementing Regulations for Zakat issued by Ministerial Resolution No. (2082) dated 01/06/1438 AH, and likewise failed to submit its declaration within the statutory deadline for the years 2020 AD, 2021 AD, and 2022 AD pursuant to the provisions of Article (Seventeenth) of the Implementing Regulations Governing Zakat Collection issued by Ministerial Resolution No. (2216) dated 07/07/1440 AH. With respect to the findings and rationale of the Circuit that issued the contested decision, the Authority responds from several aspects as follows: The Resolution Circuit stated that it accepted the Taxpayer's objection on the grounds that the company has been under voluntary liquidation since 2016 AD, which implies the cessation of commercial operations and the absence of revenues or business. However, the Circuit failed to take into account that revenues constitute merely a part of the Zakat base and do not constitute the base itself. Zakat is determined either by the completion of the one-year holding period (Hawl) as prescribed by Article (Four) of the Implementing Regulations for Zakat Collection No. (2082), or according to the Zakat year—whether Hijri or Gregorian, short or long, and whether at the commencement or conclusion of activity—as prescribed by Article (One) of Zakat Regulation No. (2216). Furthermore, the existence of voluntary liquidation for the company imposes a duty upon the liquidator to file the Zakat declaration for the company within its statutory deadline, pursuant to Article (Thirty) of the Implementing Regulations for Zakat Collection No. (2082) dated 01/06/1438 AH, and Article (Thirty-Second) of the Implementing Regulations for Zakat Collection No. (2216) dated 07/07/1440 AH, which is a requirement the Taxpayer failed to comply with for all the years under dispute. Regarding the Taxpayer's claim that it did not engage in commercial activity, and the Resolution



Circuit's reliance on a number of decisions issued by the Appeal Committee, the Authority points out that the Circuit's reliance centered around the cancellation of the Commercial Registration and the non-exercise of activity by the Taxpayer, whereas the Taxpayer did not deregister its Commercial Registration. Rather, the current status of the registration is suspended according to the Ministry of Commerce website, and the date of such suspension remains unclear, while the Authority's records show the status of the registration as active in its search system. Furthermore, the Resolution Circuit stated that the external auditor's disclaimer of opinion regarding the financial statements does not undermine the case as long as the Taxpayer's financial statements are devoid of an income statement and revenues, and the auditor did not state a qualification regarding the income statement. However, the Circuit erred in this finding, as the auditors' opinion for the years 2017 AD and 2018 AD was a disclaimer of opinion on the financial statements as a whole—which include the statement of financial position, the income statements, cash flows, changes in shareholders' equity, and the accompanying notes, including the accounting policies. Despite the change of the legal auditor in the year 2018 AD, the auditor's opinion remained a disclaimer of opinion, which means that the auditor did not possess sufficient evidence to express an opinion on any of the financial statements, including the income statement. Accordingly, the Authority requests the acceptance of its appeal against the Resolution Circuit's decision, and the Authority reserves its right to submit further responses and clarifications prior to closing the door of pleading.

On Monday, 05/05/2025 AD, at exactly 12:00 PM, the First Appeal Circuit for Income Tax Violations and Disputes held its session in the presence of its members whose names are recorded in the minutes, via visual communication in accordance with remote litigation procedures; pursuant to the provisions of Paragraph (1) of Article (Fifteen) of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. Upon calling upon the litigants, there appeared the representative of the Appellant / [...], National ID No. [...], pursuant to an authorization issued by the Deputy Governor of the Zakat, Tax and Customs Authority for Legal Affairs under No. [...] dated 19/03/1445 AH. There also appeared / [...], National ID No. [...], in his capacity as the attorney for the Respondent pursuant to Power of Attorney No. [...] issued on 24/04/1445 AH, and Law Practice License No. [...]. Upon asking the attorney for the Respondent if he wished to add anything, he stated that he maintains everything previously submitted in this case. Upon presenting this to the representative of the Appellant, she responded by maintaining everything previously submitted in this case. When both parties were asked if they wished to add anything further, they decided to rest their case on what had been previously submitted. Following the closure of the door of pleading and due deliberation.

Grounds:

Whereas upon reviewing the case documents and the appeal brief submitted by the Authority, it became evident to the Circuit that the requirements for considering the appeal procedurally have been met in accordance with the conditions stipulated under the relevant laws, regulations, and decisions; consequently,



the appeal request is acceptable procedurally, as it was submitted by a party with legal standing, and within the statutory period prescribed for its submission.

On the merits, and with respect to the Authority's appeal regarding the item of (presumptive assessment for the year 2022 AD), and pursuant to Article (Eleven) of the Implementing Regulations for Zakat Collection, issued by Ministerial Resolution No. (2216) dated 07/07/1440 AH, which stipulates that: "The Authority shall have the right to assess the Taxpayer on a presumptive basis in the following cases: 1. If it is unable to access verified data reflecting the Taxpayer's reality and activity, including the maintenance of inaccurate commercial books. 2. If the Taxpayer fails to submit the declaration within the period specified in Article (Seventeenth) of the Regulations. 3. If the Taxpayer fails to submit the requested documents in the Arabic language, including: financial statements or commercial books, within the period specified in Article (Seventeenth) of the Regulations. 4. If the data contained in the Taxpayer's commercial books do not conform to the reality of its activity. 5. If the Taxpayer fails to comply in its commercial books with the templates set forth by the applicable relevant laws, regulations, and rules. 6. If it becomes evident to the Authority that the information provided by the Taxpayer in the declaration is incorrect. 7. If the Taxpayer is unable to prove the accuracy of the information recorded in its declaration using documents acceptable to the Authority." Based on the foregoing, whereas the Authority may exercise its right to issue a presumptive assessment in the event that the Taxpayer fails to submit its declaration, financial statements, and supporting documents within the statutory period, pursuant to the provisions of Article (Eleven) of the aforementioned Regulations for Zakat Collection; and upon the Circuit's review of the case file, it became evident that the Taxpayer failed to submit its declarations and financial statements within the statutory period, and did not provide the supporting documents. Consequently, the Circuit concludes to accept the Authority's appeal and cancel the Resolution Circuit's decision with respect to the (presumptive assessment for the year 2022 AD).

Based on the foregoing, and adopting the aforementioned grounds, the Circuit unanimously rendered the following decision:

Decision

First: Acceptance of the appeal procedurally as submitted by the Zakat, Tax and Customs Authority against the decision of the Third Circuit for the Resolution of Income Tax Violations and Disputes in Riyadh City, No. (ITR-2024-234673), issued in Case No. (Z-234673-2024) relating to the presumptive Zakat assessment for the year 2022 AD.

Second: On the Merits:

Accepting the Authority's appeal and annulling the Resolution Circuit's decision with respect to the presumptive assessment for the year (2022 AD).



Appeal Committee for Tax Violations and Disputes
First Appeal Circuit for Income Tax Violations and Disputes
in Riyadh City

Decision No. IA-2025-104

Case No. Z-242387-2024

Keywords:

Zakat – Application of the Implementing Regulations for Zakat Collection – Assessment – Presumptive Assessment – Acceptance of the Authority's Appeal

Summary:

The Authority appealed the Resolution Circuit's decision, which had ruled to cancel the presumptive Zakat assessment for the year 2017 AD on the grounds that the company was under voluntary liquidation. The Authority argued the validity of its procedure due to the Taxpayer's failure to submit the declaration and financial statements within the statutory deadline, emphasizing that liquidation does not exempt a Taxpayer from the obligation to submit the Zakat declaration. The Appeal Circuit relied on Paragraph (5/A) of Article (13) and Paragraph (2) of Article (20) of the Implementing Regulations for Zakat Collection (Resolution 2082), which grant the Authority the right to assess taxes on a presumptive basis when the Taxpayer delays the submission of its declaration and its attachments for more than 120 days from the end of its fiscal year. Accordingly, the Circuit concluded to accept the Authority's appeal and cancel the Resolution Circuit's decision due to the established failure of the Taxpayer to submit its declarations and financial statements within the statutory period. The operative part of the decision ruled the acceptance of the appeal procedurally and on the merits, and the cancellation of the first-instance decision with respect to the presumptive assessment for the year 2017 AD.

Document:

- Paragraph (5) of Article (13) of the Implementing Regulations for Zakat Collection, issued by Decision of His Excellency the Minister of Finance No. (2082) dated 01/06/1438 AH.

Facts:

This is to consider the appeal submitted on 15/09/2024 AD by the Zakat, Tax and Customs Authority against the decision of the Third Circuit for the Resolution of Income Tax Violations and Disputes in Riyadh City, No. (ITR-2024-234666), issued in Case No. (Z-234666-2024) relating to the presumptive Zakat assessment for the



year 2017 AD, filed in the case brought by the Taxpayer against the Zakat, Tax and Customs Authority, wherein the Resolution Circuit's decision ruled the following:

Acceptance of the objection of the Plaintiff / [...] Company, Commercial Registration No. [...], against the decision of the Defendant / Zakat, Tax and Customs Authority, procedurally; and the cancellation of the Defendant's procedure with respect to the item of (presumptive Zakat assessment on capital for the year 2017 AD) on the merits.

Whereas this decision did not meet the acceptance by the Appellant (the Zakat, Tax and Customs Authority), it submitted an appeal brief reviewed by the Circuit, the substance of which is summarized as follows:

In challenging the contested Resolution Circuit's decision, the Authority asserts that regarding the item of (presumptive Zakat assessment on capital), the Authority issued a presumptive assessment against the Taxpayer based on Paragraph (5) of Article (Thirteen) of the Implementing Regulations for Zakat issued by Ministerial Resolution No. (2082) with respect to the years 2017 AD and 2018 AD, and based on Paragraph (2) of Article (Eleven) of the Implementing Regulations for Zakat Collection issued by Ministerial Resolution No. (2216) with respect to the years 2020 AD, 2021 AD, and 2022 AD, due to its non-compliance with submitting the declaration. Consequently, the assessment was performed based on the capital registered in the Commercial Registration. Upon reviewing the Taxpayer's objection, the Authority found that the Taxpayer failed to submit its declaration within the statutory deadline for the years 2017 AD and 2018 AD as prescribed by Paragraph (2) of Article (Twenty) of the Implementing Regulations for Zakat issued by Ministerial Resolution No. (2082) dated 01/06/1438 AH, and likewise failed to submit its declaration within the statutory deadline for the years 2020 AD, 2021 AD, and 2022 AD pursuant to the provisions of Article (Seventeenth) of the Implementing Regulations Governing Zakat Collection issued by Ministerial Resolution No. (2216) dated 07/07/1440 AH. With respect to the findings and rationale of the Circuit that issued the contested decision, the Authority responds from several aspects as follows: The Resolution Circuit stated that it accepted the Taxpayer's objection on the grounds that the company has been under voluntary liquidation since 2016 AD, which implies the cessation of commercial operations and the absence of revenues or business. However, the Circuit failed to take into account that revenues constitute merely a part of the Zakat base and do not constitute the base itself. Zakat is determined either by the completion of the one-year holding period (Hawl) as prescribed by Article (Four) of the Implementing Regulations for Zakat Collection No. (2082), or according to the Zakat year—whether Hijri or Gregorian, short or long, and whether at the commencement or conclusion of activity—as prescribed by Article (One) of Zakat Regulation No. (2216). Furthermore, the existence of voluntary liquidation for the company imposes a duty upon the liquidator to file the Zakat declaration for the company within its statutory deadline, pursuant to Article (Thirty) of the Implementing Regulations for Zakat Collection No. (2082) dated 01/06/1438 AH, and Article (Thirty-Second) of the Implementing Regulations for Zakat Collection No. (2216) dated 07/07/1440 AH, which is a requirement the Taxpayer failed to comply with for all the years under dispute. Regarding the Taxpayer's claim that it did not engage in commercial activity, and the Resolution



Circuit's reliance on a number of decisions issued by the Appeal Committee, the Authority points out that the Circuit's reliance centered around the cancellation of the Commercial Registration and the non-exercise of activity by the Taxpayer, whereas the Taxpayer did not deregister its Commercial Registration. Rather, the current status of the registration is suspended according to the Ministry of Commerce website, and the date of such suspension remains unclear, while the Authority's records show the status of the registration as active in its search system. Furthermore, the Resolution Circuit stated that the external auditor's disclaimer of opinion regarding the financial statements does not undermine the case as long as the Taxpayer's financial statements are devoid of an income statement and revenues, and the auditor did not state a qualification regarding the income statement. However, the Circuit erred in this finding, as the auditors' opinion for the years 2017 AD and 2018 AD was a disclaimer of opinion on the financial statements as a whole—which include the statement of financial position, the income statements, cash flows, changes in shareholders' equity, and the accompanying notes, including the accounting policies. Despite the change of the legal auditor in the year 2018 AD, the auditor's opinion remained a disclaimer of opinion, which means that the auditor did not possess sufficient evidence to express an opinion on any of the financial statements, including the income statement. Accordingly, the Authority requests the acceptance of its appeal against the Resolution Circuit's decision, and the Authority reserves its right to submit further responses and clarifications prior to closing the door of pleading.

