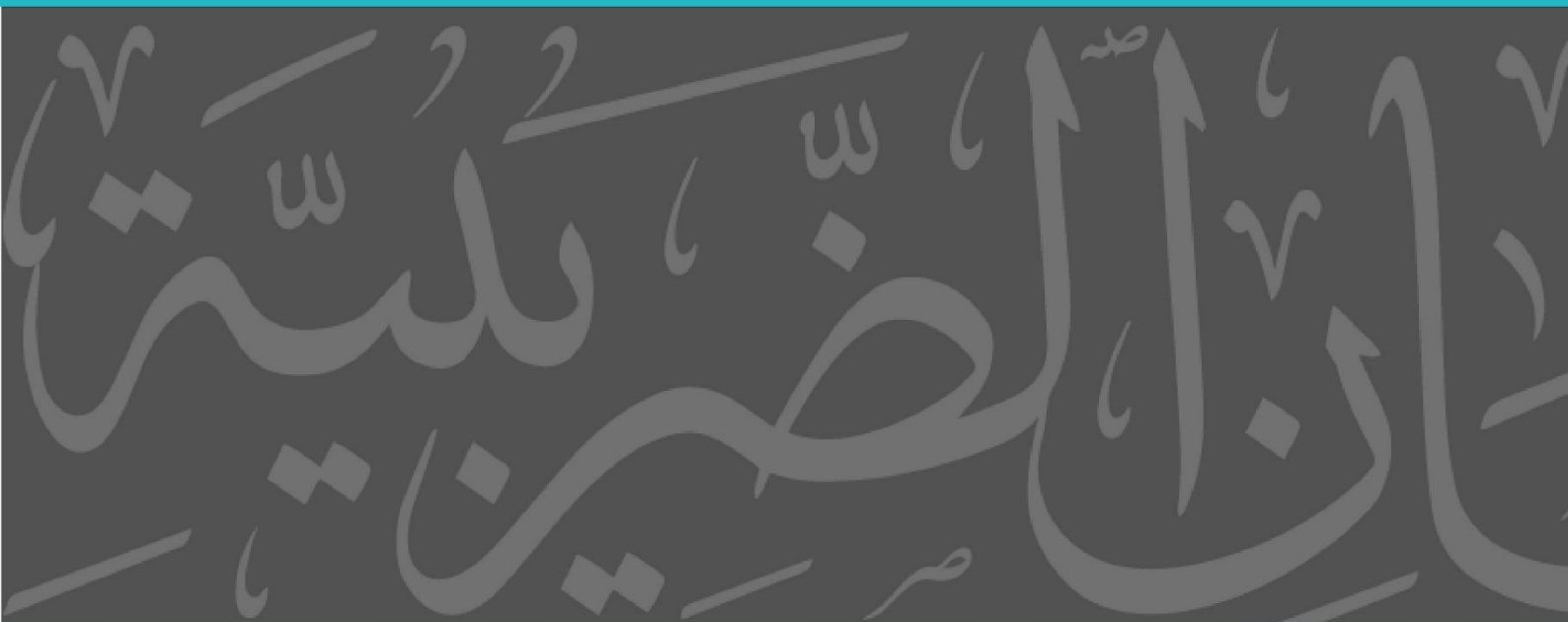




الأمانة العامة للجان الزكوية والضريبية والجمركية  
General Secretariat of Zakat, Tax and Customs Committees