On Monday, 05/05/2025 AD, at exactly 12:00 PM, the First Appeal Circuit for Income Tax Violations and Disputes held its session in the presence of its members whose names are recorded in the minutes, via visual communication in accordance with remote litigation procedures; pursuant to the provisions of Paragraph (1) of Article (Fifteen) of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. Upon calling upon the litigants, there appeared the representative of the Appellant / [...], National ID No. [...], pursuant to an authorization issued by the Deputy Governor of the Zakat, Tax and Customs Authority for Legal Affairs under No. [...] dated 19/03/1445 AH. There also appeared / [...], National ID No. [...], in his capacity as the attorney for the Respondent pursuant to Power of Attorney No. [...] issued on 24/04/1445 AH, and Law Practice License No. [...]. Upon asking the attorney for the Respondent if he wished to add anything, he stated that he maintains everything previously submitted in this case. Upon presenting this to the representative of the Appellant, she responded by maintaining everything previously submitted in this case. When both parties were asked if they wished to add anything further, they decided to rest their case on what had been previously submitted. Following the closure of the door of pleading and due deliberation.

Grounds:

Whereas upon reviewing the case documents and the appeal brief submitted by the Authority, it became evident to the Circuit that the requirements for considering the appeal procedurally have been met in accordance with the conditions stipulated under the relevant laws, regulations, and decisions; consequently,



the appeal request is acceptable procedurally, as it was submitted by a party with legal standing, and within the statutory period prescribed for its submission.

On the merits, and with respect to the Authority's appeal regarding the item of (presumptive assessment for the year 2017 AD), and pursuant to Paragraph (5) of Article (Thirteen) of the Implementing Regulations for Zakat Collection, issued by Ministerial Resolution No. (2082) for the year 1438 AH, which stipulates that: "The Authority shall have the right to assess Taxpayers on a presumptive basis in order to compel them to comply with the statutory requirements in the following cases: A. The Taxpayer's failure to submit its Zakat declaration based on regular books and records within the statutory deadline." Furthermore, Paragraph (2) of Article (Twenty) of the same Regulations stipulates that: "The Taxpayer must submit the declaration and its attachments after filling out all its fields, and pay the Zakat due from it under the declaration immediately upon the expiration of its fiscal year. The Taxpayer shall not delay such submission except within the limits required by its accounting procedures, provided that this does not exceed (120) days. The Taxpayer must disclose all components of its Zakat base during the declaration period. The declaration shall be deemed submitted on the date of its receipt pursuant to an official notification from the Authority or any other entity authorized to do so. Upon the expiration of the statutory deadline for submitting the declaration during an official holiday, the declaration shall be acceptable if it is delivered and payment is made thereunder on the first business day following the holiday." Based on the foregoing, whereas the Authority may exercise its right to issue a presumptive assessment in the event that the Taxpayer fails to submit its declaration, financial statements, and supporting documents within the statutory period, pursuant to the provisions of Paragraph (2) of Article (Twenty) of the aforementioned Regulations for Zakat Collection; and upon the Circuit's review of the case file, it became evident that the Taxpayer failed to submit its declarations and financial statements within the statutory period. Whereas the Authority bases its procedure on Paragraph (5) of Article (Thirteen) of the Regulations for Zakat Collection referred to above, the Circuit consequently concludes to accept the Authority's appeal and cancel the Resolution Circuit's decision with respect to the (presumptive assessment for the year 2017 AD).

Based on the foregoing, and adopting the aforementioned grounds, the Circuit unanimously rendered the following decision:



Decision

First: Acceptance of the appeal procedurally as submitted by the Zakat, Tax and Customs Authority against the decision of the Third Circuit for the Resolution of Income Tax Violations and Disputes in Riyadh City, No. (ITR-2024-234666), issued in Case No. (Z-234666-2024) relating to the presumptive Zakat assessment for the year 2017 AD.

Second: On the Merits:

Accepting the Authority's appeal and annulling the Resolution Circuit's decision with respect to the presumptive assessment for the year (2017 AD).



Appeal Committee for Tax Violations and Disputes First Appeal Circuit for Income Tax Violations and Disputes in Riyadh City

Decision No. IR-2025-242178

Case No. Z-242178-2024

Keywords:

Zakat – Application of the Implementing Regulations for Zakat Collection – Losses – Carried-Forward Losses – Endowments and Added Debts – Acceptance of the Authority's Appeal

Summary:

Both the Taxpayer and the Authority appealed the Resolution Circuit's decision regarding the Zakat assessment for the year 2019 AD, which included the items of subjecting the endowments' share to Zakat, adjusted carried-forward losses, and debts added to the Zakat base. With respect to the item of carried-forward losses, the Appeal Circuit relied on Paragraph (8) of Article (Five) of the Implementing Regulations (Resolution 2216), emphasizing that the recognized balance is the lesser amount between the Zakat-adjusted losses and those financial statements-listed losses. Accordingly, it concluded to cancel the Resolution Circuit's decision due to the established absence of any carried-forward losses eligible for deduction, as they had been entirely absorbed by the results of previous years. Regarding the share of the endowments' company, the Circuit clarified—pursuant to Paragraph (5/B) of Article (Two) of the same Regulations—that the general rule is the Taxpayer's subjection to Zakat unless a non-subjection decision is issued by the Authority. It was established that the submitted certificate pertained to the endowment foundation itself and did not include the subsidiary companies, and was for a different fiscal year, thereby necessitating the annulment of the Resolution Circuit's decision and the affirming of the Authority's procedure. As for the Taxpayer's appeal regarding the item of debts added to the Zakat base, the Circuit concluded to reject it and affirm the Resolution Circuit's decision on its own merits due to the soundness of the conclusion reached therein. The operative part of the decision ruled the acceptance of the appeal procedurally from both parties. On the merits, it ruled the acceptance of the Authority's appeal and the annulment of the Resolution Circuit's decision with respect to the two items of losses and the endowments' share, and the rejection of the Taxpayer's appeal and the affirming of the first-instance decision in all other respects.

Document:

- Paragraph (8) of Article (5) of the Implementing Regulations for Zakat Collection issued by Ministerial Resolution No. (2216) dated 07/07/1440 AH.



Facts:

This is to consider the appeal submitted on 12/09/2024 AD by [...], National ID No. [...], in his capacity as the manager of the Appellant Company, and the appeal submitted by the Zakat, Tax and Customs Authority on 17/09/2024 AD, against the decision of the Third Circuit for the Resolution of Income Tax Violations and Disputes in Riyadh City, No. (ITR-2024-234322), issued in Case No. (Z-234322-2024) relating to the Zakat assessment for the year 2019 AD, filed in the case brought by the Taxpayer against the Zakat, Tax and Customs Authority, wherein the Resolution Circuit's decision ruled the following:

First: Acceptance of the objection of the Plaintiff / [...] Company, Commercial Registration No. [...], against the decision of the Defendant / Zakat, Tax and Customs Authority, procedurally.

Second: On the Merits:

- 1- Cancellation of the Defendant's procedure with respect to the item of subjecting the share of [...] Company to Zakat for the year 2019 AD.
- 2- Modification of the Defendant's procedure with respect to the item of adjusted carried-forward losses for the year 2019 AD.
- 3- Dismissing the item of debts added to the Zakat base that are greater than total deductions.

Whereas this decision did not meet the acceptance by both parties, each of them submitted an appeal brief, which is summarized as follows:

Regarding the Taxpayer's appeal against the decision of the Resolution Circuit, specifically concerning the item of (debts added to the Zakat base that are greater than total deductions), its appeal rests on the ground that each of the two litigants has the right to submit incidental requests prior to the closure of the door of pleading in accordance with the provisions of the Law of Sharia Procedures. Accordingly, the Taxpayer requests the acceptance of the appeal submitted regarding this item and the referral of the case back to the Resolution Circuit for consideration on the merits.

Whereas this decision did not meet the acceptance by the Zakat, Tax and Customs Authority, which submitted its appeal against the contested decision via an appeal brief summarized as follows:

Regarding the Authority's appeal against the decision of the Resolution Circuit, specifically concerning the item of (subjecting the share of [...] Company to Zakat for the year 2019 AD), the Authority clarifies that it added the balance of the endowment's current account within the partners' credit accounts in the amount of (3,368,667) SAR because more than (354) days had elapsed on the balance, and due to the non-deduction of the endowment's share in the amount of (1,588,791) SAR from the Zakat base deductions. Furthermore, the Authority requested the Taxpayer to submit a detailed statement of the partner's endowment account along with the supporting documents for the endowment. The Taxpayer submitted the exemption letter, but it



pertained to other years and was not associated with the fiscal period under appeal, 1440 AH and 1441 AH, which corresponds to the year 2019 AD.

The Authority further clarifies that the Taxpayer is owned by [...] Company at a ratio of (38%), and that [...] Company is owned 100% by the [...] Foundation. By reference to the non-subjection certificate submitted by the Taxpayer within the attachments of the objection, it becomes evident that it pertains to the [...] Foundation and does not include its subsidiary companies. Moreover, it relates to the fiscal year 1442 AH, whereas the Taxpayer's fiscal year runs from 1/1/2019 AD to 31/12/2019 AD, corresponding to 25/4/1440 AH to 5/5/1441 AH. Additionally, there is a letter issued by the Authority to the partner, [...] Company, stating that it is subject to Zakat. Pursuant to the rules governing the non-subjection of civil societies, foundations, and training units to Zakat collection under Paragraph (1) of Article (5), which stipulates that: "The request shall be submitted annually, and Zakat shall be exempted after the approval of the Authority for the year under examination." The partner, [...] Company, had submitted a request for non-subjection, and its request was rejected. With respect to the amount added to the Zakat base of (3,368,667) SAR, the Authority clarifies that its addition was due to the lapse of more than (354) days on the balance, pursuant to the provisions of Article (Four) of the Implementing Regulations for Zakat Collection issued by Ministerial Resolution No. (2216) dated 7/7/1440 AH. Whereas the endowment is subject to Zakat, the Taxpayer is consequently not entitled to claim the non-addition of the partner's current account and the exclusion of the endowment's share from the Zakat base, pursuant to Paragraph (B) of Item (5) of Article (Second) of the Implementing Regulations for Zakat Collection. Furthermore, the Authority reviewed the Articles of Association attached to the case file, from which it became evident that there are avenues of expenditure in the endowment deed directed to purposes other than public benevolence. Additionally, [...] Company did not fulfill the requirement of full ownership by the endowment, as individuals subject to Zakat share in its ownership. Regarding the item of (adjusted carried-forward losses for the year 2019 AD), the Authority clarifies that it did not accept the deduction of carried-forward losses in the amount of (1,805,678) SAR from the Zakat base due to the non-existence of losses to be carried forward, as the losses for the year 2019 AD were calculated in accordance with Paragraph (8) of Article (Five) of the Implementing Regulations for Zakat Collection. The Authority also points out that the beginning balance of carried-forward losses according to the financial statements amounts to (1,794,315) SAR only. As for what the Taxpayer requests to deduct as losses in the amount of (1,805,678) SAR, it consists of the partners' equity balances at the beginning of the year for losses and retained earnings in the amount of (1,794,315) SAR, and a transferred balance from retained earnings and losses whose nature was not identified in the amount of (11,363) SAR, as shown in the notes to the financial statements. By reference to the assessment issued to the Taxpayer, it became evident that there are no losses to be carried forward, as the adjusted net profit for the year 2018 AD entirely covered the losses. Based on the foregoing, it is clear that there are no carried-forward losses to be deducted from the Zakat base, since the calculation result of the carried-forward losses according to the Authority's assessment shows no losses, as they have been fully absorbed.



On Monday, 28/04/2025 AD, at exactly 03:20 PM, the First Appeal Circuit for Income Tax Violations and Disputes held its session in the presence of its members whose names are recorded in the minutes, via visual communication in accordance with remote litigation procedures; pursuant to the provisions of Paragraph (1) of Article (Fifteen) of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. Upon calling upon the litigants, there appeared [...], National ID No. [...], in his capacity as the representative of the Taxpayer pursuant to the Articles of Association attached to the case file. There also appeared the representative of the Authority / [...], National ID No. [...], pursuant to an authorization issued by the Deputy Governor of the Zakat, Tax and Customs Authority for Legal Affairs under No. [...] dated 19/03/1445 AH. Upon asking the representative of the Taxpayer if he wished to add anything, he stated that he maintains everything previously submitted in this case. Upon presenting this to the representative of the Authority, she responded by maintaining everything previously submitted in this case. When both parties were asked if they wished to add anything further, they decided to rest their case on what had been previously submitted. Accordingly, the Circuit decided to close the door of pleading and reserve the case for adjudication.

On Sunday, 24/08/2025 AD, at exactly 10:00 AM, the First Appeal Circuit for Income Tax Violations and Disputes held its session in the presence of its members whose names are recorded in the minutes, via visual communication in accordance with remote litigation procedures; pursuant to the provisions of Paragraph (1) of Article (Fifteen) of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. Upon calling upon the litigants, there appeared [...], National ID No. [...], in his capacity as the representative of the Taxpayer pursuant to the Articles of Association attached to the case file. There also appeared the representative of the Authority / [...], National ID No. [...], pursuant to an authorization issued by the Deputy Governor of the Zakat, Tax and Customs Authority for Legal Affairs under No. [...] dated 19/03/1445 AH. In this session, the Circuit decided to recede from its decision issued unanimously, which was pronounced in the minutes of the previous session dated 28/04/2025 AD, which read as follows: "1- Rejection of the Taxpayer's appeal and affirming the Resolution Circuit's decision with respect to the item of (debts added to the Zakat base that are greater than total deductions). 2- Rejection of the Authority's appeal and affirming the Resolution Circuit's decision with respect to the item of (subjecting the share of [...] Company to Zakat for the year 2019 AD). 3- Acceptance of the Authority's appeal and annulment of the Resolution Circuit's decision with respect to the item of (adjusted carried-forward losses for the year 2019 AD)." Following the closure of the door of pleading and due deliberation.

Grounds:

Whereas upon reviewing the case documents and the appeal briefs submitted by both the Taxpayer and the Zakat, Tax and Customs Authority, it became evident to the Circuit that the requirements for considering the appeals procedurally have been met in accordance with the conditions stipulated under the relevant laws,



regulations, and decisions; consequently, both appeal requests are acceptable procedurally, as they were submitted by parties with legal standing, and within the statutory period prescribed for their submission.

On the merits, and whereas with respect to the Authority's appeal regarding the item of (adjusted carried-forward losses), and whereas Paragraph (8) of Article (Five) of the Implementing Regulations for Zakat Collection, issued by Ministerial Resolution No. (2216) dated 7/7/1440 AH, stipulates that: "The following items shall be deducted from the Zakat base of a Taxpayer who maintains commercial books: 8- The adjusted accumulated losses carried forward for Zakat collection purposes in accordance with the provisions of the Regulations, after adding back the provisions that previously reduced the loss in the year of their formation, or the carried-forward losses according to the Taxpayer's commercial books, whichever is less." Based on the foregoing, it is clear that the carried-forward losses among the elements eligible for deduction from the Zakat base are the adjusted losses according to the provisions of the Regulations—after adding back the provisions that previously reduced the loss in the year of their formation in order to avoid double Zakat—or according to the Taxpayer's financial statements, whichever is less. Consequently, the recognized balance for carried-forward losses for Zakat purposes is the lesser amount between what was adjusted as required by the Zakat system or the carried-forward losses listed in the financial statements. Upon the Circuit's review of the Authority's appeal brief, it became evident that the Authority re-calculated the losses in accordance with the appeal decision issued to the Taxpayer for the year 2018 AD, and it was revealed that there was no impact on the carried-forward losses. Accordingly, the Circuit concludes to accept the Authority's appeal and cancel the Resolution Circuit's decision with respect to the item of (adjusted carried-forward losses).

With respect to the Authority's appeal regarding the item of (subjecting the share of the Endowments Company to Zakat), and whereas Paragraph (5/B) of Article (Second) of the Implementing Regulations for Zakat Collection, issued by His Excellency the Minister of Finance's Resolution No. (2216) dated 7/7/1440 AH, stipulates that: "5- The following shall be exempted from the provisions of this Article: - Capital companies resident for shares owned directly or indirectly by Taxpayers engaged in the production of oil and hydrocarbons, whether they are natural or legal persons, resident or non-resident. - The Taxpayer in respect of whom a decision of non-subjection to Zakat collection is issued by the Authority." Based on the foregoing, and upon the Circuit's review of the case file, and whereas the Taxpayer requests non-subjection to Zakat collection on the grounds that the company is owned by the [...] Endowments Company—and since the branch follows the principal, whatever applies to [...] Company applies to its subsidiaries; and upon reviewing the administrative decision issued by the Zakat Authority rejecting the request of [...] Company, which was dated 05/06/1441 AH and which stated that the company is subject to Zakat and must register and comply with the statutory deadlines for submitting the annual declaration and paying Zakat; and regarding the non-subjection certificate referenced by the Taxpayer, it is evident that it pertains to the [...] Endowment Foundation and does not include its subsidiary companies. Furthermore, it relates to the fiscal year 1442 AH, whereas the Taxpayer's fiscal year runs from 1/1/2019 AD to 31/12/2019 AD, corresponding to 25/4/1440 AH to 5/5/1441 AH.



Therefore, the Taxpayer is governed by the provisions of Paragraph (5/B) of Article (Second) of the Implementing Regulations for Zakat Collection issued by His Excellency the Minister of Finance's Resolution No. (2216) dated 7/7/1440 AH referred to above, which granted the Authority the right to exempt a Taxpayer from its subjection to Zakat. The Taxpayer's plea regarding the issuance of an appeal decision in its favor does not undermine this finding, as it has been established that the decision to which the Taxpayer refers is governed by the provisions of the Implementing Regulations for Zakat Collection issued by Ministerial Resolution No. (2082) dated 01/06/1438 AH. Accordingly, and whereas the letter of the Zakat, Tax and Customs Authority was issued rejecting the request, and since the general rule is the Taxpayer's subjection to Zakat collection, the Circuit consequently concludes to accept the Authority's appeal and cancel the Resolution Circuit's decision with respect to the item of (subjecting the share of the Endowments Company to Zakat).

And whereas with respect to the Taxpayer's appeal regarding the remaining items subject to the case; and whereas The Circuit is not precluded from adopting the reasons of the appealed decision without adding to it whenever it deems that those reasons suffice without citing any new ones, because by endorsing it with what those reasons carried, it is confirmed that it found nothing in the challenges directed at the decision that deserves a response beyond what those reasons included. And since it is established that the appealed decision regarding the dispute concerning the appealed items was consistent with the sound reasons upon which it was based and which are sufficient to carry its ruling, as the issuing Circuit undertook the examination of the merits of the dispute therein and concluded regarding it to the result reached in its operative part. And whereas this Circuit has not noticed anything requiring correction or comment regarding it in light of the defenses raised before it. This leads the Circuit to conclude the Rejection of the Taxpayer's appeal and affirming the appealed Resolution Circuit's decision regarding the result it reached in the remaining items subject of the lawsuit, based on its reasons.

Based on the foregoing, and adopting the aforementioned grounds, the Circuit unanimously rendered the following decision:

Decision

First: Acceptance of the appeal procedurally submitted by the Taxpayer / [...] Company, Commercial Registration No. [...], TIN No. [...], and the appeal submitted by the Zakat, Tax and Customs Authority, against the decision of the Third Circuit for the Resolution of Income Tax Violations and Disputes in Riyadh City, No. (ITR-2024-234322), issued in Case No. (Z-234322-2024) relating to the Zakat assessment for the year 2019 AD.

Second: On the Merits:

- 1- Accepting the Authority's appeal and annulling the Resolution Circuit's decision with respect to the item of (adjusted carried-forward losses).



- 2- Accepting the Authority's appeal and annulling the Resolution Circuit's decision with respect to the item of (subjecting the share of [...] Company to Zakat).
- 3- Rejecting the Taxpayer's appeal and affirming the Resolution Circuit's decision with respect to the item of (debts added to the Zakat base that are greater than total deductions).



Appeal Committee for Tax Violations and Disputes
First Appeal Circuit for Income Tax Violations and Disputes
in Riyadh City

Decision No. IR-2025-241613

Case No. Z-241613-2024

Keywords:

Zakat – Application of the Implementing Regulations for Zakat Collection – Assessment – Presumptive Assessment – Established Failure to Notify the Appellant of the Hearings – Acceptance of the Taxpayer's Appeal

Summary:

The Taxpayer appealed the Resolution Circuit's decision regarding the Zakat assessment for the year 2013 AD, which had ruled "the case inadmissible." The Taxpayer claimed in its appeal that it had not been notified of the hearing dates via the email or mobile number registered in the system, which led to the issuance of the judgment against it in absentia and deprived it of the right of defense. Upon the Appeal Circuit's review of the "Heyad" system, it was indeed revealed that the notification record was devoid of any notices sent to the Taxpayer regarding the case, which proves the validity of its claim of non-notification. The Circuit based its decision on Article (11) of the Rules of Operation for the Adjudication Committees (Royal Decree No. 26040), ruling that the failure to establish notification through statutory methods renders the first-instance decision unlawful and mandates its reversal in order to enable the parties to the case to exercise their right to litigation. The operative part of the decision ruled the acceptance of the appeal procedurally and, on the merits, the annulment of the Resolution Circuit's decision, and the referral of the case back to it for consideration on the merits.