# Compendium of Decisions Issued by the Tax Committees for the Year 2024 (Real Estate Transactional Tax - Excise Tax)



بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ



## Index

<b>Introduction.....</b>	<b>6</b>
<b>Speech of His Excellency the Secretary General Of The Zakat, Tax And Customs Committees.....</b>	<b>7</b>
<b>Methodology .....</b>	<b>8</b>
<b>Decisions Issued by Tax Committees .....</b>	<b>10</b>
<b>Real Estate Transactional Tax .....</b>	<b>10</b>
<b>Procedural Decisions Issued By Tax Committees .....</b>	<b>11</b>
Real Estate Transactional Tax – Procedural– Claim Amount Less Than 50 Thousand – Non-Acceptance Of The Plaintiff's Appeal .....	12
Real Estate Transactional Tax – Procedural – Premature Filing – Non-Acceptance Of The Plaintiff's Claim .....	14
Real Estate Transactional Tax – Procedural – Repetition Of The Lawsuit – Non-Acceptance Of The Plaintiff's Lawsuit.....	17
Real Estate Transactional Tax – Procedural – Failure To File The Case – Inadmissibility Of The Plaintiff's Case.....	19
Real Estate Transactional Tax – Procedural – Established On A Person Without Capacity – Inadmissibility Of The Plaintiff's Lawsuit.....	21
Real Estate Transactional Tax – Procedural – Expiration Of The Statutory Period – Non-Acceptance Of The Plaintiff's Claim.....	25
Real Estate Transactional Tax – Procedural – Raised Without Status – Non-Acceptance .....	27
<b>Subjective Decisions Issued By Tax Committees .....</b>	<b>30</b>
Real Estate Transaction Tax- Applicability of the Real Estate Transaction Tax - Taxability of the real estate transaction under the Real Estate Transaction Tax - Mutual Funds - Revocation Of The Authority's Decision .....	31
Real Estate Transaction Tax- Applicability of the Real Estate Transaction Tax - Taxability of the real estate transaction under the Real Estate Transaction Tax - Exemption Certificate – Case Dismissal..	39
Real Estate Transaction Tax-Non-applicability of the Real Estate Transaction Tax -Acceptance Of The Plaintiff's Claim.....	42



Real Estate Transactional Tax - Real Estate Transactional Tax - Contractual Default Represented In The Delay In Preparing The Land For Evacuation - Rejection Of The Lawsuit .....	46
Real Estate Transaction Tax- Applicability of the Real Estate Transaction Tax - Real Estatesupply - Buyer's First Residence - Rejection Of The Taxpayer's Objection.....	49
Real Estate Transaction Tax- Applicability of the Real Estate Transaction Tax - Real Estatesupply - Murabaha Contract - Rejection Of The Plaintiff's Objection .....	54
<b>Tax Payment .....</b>	<b>57</b>
Real Estate Transaction Tax-Paymentof Tax-Acceptanceof Plaintiff's Claim.....	58
Real Estate Transaction Tax -Payment Of Tax - Unjustified Enrichment -Acceptance Of The Authority's Objection.....	61
<b>Tax Reassessment.....</b>	<b>65</b>
Real Estate Transaction Tax-Reassessment Of Tax-Reassessment Of Real Estate Transaction Tax- Acceptance Of Taxpayer's Appeal .....	66
Real Estate Transaction Tax-Reassessment Of The Tax-Reassessment Of The Real Estate Transaction- Sale Of The Property-Acceptance Of The Plaintiff's Claim .....	70
Real Estate Transaction Tax-Reassessment of The Tax-Reassessment of the Real Estate Transaction- Fairmarket Value-Acceptance Of The Taxpayer's Objection .....	76
Real Estate Transaction Tax-Reassessment of The Tax-Reassessment Of The Real Estate Transaction- Expropriation Of Real Estate For Public Benefit-Repayment Of The Taxpayer's Lawsuit .....	83
Real Estate Transaction Tax-Reassessment Of The Tax-Reassessment Of the Real Estate Transaction- The Value Submitted By The Taxpayer's Declaration Is Incorrect-Acceptance Of The Taxpayer's Objection .....	90
Real Estate Transaction Tax-Reassessment of Real Estate Transaction-Transfer Of Ownership Of The Property By Gift-Acceptance Of The Taxpayer's Objection .....	93
<b>Tax Refund .....</b>	<b>99</b>
Real Estate Transaction Tax - Tax Refund - Sale Of The Property In Installments - Dismissal Of The Plaintiff's Claim.....	100