Document:

- Article (11) of the Rules of Operation for the Committees for the Resolution of Tax Violations and Disputes, issued by Royal Decree No. (26040) dated 21/04/1441 AH.

Facts:

This is to consider the appeal submitted on 04/09/2024 AD by [...], National ID No. [...], in his capacity as the owner of the Appellant Establishment, against the decision of the Second Circuit for the Resolution of Income Tax Violations and Disputes in Riyadh City, No. (ISR-2022-168), issued in Case No. (Z-60331-2021) relating to



the presumptive Zakat assessment for the year 2013 AD, filed in the case brought by the Appellant against the Zakat, Tax and Customs Authority, wherein the Resolution Circuit's decision ruled the following:

The inadmissibility of the case brought by the Plaintiff / [...], National ID No. [...], owner of ([...]) Establishment), Commercial Registration No. [...], against the Defendant / Zakat, Tax and Customs Authority, in accordance with the recorded grounds.

Whereas this decision did not meet the acceptance by the Taxpayer, he submitted an appeal brief reviewed by the Circuit, the substance of which is summarized as follows:

Regarding the Taxpayer's appeal against the decision of the Resolution Circuit, he pleaded that he had not been notified of the hearing dates via the email or mobile number registered in the system; consequently, the case was adjudicated in absentia.

On Thursday, 20/03/2025 AD, the First Appeal Circuit for Income Tax Violations and Disputes convened via visual communication in accordance with remote litigation procedures; pursuant to the provisions of Paragraph (1) of Article (Fifteen) of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. Upon reviewing the appeal, examining the contents of the case file, and conducting Legal deliberations; and whereas the Circuit found nothing that necessitates the presence of the parties to the appeal, the Circuit decided to close the door of pleading and reserve the case for adjudication.

Grounds:

Whereas the Appellant states in his appeal that he did not receive the hearing dates via the email or mobile number registered in the system, and that the case was adjudicated in absentia because he was unable to attend or defend himself through pleading; and by reference to the functions related to the log, and by reference to the notifications field (SMS, email) in the "Heyad" system, it became evident that the Taxpayer did not receive any notifications regarding the case, which establishes that the Appellant was not notified of the hearing dates, a matter which requires the referral of the case back to the Resolution Circuit for consideration on the merits.

This finding is not altered by the fact that the Appellant exceeded the period specified for appeal, due to the unlawfulness of the contested decision as a result of its issuance without establishing that the Appellant was notified through statutory methods, pursuant to the provisions of Article Eleven of the Rules of Operation for the Committees for the Resolution of Tax Violations and Disputes, issued by Royal Decree No. (26040) dated 21/04/1441 AH.

Based on the foregoing, and adopting the aforementioned grounds, the Circuit unanimously rendered the following decision:



Decision

First: Acceptance of the appeal procedurally submitted by the Taxpayer / [...] Establishment, Commercial Registration No. [...], TIN No. [...], against the decision of the Second Circuit for the Resolution of Income Tax Violations and Disputes in Riyadh City, No. (ISR-2022-168), issued in Case No. (Z-60331-2021) relating to the presumptive Zakat assessment for the year 2013 AD.

Second: On the Merits:

Accepting the Taxpayer's appeal, annulling the Resolution Circuit's decision, and referring the case back to it for consideration on the merits.



Appeal Committee for Tax Violations and Disputes
First Appeal Circuit for Income Tax Violations and Disputes
in Riyadh City

Decision No. IR-2025-241472

Case No. Z-241472-2024

Keywords:

Zakat – Application of the Implementing Regulations for Zakat Collection – Investments – Investments in Available-for-Sale Securities – Acceptance of the Taxpayer's Appeal

Summary:

The Taxpayer submitted its appeal against the items of accrued expenses, accounts payable, service suppliers, related parties' balance, loans, and investments, pleading that subjecting the unpaid balances to Zakat contradicts their nature as expenses charged under the accrual basis and not as sources of financing. The Authority maintained its stance regarding the burden of proof, pleading the insufficiency of what the Taxpayer submitted to establish the nature of certain transactions, particularly in domestic investments and the loan variance subject of the dispute. The Circuit concluded to reject the Taxpayer's appeal and affirm the Resolution Circuit's decision regarding accrued expenses, accounts payable, service suppliers, related parties, and most of the loans; it accepted the Taxpayer's appeal regarding the social insurance expense due to established alignment with third-party documents, and partially accepted the Authority's appeal regarding domestic investments while annulling the Resolution Circuit's decision with respect to a portion of the loans subject of the variance.

Document:

- Paragraph (2) of Article (6) of the Implementing Regulations for Zakat Collection, issued by Decision of His Excellency the Minister of Finance No. (2082) dated 01/06/1438 AH.

Facts:

This is to consider the appeal submitted on 02/09/2024 AD by [...], National ID No. [...], in his capacity as the owner of the Appellant Establishment, and the appeal submitted on 04/09/2024 AD by the Zakat, Tax and Customs Authority, against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Dammam City, No. (IZD-2024-234978), issued in Case No. (Z-234978-2024) relating to the Zakat



assessment for the year 2017 AD, filed in the case brought by the Appellant against the Zakat, Tax and Customs Authority, wherein the Resolution Circuit's decision ruled the following:

- 1- Regarding the item of non-deduction of investments in available-for-sale securities:
 - A. Canceling the Defendant's decision relating to domestic investments.
 - B. Rejecting the Plaintiff's objection relating to foreign investments.
- 2- Rejecting the Plaintiff's objection relating to the item of accrued expenses payable.
- 3- Rejecting the Plaintiff's objection relating to the item of trade accounts payable.
- 4- Rejecting the Plaintiff's objection relating to the item of service suppliers.
- 5- Rejecting the Plaintiff's objection relating to the item of related parties' balance.
- 6- Rejecting the Plaintiff's objection relating to the item of adjusting book profit by the social insurance expense.
- 7- Regarding the item of subjecting short-term loans and the like to Zakat:
 - A. Rejecting the Plaintiff's objection relating to subjecting short-term loans and the like (revolving loans) to Zakat.
 - B. Canceling the Defendant's decision relating to subjecting short-term loans and the like (the added variance) to Zakat.

Whereas this decision did not meet the acceptance by the Taxpayer, he submitted an appeal brief reviewed by the Circuit, the substance of which is summarized as follows:

Regarding the Taxpayer's appeal against the decision of the Resolution Circuit, and specifically concerning the item of (accrued expenses payable), his appeal argues that these expenses are not governed by Article Four of the Zakat Regulations of 1438 AH. Furthermore, the item of accrued expenses was not listed among the items subject to Zakat, and the Authority's subjection of unpaid balances to Zakat is deemed a rejection of the costs charged through these items in accordance with the accrual basis of accounting that governs the issuance of financial statements—noting that the Authority had previously approved those costs in full during those years. Therefore, he requests the cancellation of the Authority's procedure since these expenses do not constitute sources of financing. Regarding the item of (trade accounts payable), the Taxpayer requests the cancellation of the Circuit's decision on this item on the grounds that these expenses are not governed by Article Four of the Zakat Regulations of 1438 AH, and that the Authority's subjection of unpaid balances is deemed a rejection of the costs charged through these items in accordance with the accrual basis of accounting that governs the issuance of financial statements, which the Authority had previously approved in full during those years. Therefore, he requests the cancellation of the Authority's procedure since these expenses do not constitute sources of financing. Regarding the item of (service suppliers), the Taxpayer requests the cancellation of the



Circuit's decision on this item on the grounds that these expenses are not governed by Article Four of the Zakat Regulations of 1438 AH, and that the Authority's subjection of unpaid balances is deemed a rejection of the costs charged through these items in accordance with the accrual basis of accounting that governs the issuance of financial statements, which the Authority had previously approved in full during those years. Therefore, he requests the cancellation of the Authority's procedure since these expenses do not constitute sources of financing. Regarding the item of (related parties' balance), the Taxpayer requests the cancellation of the Circuit's decision on this item on the grounds that these expenses are not governed by Article Four of the Zakat Regulations of 1438 AH, and that the Authority's subjection of unpaid balances is deemed a rejection of the costs charged through these items in accordance with the accrual basis of accounting that governs the issuance of financial statements, which the Authority had previously approved in full during those years. Therefore, he requests the cancellation of the Authority's procedure since these expenses do not constitute sources of financing. Regarding the item of (adjusting book profit by the social insurance expense), the Taxpayer requests the cancellation of the Circuit's decision on this item on the grounds that he had previously submitted the detailed payroll sheets establishing the actual cost of the item, as well as account statements extracted from the accounting software. He indicates that the standard for approving the payroll item is the employee's actual receipt of their salary and nothing else, provided that this salary has been determined through the concluded contract, regardless of what the employee receives as basic salary and housing allowance. Regarding the item of (non-deduction of investments in available-for-sale securities), the Taxpayer requests the cancellation of the Circuit's decision on this item on the grounds that these investments represent long-term investments and are not held for trading or speculation; consequently, they are investments that must be deducted from the Zakat base according to Zakat regulations. He states that long-term investments are equivalent to instruments of production, as they are primarily used to generate revenue, and must therefore be treated as capital assets (Urood Qunyah) not subject to Zakat. Regarding the item of (subjecting short-term loans and the like to Zakat), the Taxpayer requests the cancellation of the Circuit's decision on this item on the grounds that he obtained these loans to finance working capital and the operating cycle in order to bridge the financing gap resulting from the time variance between the manufacturing and sales processes—particularly since the Taxpayer's activity consists of producing and selling cartons, and he must therefore maintain constant inventory levels of goods to meet his market demands; consequently, he obtains these loans for operational purposes. He added that the Zakat treatment applied by the Authority to the loans item evidently contradicts the substance of Paragraph Five of Item (First) of Article Four of the Zakat Regulations.

Whereas this decision did not meet the acceptance by the Authority, it submitted an appeal brief reviewed by the Circuit, the substance of which is summarized as follows:

Regarding the item of (non-deduction of investments in available-for-sale securities), the Circuit that issued the contested decision canceled the Authority's decision due to the classification of the item under non-current assets in the financial statements, in addition to the absence of trading activity on those investments.



Accordingly, the Authority reviewed the statement of investment movements submitted with the statement of claim, which consists of investments in available-for-sale securities as follows: an investment fund, listed shares, and unlisted shares. While the General Secretariat accepted the domestic investments and rejected the rest, the Authority clarifies that it reviewed the statement of movements for domestic investments, and it was revealed that the ending balance amounted to SAR 1,540,671, whereas in the financial statements for listed shares it amounted to SAR 327,344; consequently, an inconsistency appears with the value of the item as shown in Note No. 8 of the financial statements. In response to the Taxpayer's statement that the movement in the financial statements resulted from investment profits, losses, and the outcome of revaluation at market value, the Authority states that it had previously discussed this with the Taxpayer during the objection stage, requesting documents to verify the Taxpayer's statement and the submission of a detailed movement of investments clarifying their nature, while attaching all daily ledger entries and documents related to investment profits, losses, revaluation, and the investment portfolio from Tadawul. However, the Taxpayer failed to submit what was requested of him during the objection or adjudication stages. Accordingly, as long as the dispute with the Taxpayer is document-based and he did not provide an analytical statement of the domestic investment portfolio matching the financial statements to verify the existence of a sale or disposal, the Resolution Circuit's decision is incorrect and must be canceled. Regarding the item of (subjecting short-term loans and the like to Zakat), the Circuit that issued the contested decision canceled that item because the added long-term loans exceeded the one-year holding period (Hawalan al-Hawl). Accordingly, the Authority reviewed the loan movement statement and the Taxpayer's submissions, and it was revealed that the variance resulted in SAR 940,512. Therefore, what the Authority added consists of loans that Satisfied the Completion of one Zakat year (Al-Hawl) (long-term loans) and the Saudi Industrial Development Fund (SIDF) amounting to SAR 121,568,105.36. The total added from long-term loans that Satisfied the Completion of one Zakat year (Al-Hawl) amounted to SAR 103,691,105.36. Regarding what was added from the Saudi Industrial Development Fund loan—which Satisfied the Completion of one Zakat year (Al-Hawl)—it matches the Taxpayer's addition in his Zakat declaration and matches the financial statements according to Note No. (15) of the financial statements for the year 2017 AD in the amount of SAR 17,877,000. Based on this, it is clear that the variance amounting to SAR 940,512 was not part of the long-term loans as stated in the Resolution Circuit's decision; rather, the variance resulted from (long-term loans and the Industrial Development Fund) and what the Taxpayer added in his declaration, which the Authority performed based on Article Four/Paragraph (5/A, B) and Paragraph (13) of the Implementing Regulations for Zakat Collection issued in 1438 AH. Therefore, the incorrectness of the adjudication decision is evident, which necessitates its cancellation.

On Wednesday, 19/03/2025 AD, the First Appeal Circuit for Income Tax Violations and Disputes convened via visual communication in accordance with remote litigation procedures; pursuant to the provisions of Paragraph (1) of Article (Fifteen) of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. Upon reviewing the appeal, examining the contents of the



case file, and conducting Legal deliberations; and whereas the Circuit found nothing that necessitates the presence of the parties to the appeal, the Circuit decided to close the door of pleading and reserve the case for adjudication.

Grounds:

Whereas, upon reviewing the case documents and the appeal briefs submitted by the Taxpayer and the Zakat, Tax and Customs Authority, it has been established to the Circuit that the statutory requirements for considering the appeal procedurally have been satisfied in accordance with the conditions stipulated in the relevant laws, regulations, and decisions. Consequently, both appeal requests are procedurally admissible, as they were submitted by qualified parties with proper capacity and within the legally prescribed statutory period.

On the merits, whereas with respect to the Taxpayer's appeal regarding the item of (adjusting book profit by the social insurance expense for the year 2017 AD), the Taxpayer requests the cancellation of the Circuit's decision on this item on the grounds that he had previously submitted the detailed payroll sheets establishing the actual cost of the item, as well as account statements extracted from the accounting software. He indicates that the standard for approving the payroll item is the employee's actual receipt of their salary and nothing else, provided that this salary has been determined through the concluded contract, regardless of what the employee receives as basic salary and housing allowance. Whereas Paragraph (2) of Article (6) of the Implementing Regulations for Zakat Collection, issued by Ministerial Resolution No. (2082) dated 01/06/1438 AH, concerning non-deductible expenses, stipulates that: "Expenses which the Taxpayer cannot establish as actually spent by virtue of supporting documents or other corroborating evidence." Furthermore, Paragraph (3) of Article (20) thereof stipulates that: "The burden of proving the validity of the items and any other data contained in the Taxpayer's Zakat declaration falls upon the Taxpayer. In the event that the Taxpayer is unable to prove the validity of what is stated in his declaration, the Authority may disallow the item whose validity is not proven by the Taxpayer, or perform a presumptive assessment in accordance with the Authority's perspective in light of the circumstances and facts associated with the case and the information available to it." Based on the foregoing, the certificate issued by the General Organization for Social Insurance (GOSI) is deemed one of the significant pieces of evidence issued by a neutral third party, which is utilized to verify the fairness of salaries, wages, and the like charged to the accounts, unless the Taxpayer proves otherwise. Whereas the dispute between the two parties is document-based and lies in the overcharged social insurance expense; and upon reviewing the documents attached to the case file, it is revealed that the Taxpayer submitted the wage statement registered with social insurance, the payroll summary for all affiliated establishments during the dispute period, and the payroll details, in addition to the GOSI Certificate for each establishment issued by the General Organization for Social Insurance. Upon reviewing the submitted documents, it was revealed that the wages subject to social insurance in the statement align with what was stated in the GOSI Certificate, in addition



to the alignment of the amounts paid according to the certificate. The Taxpayer provided a statement of the amounts paid to social insurance for each establishment individually and in total, and the total amounted to SAR 1,857,409, which is the amount reported in the Taxpayer's Zakat declaration. Consequently, the Circuit concludes to accept the Taxpayer's appeal and cancel the Resolution Circuit's decision with respect to the item of (adjusting book profit by the social insurance expense for the year 2017 AD).

Whereas with respect to the Authority's appeal regarding the item of (adjusting book profit by the social insurance expense in the amount of SAR 362,454 for the year 2017 AD – Domestic Investments), where it pleaded that as long as the dispute with the Taxpayer is document-based and he did not provide an analytical statement of the domestic investment portfolio matching the financial statements to verify the existence of a sale or disposal, the Resolution Circuit's decision is incorrect and must be canceled. Whereas Paragraph (4) of Item (Second) of Article (4) of the Implementing Regulations for Zakat, issued by Ministerial Resolution No. (2082) and dated 01/06/1438 AH, stipulates that: "The following shall be deducted from the Zakat base: 4-(A): Investments in entities within the Kingdom – in partnership with others – if those investments are subject to Zakat under these Regulations; however, if the investment in those entities is not subject to collection, it shall not be deducted from the base. (B): Investments in entities outside the Kingdom – in partnership with others – provided that the Taxpayer calculates within his Zakat declaration the Zakat due on these investments in accordance with the rules stipulated in these Regulations and remits it to the Authority, while attaching audited accounts by a certified public accountant in the country of investment and endorsed by the official authorities. If he fails to comply with calculating and remitting the Zakat accordingly, they shall not be deducted from the Zakat base." Furthermore, Paragraph (3) of Article (20) thereof stipulates that: "The burden of proving the validity of the items and any other data contained in the Taxpayer's Zakat declaration falls upon the Taxpayer. In the event that the Taxpayer is unable to prove the validity of what is stated in his declaration, the Authority may disallow the item whose validity is not proven by the Taxpayer, or perform a presumptive assessment in accordance with the Authority's perspective in light of the circumstances and facts associated with the case and the information available to it." Based on the foregoing, whereas the bulk of the Authority's pleas center around the inconsistency of the submitted movement statement with the financial statements regarding the ending balance, and it also indicates that the Taxpayer pleads that the movement carried out during the year relates to investment profits, losses, and the results of revaluation, yet he failed to submit the portfolio from Tadawul for verification; therefore, upon reviewing the case file and its contents, and regarding what the Authority submitted concerning the inconsistency of balances—where it indicated that the ending balance according to the submitted statement was SAR 1,540,671, whereas in the financial statements for listed shares it amounted to SAR 327,344—by tracking the submitted movement and comparing it to the financial statements, it was revealed that the variance between the movement and the financial statements is due to the fact that the submitted movement was restricted to domestic investments, while the financial statements included both domestic and foreign investments together.



Regarding the existence of movement on these domestic investments, after reviewing the submitted movement, it was revealed that there was movement on certain shares, and the Taxpayer did not submit the supporting documents representing the portfolio movement from the Tadawul website to prove that the movement constitutes a revaluation as he claims. Consequently, the Circuit concludes to partially accept the Authority's appeal with respect to the shares upon which movement occurred during the year, reject its appeal regarding the shares upon which no sale transaction occurred during the dispute period, and modify the Resolution Circuit's decision with respect to the item of (Domestic Investments).

Whereas with respect to the Authority's appeal regarding the item of (subjecting short-term loans and the like in the amount of SAR 940,512 for the year 2017 AD) where it pleaded that the variance amounting to SAR 940,512 was not part of the long-term loans as stated in the Resolution Circuit's decision; rather, the variance resulted from (long-term loans and the Industrial Development Fund) and what the Taxpayer added in his declaration, which the Authority performed based on Article Four/Paragraph (5/A, B) and Paragraph (13) of the Implementing Regulations for Zakat Collection issued in 1438 AH, therefore the incorrectness of the adjudication decision is evident, which necessitates its cancellation. Whereas Paragraph (5) of Item (First) of Article (4) of the Implementing Regulations for Zakat Collection, issued by Ministerial Resolution No. (2082) and dated 1/6/1438 AH, stipulates that: "The Zakat base consists of all the Taxpayer's funds subject to Zakat, including: 5- Government and commercial loans and the like from other financing sources, such as creditors, notes payable, and bank Bank Overdrafts outstanding against the Taxpayer, in accordance with the following: A- What remains of them in cash and has Satisfied the Completion of one Zakat year (Al-Hawl) (Hawalan al-Hawl). B- What was used of them to finance what is prepared as a capital asset. C- What was used of them in goods for trade and has Satisfied the Completion of one Zakat year (Al-Hawl)." Furthermore, Paragraph (3) of Article (20) thereof stipulates that: "The burden of proving the validity of the items and any other data contained in the Taxpayer's Zakat declaration falls upon the Taxpayer. In the event that the Taxpayer is unable to prove the validity of what is stated in his declaration, the Authority may disallow the item whose validity is not proven by the Taxpayer, or perform a presumptive assessment in accordance with the Authority's perspective in light of the circumstances and facts associated with the case and the information available to it." Based on the foregoing, it has been revealed that the Authority indicated that the Taxpayer added the long-term loans in full at the lower balance according to the financial statements, totaling SAR 120,627,593. Meanwhile, the Authority indicated that it re-calculated the long-term loans and found that what Satisfied the Completion of one Zakat year (Al-Hawl) was SAR 103,691,105, in addition to the Industrial Fund loan which financed a deducted asset in the amount of SAR 17,877,000. Accordingly, it is clear that the variance amounting to SAR 940,512 resulted from the Authority's calculation in comparison with what the Taxpayer added in his declaration, and that the variance arose after the Authority calculated the long-term loans and added them to the extent of what Satisfied the Completion of one Zakat year (Al-Hawl), and not as added by the Taxpayer in full balance, whichever is lower according to the financial statements. Consequently, the Circuit concludes to accept the Authority's



appeal regarding the item of (subjecting short-term loans for the year 2017 AD) and cancel the Resolution Circuit's decision regarding (the amount of SAR 940,512).

Whereas with respect to the Taxpayer's appeal against the remaining items subject of the case, and whereas The Circuit is not precluded from adopting the reasons of the appealed decision without adding to it whenever it deems that those reasons suffice without citing any new ones, because by endorsing it with what those reasons carried, it is confirmed that it found nothing in the challenges directed at the decision that deserves a response beyond what those reasons included. And since it is established that the appealed decision regarding the dispute concerning the appealed items was consistent with the sound reasons upon which it was based and which are sufficient to carry its ruling, as the issuing Circuit undertook the examination of the merits of the dispute therein and concluded regarding it to the result reached in its operative part. And whereas this Circuit has not noticed anything requiring correction or comment regarding it in light of the defenses raised before it. This leads the Circuit to conclude the Rejection of the Taxpayer's appeal and affirming the appealed Resolution Circuit's decision regarding the result it reached in the remaining items subject of the lawsuit, based on its reasons.

Based on the foregoing, and adopting the aforementioned grounds, the Circuit unanimously rendered the following decision:

Decision

First: Acceptance of the appeal procedurally submitted by the Taxpayer / [...] Establishment, Commercial Registration No. [...], TIN No. [...], and the Zakat, Tax and Customs Authority, against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Dammam City, No. (IZD-2024-234978), issued in Case No. (Z-234978-2024) relating to the Zakat assessment for the year 2017 AD.