Real Estate Transaction Tax-Recovering The Tax-Sorting The Deeds Of The Owners-Acceptance Of The Plaintiff's Claim.....	103
Real Estate Transactional Tax - Tax Refund - Gift Contract - Dismissal Of The Taxpayer's Lawsuit ..	106
<b>Fines .....</b>	<b>110</b>
Real Estate Transactional Tax - Fines -Fine For Late Payment - Acceptance Of The Taxpayer's Objection .....	111
<b>Decisions Issued by Tax Committees .....</b>	<b>117</b>
<b>Excise Tax.....</b>	<b>117</b>
<b>Procedural Decisions Issued By Tax Committees .....</b>	<b>117</b>
Excise Tax - Procedural - Claim Amount Less Than 50K - Plaintiff's Objection Rejected .....	118
Excise Tax - Procedural - Previously Adjudicated - Rejection Of The Authority's Claim .....	120
Excise Tax - Procedural - Missing The Statutory Period – Inadmissibility Of The Lawsuit .....	123
<b>Subjective Decisions Issued By Tax Committees .....</b>	<b>126</b>
<b>Tax Reassessment.....</b>	<b>127</b>
Excise Tax - Reassessment Of Excise Tax -Reassessment Of Excise Tax - Differences Due - Acceptance Of Plaintiff's Objection.....	128
Excise Tax - Excise Tax Reassessment - Carbonated Water - Acceptance Of The Authority's Appeal	138
Excise Tax - Excise Tax Reassessment – Excise Tax Reassessment – Not Accepting The Authority's Appeal.....	141
Excise Tax - Reassessment Of Excise Tax – Sweetened Beverages – French Coffee – Acceptance Of The Authority's Appeal .....	144
Excise Tax - Reinstatement Of Tax – Reinstatement Of Tax Due – Inadmissibility Of Plaintiff's Claim .....	147
<b>Fines .....</b>	<b>152</b>
Excise Tax – Fines – Field Control Penalty – Inadmissibility Of The Plaintiff's Claim .....	153



## Introduction

All praise is due to Allah, the Lord of the Worlds. May peace and blessings be upon the noblest of messengers and the seal of the prophets, our master Muhammad, and upon his family, his companions, and those who follow them. To proceed:

It goes without saying that the efforts exerted by the courts and judicial committees, and the rulings issued by them, collectively represent priceless legal and jurisprudential wealth. They form a valuable body of work that deserves utmost attention and care. Considering the commercial and industrial revolution taking place in the Kingdom of Saudi Arabia under Saudi Vision 2030, many complex issues have arisen in the realm of tax disputes. Stemming from its commitment to social responsibility, the General Secretariat of the Zakat, Tax and Customs Committees has undertaken the initiative to establish a solid foundation and reliable reference for committee members, taxpayers, and interested parties alike. This has been achieved through the publication of the final decisions issued by the Tax Committees for the year 2024, contributing effectively to the resolution of tax-related disputes. These documented rulings serve to clarify the established positions adopted by the committees, thereby helping to shorten litigation durations, ease the burden on adjudicators, and promote the principle of transparency upheld by the General Secretariat. Furthermore, they provide practical insights for entities involved in legal and regulatory research, particularly academic and training institutions.

We ask Almighty Allah to make this work sincerely devoted to His noble countenance, and to bless the efforts and guide them to all that is good. Indeed, He is Most Generous and Kind.



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

Praise be to Allah alone,

Guided by the vision and values of the General Secretariat of the Zakat, Tax and Customs Committees, which has committed itself to excellence in resolving zakat, tax and customs disputes, adopting innovative and effective methods, promoting transparency and impartiality, and developing cooperation between the various parties involved in the zakat, tax and customs law, and playing an effective role in raising the efficiency of legal deliberations, thereby contributing to the achievement of the objectives of Saudi Vision 2030 by enabling swift justice and adopting the values of transparency and innovation, through supporting the Zakat, Tax and Customs Committees in the swift adjudication of disputes brought before them, providing support and assistance to committees at all stages by conducting studies and research, serving those responsible for clarifying regulations, decisions and judicial precedents, and updating them periodically.

The General Secretariat also placed special emphasis on the Final Decisions issued by the Committees, as they represent a summary of the established jurisprudence and are characterized by their constant possibility of development and change according to the developments in the real world, because their decisions are aimed at resolving disputes before the judicial committees.

Moreover, the knowledge of these decisions prevents disputes and conflicts, which is a prevention, protection and assistance to them in their stance before the Committees, including the project of classifying and tabulating the tax related Decisions issued by the Tax Committees.

This prestigious status of the Decisions calls for working to extract and disseminate them to the Public; in order to achieve the principle of transparency, highlight the ongoing efforts, and enrich the scientific arena; to make it a fertile ground for scholars, specialists, and research centers.

The Secretariat's role in disseminating these Decisions is an affirmation of its relentless endeavor to achieve all that would raise the level of justice as befits it, thanks to the support and guidance of the blessed leadership, which spares no effort in its generous support for the legislative and regulatory framework.