Second: On the Merits:

- 1- Rejecting the Taxpayer's appeal and affirming the Resolution Circuit's decision regarding the item of (accrued expenses payable for the year 2017 AD).
- 2- Rejecting the Taxpayer's appeal and affirming the Resolution Circuit's decision regarding the item of (trade accounts payable for the year 2017 AD).
- 3- Rejecting the Taxpayer's appeal and affirming the Resolution Circuit's decision regarding the item of (service suppliers for the year 2017 AD).
- 4- Rejecting the Taxpayer's appeal and affirming the Resolution Circuit's decision regarding the item of (related parties' balance for the year 2017 AD).
- 5- Accepting the Taxpayer's appeal and annulling the Resolution Circuit's decision regarding the item of (adjusting book profit by the social insurance expense for the year 2017 AD).
- 6- Regarding the appeal of both parties on the item of (adjusting book profit by the social insurance expense in the amount of SAR 362,454 for the year 2017 AD):



- A. Rejecting the Taxpayer's appeal and affirming the Resolution Circuit's decision regarding the item of (Foreign Investments).
 - B. Partially accepting the Authority's appeal and modifying the Resolution Circuit's decision regarding the item of (Domestic Investments).
- 7- Regarding the appeal of both parties on the item of (subjecting short-term loans and the like in the amount of SAR 17,265,105 for the year 2017 AD):
- A. Accepting the Authority's appeal and annulling the Resolution Circuit's decision regarding the amount of (SAR 940,512).
 - B. Rejecting the Taxpayer's appeal and affirming the Resolution Circuit's decision regarding the amount of (SAR 16,324,593).



Appeal Committee for Tax Violations and Disputes First Appeal Circuit for Income Tax Violations and Disputes in Riyadh City

Decision No. IR-2025-240999

Case No. Z-240999-2024

Keywords:

Zakat – Application of the Implementing Regulations for Zakat Collection – Assessment – Statutory Procedures for Issuing the Assessment – Acceptance of the Authority's Appeal

Summary:

The Authority appealed against the Resolution Circuit's decision, which ruled to cancel the Zakat assessment for the years 1439 AH and 1440 AH. The Authority pleaded that its decisions had become immune to challenge by virtue of the expiration of statutory periods, as the Taxpayer submitted the objection after the lapse of the sixty-day deadline and delayed filing his case before the General Secretariat for nearly three years. Furthermore, the Authority affirmed the validity of the presumptive assessment based on the Value-Added Tax (VAT) sales of the Taxpayer's establishment file, which remains active in the registries. The Appeal Circuit concluded to accept the Authority's appeal, cancel the Resolution Circuit's decision, and rule the case inadmissible procedurally; due to the established fact that the Taxpayer submitted his grievance to the Authority after the lapse of the prescribed statutory period pursuant to Paragraph (1) of Article (22) of the Implementing Regulations for Zakat Collection of 1438 AH. The operative part of the decision ruled to accept the appeal procedurally and on the merits, and to cancel the initial decision.

Document:

- Paragraph (1) of Article (22) of the Implementing Regulations for Zakat Collection, issued by Decision of His Excellency the Minister of Finance No. (2082) dated 01/06/1438 AH.

Facts:

This is to consider the appeal submitted on 25/08/2024 AD by the Zakat, Tax and Customs Authority against the decision of the Third Circuit for the Resolution of Income Tax Violations and Disputes in Riyadh City, No. (ITR-2024-233533), issued in Case No. (Z-233533-2024) relating to the Zakat assessment for the years 1439 AH and 1440 AH, filed in the case brought by the Taxpayer against the Zakat, Tax and Customs Authority, wherein the Resolution Circuit's decision ruled the following:



First: Acceptance of the objection of the Plaintiff / [...], National ID No. [...], TIN No. [...], against the decision of the Defendant / Zakat, Tax and Customs Authority, from a procedural standpoint.

Second: From a Merits Standpoint: Canceling the Authority's decision for the years 1439 AH and 1440 AH.

Whereas this decision did not meet the acceptance by the Appellant (the Zakat, Tax and Customs Authority), it submitted an appeal brief, the substance of which is summarized as follows:

As the Authority objects to the contested Resolution Circuit's decision, it clarifies that the Plaintiff did not submit an objection to the Authority in accordance with the provisions of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH, whereof Paragraph (A) of Article (Sixth) stipulates: "Cases where the Authority's decision becomes immune to challenge: The Authority's decision shall become immune to grievance before any other body in any of the following cases: If the Taxpayer does not file a grievance with the Authority against the decision within (sixty) days from the day following the date of being notified thereof." Since the Authority's decision for the year 1439 AH was issued on 26/4/1441 AH, and for the year 1440 AH on 6/5/1441 AH, while the Plaintiff's objection was dated 16/5/1442 AH, the decision becomes immune to challenge by virtue of the expiration of the statutory period for filing a grievance. Furthermore, the Plaintiff did not file his case with the General Secretariat within the period specified under the provisions of Paragraph (B) of Article (Sixth) of the Rules of Operation for Zakat, Tax, and Customs Committees. Since the Authority's decision rejecting the objection was issued on 4/2/2021 AD, whereas the Plaintiff filed his case with the General Secretariat on 18/3/2024 AD, the decision consequently becomes immune by virtue of the expiration of the statutory period and is incontestable. Regarding the Circuit's rationale that the Authority partially accepted the Plaintiff's objection and that this is deemed a waiver of the procedural aspect, the Authority responds that this is incorrect, as the Authority clarified its perspective on the merits as a backup measure, in accordance with what is stated in its memorandum. Moreover, the Circuit that issued the contested decision canceled the Authority's procedure and based its grounds for accepting the Plaintiff's case on the fact that he had converted one of his establishments into a company on 02-12-1439 AH and on 12-12-1440 AH, and it justified the cancellation on the grounds that the Authority did not specify the registries upon which the assessment was made, and that it merely sufficed with partial acceptance. The Authority responds that this is incorrect and erroneous, as the Authority clarified everything mentioned in its Statement of Defense No. (2) filed in the case file, and the Authority reiterates that as follows:

A. The Authority calculated the Zakat base based on profits of (15%) of the Value-Added Tax (VAT) sales value pertaining to the period within the establishment's file, in addition to the capital of Commercial Registration No. [...] belonging to the establishment, as the calculation was performed in detail as shown below:

1. Regarding the period for the year 1439 AH:



Period	Sales	Value-Added Tax (VAT) Sales Pertaining to the Period
First Quarter of 2018 (Full)	26,639,691.21	26,639,691.21
Second Quarter of 2018 (Full)	24,493,613.00	24,493,613.00
Third Quarter of 2018 (Full)	5,704,422.00	5,704,422.00
Fourth Quarter of 2018 (68 Days)	6,002,731.00	4,436,801.17
Total Sales Pertaining to the Same Period	62,840,457.21	61,274,527.38
Profits at 15%		9,191,179
Capital of [...] Establishment's Registry		5,000
Zakat Base		9,196,179
Zakat Due		SAR 229,904



2. Regarding the period for the year 1440 AH:

Period	Sales	Value-Added Tax (VAT) Sales Pertaining to the Period
Fourth Quarter of 2018 (23 Days)	6,002,731.00	1,500,683
First Quarter of 2019 (Full)	5,882,713	5,882,713
Second Quarter of 2019 (Full)	6,289,227	6,289,227
Third Quarter of 2019 (Full)	2,062,409	2,062,409
Total Sales Pertaining to the Same Period	20,237,080	15,735,032
Profits at 15%		2,360,254
Capital of [...] Establishment's Registry		5,000
Zakat Base		2,365,254
Zakat Due		SAR 59,131

The Authority also clarified its response to what the Taxpayer indicated in his brief regarding the conversion of all his registries from sole proprietorships into companies. The Authority responded that the Establishment still holds the main Commercial Registration No. [...] for the blacksmith workshop, and the Value-Added Tax (VAT) sales were recorded under the Establishment's file belonging to it. Furthermore, the Taxpayer failed to submit a certificate from a certified public accountant proving that those sales disclosed in the Establishment's file pertain to the company's file after the conversion of the branch registries, which renders the Resolution Circuit's



decision erroneous. Based on the foregoing, the Circuit's decision in this case subject of the appeal is legally incorrect and undoubtedly merits judicial cancellation.

On Wednesday, 12/03/2025 AD, the First Appeal Circuit for Income Tax Violations and Disputes convened its session at exactly 02:46 PM in the presence of its members whose names are recorded in the minutes, via visual communication in accordance with remote litigation procedures; pursuant to the provisions of Paragraph (1) of Article (Fifteen) of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. Upon reviewing the appeal request, the submitted memoranda, and the papers and documents contained in the case file, and after conducting due deliberations, and whereas the case is ripe for judgment in its current state, the Circuit decides to close the door of pleading and reserve the case for adjudication.

Grounds:

Whereas, upon reviewing the case documents and the appeal brief submitted by the Authority, it has been established to the Circuit that the requirements for considering the appeal procedurally have been satisfied in accordance with the conditions stipulated in the relevant laws, regulations, and decisions. Consequently, the appeal request is acceptable procedurally, as it was submitted by a party with legal standing, and within the legally prescribed statutory period.

On the merits, and with respect to the Authority's appeal, whereas the Resolution Circuit decided to cancel the Authority's decision based on the conversion of one of his establishments into a company on 02/12/1439 AH and on 12/02/1440 AH pursuant to the attached statements from the Ministry of Commerce; and whereas it based its decision on the grounds that the assessment did not specify the commercial registration upon which the assessment was made. Upon reviewing the Authority's appeal brief, wherein it stated that the assessment was made based on Commercial Registration No. [...], which differs from the registration numbers that were converted according to the Ministry of Commerce's statement and based on the attached Articles of Association under the title (Annex 1). Whereas it is an established principle to review the procedural aspect before examining the merits, and the Authority pleaded the procedural non-acceptance due to the submission of the grievance to the Authority after the lapse of the statutory period—noting that notification of the Authority's assessment was served on 26/04/1441 AH for the year 1439 AH, and on 06/05/1441 AH for the year 1440 AH, whereas the grievance for both years was submitted on 16/05/1442 AH, and notification of the objection outcome for both years was served on 22/06/1442 AH (corresponding to 04/02/2021 AD), and the objection was filed before the Committees on 18/03/2024 AD. Accordingly, whereas the Taxpayer submitted the grievance to the Authority after the lapse of the statutory period in accordance with the provisions of Paragraph (1) of Article (22) of the Implementing Regulations for Zakat Collection of 1438 AH, the Circuit consequently concludes to accept the Authority's appeal, cancel the Resolution Circuit's decision, and rule the non-



acceptance of case procedurally due to the submission of the grievance to the Authority after the lapse of the statutory period.

Based on the foregoing, and adopting the aforementioned grounds, the Circuit unanimously rendered the following decision:

Decision

First: Acceptance of the appeal procedurally submitted by the Zakat, Tax and Customs Authority, against the decision of the Third Circuit for Adjudication of Income Tax Violations and Disputes in Riyadh City, No. (ITR-2024-233533) issued in Case No. (Z-233533-2024) relating to the Zakat assessment for the years 1439 AH and 1440 AH.

Second: On the Merits:

Accepting the Authority's appeal, annulling the Resolution Circuit's decision, and ruling the non-acceptance of the case procedurally due to the submission of the grievance to the Authority after the lapse of the statutory period.



Appeal Committee for Tax Violations and Disputes
First Appeal Circuit for Income Tax Violations and Disputes
in Riyadh City

Decision No. IR-2025-239326

Case No. Z-239326-2024

Keywords:

Zakat – Application of the Implementing Regulations for Zakat Collection – Debts – Government Accounts Payable – Acceptance of the Authority's Appeal

Summary:

The Authority appealed the Resolution Circuit's decision, which ruled to modify the Zakat assessment for the year 2017 AD regarding the item of "Government Accounts Payable". The facts of the dispute are summarized in the Authority's addition of credit balances (advances from customers) that have met the one-year holding period (Hawl) to the Zakat base, after conducting a netting process against the debit balances (completed but unpaid works) that have also met the one-year holding period (Hawl). The Appellate Circuit upheld the Authority's methodology of conducting the netting process on the basis of the beginning balance, considering that the Taxpayer's treatment of deducting the ending balance leads to the deduction of the current year's revenues that have not met the one-year holding period (Hawl), which violates the statutory requirement. Furthermore, it was established to the Circuit the existence of documentary discrepancies in the "Olayya Municipality Cleaning" project, regarding which the Taxpayer failed to submit settlement entries and supporting documents despite being requested to do so, which necessitates adopting the Authority's procedure due to the insufficiency of evidence. The decision concluded to accept the Authority's appeal on the merits, cancel the Resolution Circuit's decision, and uphold the addition of the amount of (SAR 63,895,508) to the Zakat base. The operative part of the decision ruled to accept the appeal procedurally and on the merits.

Document:

- Paragraph (5), Item (First) of Article (4) of the Implementing Regulations for Zakat Collection, issued by Decision of His Excellency the Minister of Finance No. (2082) dated 01/06/1438 AH.

Facts:

This is to consider the appeal submitted on 07/07/2024 AD by the Zakat, Tax and Customs Authority, against the decision of the Third Circuit for Adjudication of Income Tax Violations and Disputes in Riyadh City, No.



(ITR-2024-218483) issued in Case No. (Z-218483-2023) relating to the Zakat assessment for the year 2017 AD, in the case filed by the Taxpayer against the Zakat, Tax and Customs Authority, wherein the Resolution Circuit's decision ruled as follows:

Accepting the objection of the Plaintiff / [...] Company (Commercial Registration: [...]) against the decision of the Defendant / Zakat, Tax and Customs Authority, procedurally, and modifying the Defendant's decision on the merits.

Whereas this decision did not meet the acceptance by the Appellant (Zakat, Tax and Customs Authority), it submitted an appeal brief that included the following summary:

The Authority objects to the contested decision of the Resolution Circuit, and claims regarding the item of (Government Accounts Payable) that during the field audit stage, it added the credit balances that have met the one-year holding period (Hawl) for each ministry separately with a value of (SAR 63,895,508) to the Zakat base. During the meeting held with the Taxpayer's representatives, the reasons for the discrepancy between the statement submitted during the objection stage and the statement submitted during the field audit stage were discussed. Accordingly, the Authority requested the Taxpayer to clarify the reasons for the discrepancy in values and to provide the Authority with a detailed statement of the government accounts receivable and the corresponding collected advances for each entity separately, which must match the financial statements. The Taxpayer stated via email the following: "Since we deal with five main clients representing the entity owners of the projects in which the company operates, and under those clients fall all the projects carried out by the company, direct entries were made to those main accounts of the clients according to the owning entity without using the sub-customer account (the project) as an intermediary, which caused these discrepancies. Attached is the requested detailed statement for the government entities matching the financial statements and general ledger accounts." The Authority requested the Taxpayer to provide a system-generated statement for a sample of clients, namely (Olayya Municipality Cleaning, Al-Madinah Al-Munawwarah and its Villages Cleaning). The Taxpayer stated that: "System-generated statements for the projects (College of Health - Institute of Music) have been attached, as well as the trial balance at the level of the owning entity due to the discrepancy in the submitted data, which illustrates what we mentioned to you that our accounting software, in the case of making an entry from the main account in the general ledger without using the client as an intermediary, does not show these transactions in the client's account statement. This caused these discrepancies between the analysis of accounts from the trial balance and the analysis of accounts from the client's system. Given that these analytical data were requested from us during the last week of April 2023 (the period for filing the Zakat Declaration for the year 2022 AD), we inadvertently overlooked it." Upon reviewing the submitted statements, it became evident to the Authority that the values contained in the Olayya Municipality Cleaning project were different. Accordingly, a meeting was held for discussion, during which the Taxpayer stated that the reason for the discrepancy was the existence of advance payments for some projects, and also stated the receipt of compensations and the existence of adjustments, noting that the Taxpayer did not provide the Authority with



the adjustment entry document. Since the Taxpayer did not submit what supports the reasons for the discrepancy that proves the validity of its objection, the Authority holds to the correctness of its procedure in adding the amount of (SAR 63,895,508) to the Zakat base. The Authority clarifies that the payments collected from clients (projects) were treated by conducting a netting process between the debit balance—which represents the completed but unpaid works that have met the one-year holding period (Hawl)—and the credit balance of received advance payments belonging to the same entity that has met the one-year holding period (Hawl), pursuant to Clause (5) of Article (4) of the Implementing Regulations. The Resolution Circuit had modified the Authority's decision by considering the addition of an amount of (SAR 7,222,627), by looking at the year-end credit balance of the Ministry of Education amounting to (SAR 15,671,163) and deducting the year-end debit balance of the same entity amounting to (SAR 8,448,535). Conversely, the Authority added the amounts that have met the one-year holding period (Hawl) from the credit balances after deducting the amounts that have met the one-year holding period (Hawl) from the debit balances at the level of each entity. The Authority explained in this regard that conducting a netting process using the ending balance of accounts receivable means that the ending balance includes the revenues during the year, and deducting them will lead to the deduction of a portion of the year's revenues which must be subject to Zakat. Therefore, the beginning balances that met the one-year holding period (Hawl) were added (beginning balance – debit movement) and a netting process was conducted on the remaining accounts receivable that have not been paid (beginning balance – credit movement). Accordingly, the Authority requests the reversal of the Resolution Circuit's decision regarding the item subject of the appeal for the aforementioned reasons.

On Wednesday, dated 29/01/2025 AD, the First Appeal Circuit for Income Tax Violations and Disputes held its hearing at exactly 02:01 PM in the presence of its members whose names are recorded in the minutes, via visual communication in accordance with the remote litigation procedures; based on the provisions of Clause No. (1) of Article Fifteen of the Operating Rules for Zakat, Tax and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. After reviewing the appeal request, the submitted briefs, and the papers and documents contained in the case file, and after deliberation, and whereas the case is ripe for judgment in its current state, the Circuit decides to close the pleadings and reserve the case for adjudication.

Grounds:

Whereas, upon reviewing the case documents and the appeal brief submitted by the Authority, it has been established to the Circuit that the requirements for considering the appeal procedurally have been satisfied in accordance with the conditions stipulated in the relevant laws, regulations, and decisions. Consequently, the appeal request is acceptable procedurally, as it was submitted by a party with legal standing, and within the legally prescribed statutory period.

On the merits, and with respect to the Authority's appeal regarding the item of (Government Accounts Payable), and upon the Circuit's contemplation of the subject matter of the dispute, and after reviewing the Authority's



appeal, it has become evident to the Circuit that its appeal lies in that it observed a discrepancy in the values contained in the Olayya Municipality Cleaning project. Accordingly, a meeting was held for discussion, during which the Taxpayer stated that the reason for the discrepancy was the existence of advance payments for some projects, and also stated the receipt of compensations and the existence of adjustments, noting that the Taxpayer did not provide the Authority with the adjustment entry document. Since the Taxpayer did not submit what supports the reasons for the discrepancy that proves the validity of its objection, the Authority holds to the correctness of its procedure in adding the amount of (SAR 63,895,508) to the Zakat base. The Authority also clarified that the payments collected from clients (projects) were treated by conducting a netting process between the debit balance—which represents the completed but unpaid works that have met the one-year holding period (Hawl)—and the credit balance of received advance payments belonging to the same entity that has met the one-year holding period (Hawl). Paragraph (First/5) of Article (4) of the Implementing Regulations for Zakat Collection, issued by Ministerial Resolution No. (2082) dated 01/06/1438 AH, stipulates that: "The Zakat base consists of all the Taxpayer's funds subject to Zakat, including: 5- Government and commercial loans and similar other sources of financing, such as creditors, notes payable, and Bank Overdrafts due from the Taxpayer, in accordance with the following: A- What remains thereof in cash and has met the one-year holding period (Hawl). B- What was used thereof to finance what is intended for acquisition (fixed assets). C- What was used thereof in trade goods and has met the one-year holding period (Hawl)." Based on the foregoing, and upon the Circuit's review of the case file and the defenses and documents contained therein, it has become evident to it that the dispute lies in the addition of the government accounts payable after netting the accounts receivable in the amount of (SAR 63,895,508) for the year 2017 AD. The Authority objects to the decision of the Circuit subject of the appeal and demands the cancellation of its decision on the grounds of the incorrectness of the applied procedure. Upon reviewing the core of the dispute between the parties to the litigation, it has become clear that it lies in the proper treatment for conducting the netting process between the debit and credit balances. The Authority's treatment of the balances it added to the base was as follows: (the credit balance that has met the one-year holding period (Hawl) – the beginning balance of the account receivable reduced by the credit movement during the year). Looking at the Taxpayer's claim, it is evident that it demands the following treatment: (the credit balance that has met the one-year holding period (Hawl) – the year-end balance of the account receivable), which is the treatment concluded by the Adjudication Committee's decision. Based on the aforementioned, and whereas the ending balance includes the revenues during the year (the debit movement) and deducting them would mean deducting a portion of the year's revenues which must be subject to Zakat, the correctness of the Authority's procedure is established from the outset. As for the discrepancies appearing in the balance of the (Ministry of Municipal and Rural Affairs), it is evident that the basis of the dispute is a documentary dispute due to the appearance of a discrepancy in the values contained in the Olayya Municipality Cleaning project, wherein the Taxpayer stated the existence of an entry to settle these discrepancies resulting from each of the following: (the existence of advance payments for some projects, the Taxpayer's receipt of compensations, and discount discrepancies from the ministries). The Authority was



not provided with this entry despite its request, as the Taxpayer sufficed with submitting the account statement of the project (Olayya). Since the Taxpayer did not provide what supports the reasons for the discrepancy that proves the validity of its objection, the Circuit consequently concludes to accept the Authority's appeal and cancel the Resolution Circuit's decision regarding this item.

Based on the foregoing, and adopting the aforementioned grounds, the Circuit unanimously rendered the following decision:

Decision

First: Acceptance of the appeal procedurally submitted by the Zakat, Tax and Customs Authority, against the decision of the Third Circuit for Adjudication of Income Tax Violations and Disputes in Riyadh City, No. (ITR-2024-218483) issued in Case No. (Z-218483-2023) relating to the Zakat assessment for the year 2017 AD.

Second: On the Merits:

Accepting the Authority's appeal and annulling the Resolution Circuit's decision regarding the item of (Government Accounts Payable in the amount of SAR 63,895,508 for the year 2017 AD).