In conclusion, I would like to thank the Custodian of the Two Holy Mosques King Salman bin Abdul-Aziz and His Royal Highness Crown Prince Mohammed bin Salman bin Abdul-Aziz, Prime Minister, for their unlimited care and support for judicial activities in various fields. I would also like to thank 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 Alsuhaibani



## Methodology

The General Secretariat took care to select rulings that were comprehensive in nature and relevant to the merits in order to achieve the desired outcome. Given the importance of describing the cases before the zakat, tax and customs committees and their impact on the reasoning and basis for the decision, as this is the outcome sought by the parties to the case, and given the different facts and circumstances of tax cases, it was necessary to categorize the final tax decisions issued by the tax committees for the year 2024 AD so that researchers could review the committees' opinions on those defenses.

Based on the role of the General Secretariat of the 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 swift resolution of such disputes, care and attention has been given to classifying and publishing the final tax decisions issued by the tax committees. Accordingly, it was necessary to develop a comprehensive plan to publish these decisions in an easy and accessible manner. The process was divided into several stages, as follows:

- The tax decisions issued by the tax committees were thoroughly inventoried during 2024 AD.
- Keywords have been set to make it easier to search through them.
- The name of the circuit issuing the decision, the number of the decision, and the date of issuance were listed.
- A summary of the case which summarizes the most important parts of the case was developed.
- 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 by merits and placing them under the most relevant category.
- In categorizing and indexing the resolutions thematically, the Secretariat relied on the topics of the Law and its executive regulations, so that the resolutions are listed according to their appearance in the Law and its executive regulations.





- The Secretariat relied on the methodology of excluding similar decisions, as the similarity criterion is that the terms of the decisions and the requests of the lawsuit and its judgment are the same, even if the parties differ.
- Strict compliance with the text of the decision, including its facts, grounds and operative part, without any addition or modification, except for spelling and grammatical errors.



## Decisions Issued by Tax Committees

### (Real Estate Transactional Tax)



# Procedural Decisions Issued By Tax Committees



Appellate Committee for Tax Violations and Disputes  
First Appellate Circuit for Value Added Tax and Excise Goods Tax  
Violations and Disputes

Decision No. R-2024-192123

Case No. R-2023-192123

### Keywords

Real Estate Transactional Tax – procedural– claim amount less than 50 thousand – non-acceptance of the Plaintiff's appeal

### Summary:

The request of the Taxpayer to cancel the first instance decision issued by the Adjudication Circuit in the lawsuit related to the amount of the Real Estate Transactional Tax. After reviewing the rules of operation of the Zakat, Tax, and Customs Committees, it was found that the value of the amount disputed in the lawsuit did not exceed (50,000) riyals, which is a value that falls within the cases that are not accepted for appeal in accordance with Article (33) of the rules. This means that the appeal is not accepted procedurally.

### Document:

- Article (33) of [Zakat, Tax and Customs Committees Regulations issued by Royal Decree No. \(25711\) dated 08/04/1445 AH.](#)

### Facts:

Since the facts of this case have been stated in the decision subject to appeal, the Appellate Circuit refers to it in order to avoid repetition. Whereas the decision of the Adjudication Circuit ruled as follows:

First: the case is admissible in procedurality.

Second: On the merits: Obliging the Defendant , national ID number (...), to pay the Taxpayer, national ID number (...), the amount of Real Estate Transactional Tax of (50,000) riyals.

as this decision was not accepted by the appellant, he filed a list of appeals, which was reviewed by the Circuit and included his request to accept the appeal and cancel the decision of the Adjudication Circuit.

Whereas the First Appellate Circuit for VAT and Excise Goods Violations and Disputes held its session to consider the appeal submitted via video communication, based on paragraph (1) of Article (15) of the Rules of Work of Zakat, Tax and Customs Committees, which stipulates that: "The procedures for hearing the



lawsuit and pleading therein shall be in writing, and the Circuits may, of their own accord or at the request of one of the parties, hear statements and pleadings by remote pleading or in presence, at their discretion. The hearing, in the event that it is held remotely, shall be deemed to be held in presence, and all its effects shall be arranged, and the Circuit shall record this in the minutes of the hearing." The case file, memoranda and related documents were reviewed, and the decision of the Adjudication Circuit subject of appeal was reviewed. After discussion and deliberation, the Circuit decided to adjourn the session and issue the decision.

### Grounds:



After reviewing the rules for the work of the Zakat, tax, and customs committees issued by Royal Decree No. (25711) dated 08/05/1445 AH, and the relevant regulations.