Appeal Committee for Tax Violations and Disputes First Appeal Circuit for Income Tax Violations and Disputes in Riyadh City

Decision No. IR-2025-239234

Case No. Z-239234-2024

Keywords:

Zakat – Application of the Implementing Regulations for Zakat Collection – Assessment – Presumptive Assessment – Rejection of the Authority's Appeal

Summary:

The Authority appealed the Resolution Circuit's decision, which ruled to cancel the Zakat assessments for the years 1430 AH to 1442 AH on the grounds of the Authority's failure to submit proof of the Taxpayer's practice of the activity during that period. The Authority argued that the Taxpayer conducts an activity subject to collection and did not entirely deny the Zakat liability in its case; it also noted its previous agreement to accept assessing the Taxpayer based on the minimum Zakat amount of (SAR 500) for each year in response to the Taxpayer's demand in its statement of claim. Upon the Appellate Circuit's review of the Commercial Registration documents and the business license, the validity of the registration was established for the years 1430 AH to 1436 AH, while it considered the expiration of the license in the year 1437 AH as a presumption of the non-exercise of the activity in the years subsequent thereto. The Circuit relied on Paragraph (6) of Article (13) of the Implementing Regulations for Zakat Collection, reaffirming that the Taxpayer must be assessed in a manner reflecting the reality of its activity and by no less than the capital stated in the registration. The Circuit concluded to accept the Authority's appeal and cancel the Resolution Circuit's decision regarding the years subject of the dispute. The operative part of the decision ruled to accept the appeal procedurally and on the merits.

Document:

- Paragraph (6) of Article (13) of the Implementing Regulations for Zakat Collection, issued by Decision of His Excellency the Minister of Finance No. (2082) dated 01/06/1438 AH.

Facts:

This is to consider the appeal submitted on 03/07/2024 AD by the Zakat, Tax and Customs Authority, against the decision of the First Circuit for Adjudication of Income Tax Violations and Disputes in Riyadh City, No. (IFR-



2024-229758) issued in Case No. (Z-229758-2023) relating to the Zakat assessments for the years 1430 AH to 1442 AH, in the case filed by the Taxpayer against the Zakat, Tax and Customs Authority, wherein the Resolution Circuit's decision ruled as follows:

Canceling the decisions of the Defendant / Zakat, Tax and Customs Authority, against the Plaintiff / [...] (TIN: [...]) relating to the assessments subject of the case.

Whereas this decision did not meet the acceptance by the Appellant (Zakat, Tax and Customs Authority), it submitted an appeal brief that included, regarding the item of (Zakat Assessment for the years 1430 AH to 1442 AH), a reaffirmation of what was stated in its defense briefs submitted to the Resolution Circuit. It noted that the contested decision concluded to cancel the Authority's decision on the grounds that the Authority did not submit proof of the Taxpayer's practice of the activity during the years subject of the objection. The Authority responds that the Taxpayer is the party conducting an activity subject to Zakat and did not entirely deny the Zakat liability in its case. It also indicated that the Taxpayer did not initially submit its objection to the Authority. Accordingly, the Authority requests the reversal of the Resolution Circuit's decision regarding the items subject of the appeal for the aforementioned reasons.

On Monday, dated 10/02/2025 AD, the First Appeal Circuit for Income Tax Violations and Disputes held its hearing at exactly 10:35 AM in the presence of its members whose names are recorded in the minutes, via visual communication in accordance with the remote litigation procedures; based on the provisions of Clause No. (1) of Article Fifteen of the Operating Rules for Zakat, Tax and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. After reviewing the appeal request, the submitted briefs, and the papers and documents contained in the case file, and after deliberation, and whereas the case is ripe for judgment in its current state, the Circuit decides to close the pleadings and reserve the case for adjudication.

Grounds:

Whereas, upon reviewing the case documents and the appeal brief submitted by the Authority, it has been established to the Circuit that the requirements for considering the appeal procedurally have been satisfied in accordance with the conditions stipulated in the relevant laws, regulations, and decisions. Consequently, the appeal request is acceptable procedurally, as it was submitted by a party with legal standing, and within the legally prescribed statutory period.

On the merits, and with respect to the Authority's appeal regarding the item of (Zakat Assessment for the years 1430 AH to 1442 AH), and whereas the Authority objects to the adjudication decision and reaffirms what was stated in its defense briefs submitted to the Resolution Circuit, noting that the contested decision concluded to cancel the Authority's decision on the grounds that the Authority did not submit proof of the Taxpayer's practice of the activity during the years subject of the objection. The Authority responds that the Taxpayer is the party conducting an activity subject to Zakat and did not entirely deny the Zakat liability in its case. It also indicated



that the Taxpayer did not initially submit its objection to the Authority. Based on the foregoing, and upon reviewing what was submitted by the Authority before the Adjudication Committee, it has been established according to the Commercial Registration certificate that it was deregistered on 15/11/1443 AH, and that the commercial activity license expired on 20/07/1437 AH and was subsequently canceled from the registry by virtue of the automated cancellation of expired licenses on 13/06/1445 AH. Whereas the registration was valid for the years 1430 AH to 1436 AH, the Authority's claim for Zakat is valid for these years, and any years other than these shall be rejected due to the existence of a presumption of the non-exercise of the commercial activity, which is the commercial activity license that expired on 20/07/1437 AH; it shall be calculated in a manner reflecting the reality of the Taxpayer's activity and by no less than the capital stated in the Commercial Registration. Whereas the Authority did not attach any document indicating the Taxpayer's practice of the commercial activity, and referred in its appeal brief to what was stated in the defense brief before the Resolution Circuit; upon reviewing it, it has been established that the Authority acknowledged its acceptance of the Plaintiff's objection and assessing it based on the minimum Zakat amount of (SAR 500) for each year. Whereas the Plaintiff, in its statement of claim, demanded to be assessed at the minimum Zakat amount; however, the general principle dictates that the Zakat base under the arbitrary assessment method consists of: (working capital, net profits realized during the year...) pursuant to the provisions of Paragraph Six of Article Thirteen of the Implementing Regulations for Zakat Collection, issued by Ministerial Resolution No. (2082) dated 01/06/1438 AH. Consequently, the Circuit concludes to accept the Authority's appeal and cancel the Resolution Circuit's decision regarding this item.

Based on the foregoing, and adopting the aforementioned grounds, the Circuit unanimously rendered the following decision:

Decision

First: Acceptance of the appeal procedurally submitted by the Zakat, Tax and Customs Authority, against the decision of the First Circuit for Adjudication of Income Tax Violations and Disputes in Riyadh City, No. (IFR-2024-229758) issued in Case No. (Z-229758-2023) relating to the Zakat assessments for the years 1430 AH to 1442 AH.

Second: On the Merits:

Accepting the Authority's appeal and annulling the Resolution Circuit's decision regarding the item of (the years 1430 AH to 1442 AH).



Appeal Committee for Tax Violations and Disputes First Appeal Circuit for Income Tax Violations and Disputes in Riyadh City

Decision No. IR-2025-241041

Case No. Z-241041-2024

Keywords:

Zakat – Application of the Implementing Regulations for Zakat Collection – Base – Method of Deducting Fixed Assets from the Zakat Base – Acceptance of the Authority's Appeal

Summary:

The Authority appealed the Resolution Circuit's decision issued regarding the Zakat assessment for the year 2017 AD, which ruled to modify the Authority's procedure and accept the deduction of fixed assets (real estate) from the Zakat base, excluding the mosque construction lands. In its appeal brief, the Authority raised a procedural defense asserting the non-acceptance of the case due to the Taxpayer's submission of its grievance after the expiration of the statutory period prescribed under the Rules of Operation of the Committees. Upon the Appellate Circuit's review of the course of the dispute, it was established that the Authority's decision was issued on 20/09/2023 AD, whereas the Taxpayer did not submit its objection until 20/11/2023 AD. The Circuit reaffirmed that submitting a grievance within the statutory timeline constitutes an essential condition for the procedural acceptance of the case pursuant to Article (6) of the Rules of Operation for Zakat, Tax and Customs Committees. The Circuit concluded to accept the Authority's appeal and annul the Resolution Circuit's decision due to the established submission of the grievance after the expiration of the statutory period. The operative part of the decision ruled to accept the appeal procedurally, and on the merits, to annul the initial decision and judge the Taxpayer's case as procedurally non-accepted.

Document:

- Article (6) of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH.

Facts:

This is to consider the appeal submitted on 25/08/2024 AD by the Zakat, Tax and Customs Authority, against the decision of the Third Circuit for Adjudication of Income Tax Violations and Disputes in Riyadh City, No. (ITR-2024-232180) issued in Case No. (Z-232180-2024) relating to the Zakat assessment for the year 2017



AD, in the case filed by the Taxpayer against the Zakat, Tax and Customs Authority, wherein the Resolution Circuit's decision ruled as follows:

First: Procedural acceptance of the objection of the Plaintiff / [...] Company, Commercial Registration No. ([...]), against the decision of the Defendant / Zakat, Tax and Customs Authority.

Second: On the Merits:

Modifying the Defendant's procedure by accepting the deduction of fixed assets (real estate) from the Zakat base, excluding the lands allocated for the construction of a mosque valued at SAR 2,682,225.

Whereas this decision did not meet the acceptance by the Appellant (Zakat, Tax and Customs Authority), it submitted an appeal brief, the summary of which is as follows:

The Authority objects to the contested Resolution Circuit's decision, clarifying that the Taxpayer did not submit the objection before it within the statutory period in accordance with the provisions of the Rules of Operation for Zakat, Tax and Customs Committees. Furthermore, the partial acceptance of the Taxpayer's objection does not constitute a waiver of the procedural aspect, as the Authority clarified its point of view on the merits as a precautionary measure. Accordingly, the Authority requests the acceptance of its appeal and the reversal of the Resolution Circuit's decision for the aforementioned reasons.

On Sunday, dated 16/03/2025 AD, the First Appeal Circuit for Income Tax Violations and Disputes held its hearing at exactly 12:30 PM in the presence of its members whose names are recorded in the minutes, via visual communication in accordance with the remote litigation procedures; based on the provisions of Clause No. (1) of Article Fifteen of the Rules of Operation for Zakat, Tax and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. After reviewing the appeal request, the submitted briefs, and the papers and documents contained in the case file, and after deliberation, and whereas the case is ripe for judgment in its current state, the Circuit decides to close the pleadings and reserve the case for adjudication.

Grounds:

Whereas, upon reviewing the case documents and the appeal brief submitted by the Authority, it has been established to the Circuit that the requirements for considering the appeal procedurally have been satisfied in accordance with the conditions stipulated in the relevant laws, regulations, and decisions. Consequently, the appeal request is acceptable procedurally, as it was submitted by a party with legal standing, and within the legally prescribed statutory period.

On the merits, and upon the Circuit's contemplation of the appeal and the contested adjudication decision; whereas the general rule requires verifying the procedural aspect before delving into the merits; and whereas it is established from the case documents that the Authority's decision was issued on 20/09/2023 AD, and the Taxpayer submitted its objection against it on 20/11/2023 AD, which is after the expiration of the statutory



period pursuant to the provisions of Article (6) of the Rules of Operation for Zakat, Tax and Customs Committees; accordingly, and whereas the Taxpayer submitted the grievance before the Authority after the expiration of the statutory period, and since the procedural acceptance of the case is conditional upon objecting to it before the Authority within the statutory period; consequently, the Circuit concludes to accept the Authority's appeal, annul the Resolution Circuit's decision, and rule that the Respondent's case is non-accepted due to the failure to object to the Authority's decision within the statutory period.

Based on the foregoing, and adopting the aforementioned grounds, the Circuit unanimously rendered the following decision:

Decision

First: Acceptance of the appeal procedurally submitted by the Zakat, Tax and Customs Authority, against the decision of the Third Circuit for Adjudication of Income Tax Violations and Disputes in Riyadh City, No. (ITR-2024-232180) issued in Case No. (Z-232180-2024) relating to the Zakat assessment for the year 2017 AD.

Second: On the Merits:

Acceptance of the Authority's appeal, annulment the Resolution Circuit's decision, and ruling the non-acceptance of the Respondent's case due to the failure to object to the Authority's decision within the statutory period.