Whereas it is proven from the decision that is the subject of the appeal and from the case documents that the amount in dispute did not exceed (fifty thousand riyals), and whereas Article (33) of the working rules of the Zakat, Tax and Customs Committees stipulates that "the decisions of the adjudication Circuits shall acquire final status in the following cases: 1- Cases in which the value of the amounts due for payment does not exceed (fifty thousand) riyals. "Whereas the value of this lawsuit did not exceed fifty thousand riyals, which leads this circuit to the finalization of the decision of the adjudication Circuit, and therefore it is among the non-appealable decisions, and therefore it was decided by this circuit not to accept the appeal procedurally.

For these reasons and after due deliberation, the Circuit unanimously decided as follows:

### Decision:

The appeal is not accepted.



Adjudication Committee for Tax Violations and Disputes  
The Third Circuit for adjudicating VAT violations and disputes in  
Riyadh City

Decision No. VTR-2024-231574

Case No. R-2024-231574

### Keywords

Real Estate Transactional Tax – procedurally – premature filing – non-acceptance of the Plaintiff's claim

### Summary:

The Taxpayer's objection to the decision of the Zakat and Tax Authority regarding the tax invoice No. (...) Issued on 10/12/2023, where he claims a refund of part of the amount of the tax paid based on the holders of the certificate that the state bears the tax of the first residence. By holding the hearing, the Taxpayer adhered to his request, while the Authority argued that the lawsuit was not admissible procedurally because the Taxpayer did not submit the objection before it before filing the lawsuit, in accordance with the rules of work of the committees for adjudicating tax violations and disputes. By reviewing the documents of the lawsuit, the Taxpayer did not prove that he submitted a procedural objection before the Authority, which makes the lawsuit premature. This means that the lawsuit is inadmissible procedurally; to file it prematurely.

### Document:

- [Zakat, Tax and Customs Committees Regulations issued by Royal Decree No. \(25711\) dated 08/04/1445 AH.](#)

### Facts:

The facts of this case are summarized to the extent necessary to issue the decision, that the Taxpayer, a Saudi national under national ID number (...), on his own behalf, submitted a statement of claim that included his objection to the tax invoice with reference number (...) Issued on 10/12/2023, and a refund of part of the amount of the tax paid as a result of the holders of the state certificate of the first residence tax is required.

On 17/04/2024, the authority submitted a response memorandum stating the following: First: procedurality: By reviewing the Taxpayer's statement of claim, it becomes clear that it is limited to the request for the refund of the Real Estate Transactional Tax. The authority shall summarize its response as follows: First: Article (13) of the Real Estate Disposals Regulations stipulates that : "A person who has been issued as a decision by the Authority may object to it in accordance with the rules of work of the Tax Disputes and Violations Resolution Committees." Article (2) of the Rules of Work of the Tax Disputes and



Violations Resolution Committees stipulates that: "The Authority shall decide on the objection within sixty days from the date of its submission. If the decision to reject the objection is issued or the ninety-day period elapses without a decision, the Taxpayer may, within thirty days from the date on which he is informed of the rejection of his objection before the Authority or the expiration of the ninety-day period without a decision, do any of the following: Within thirty days from the date on which he is informed of the rejection of his objection before the Authority or the expiration of the ninety-day period without a decision: (2) File a grievance directly with the Adjudication Committee." Based on the above, the Taxpayer must first submit his objection to the Authority before submitting his case to the Secretariat, which is why filing the case before the Secretariat before completing this procedure is flawed. Second: Article 76 of the Sharia Pleadings Law stipulates that: "The defense of lack of jurisdiction of the court due to lack of jurisdiction or due to the type or value of the case, or the defense of inadmissibility of the case due to lack of capacity, competence, interest or for any other reason, as well as the defense that the case cannot be heard because it has already been adjudicated, may be raised at any stage of the case and the court shall rule on its own initiative." Accordingly, it is clear to Your Excellency that the deed of the property No. (...) In the name of the Taxpayer and submitted an acknowledgment in the real estate transaction invoice number ... The declaration of real estate disposition did not include that it is exempt from the real estate disposition tax, and therefore the authority submits that the lawsuit is not accepted procedurally for lack of capacity. Third: regarding what the buyer mentioned that he holds the first residence certificate: The Authority responds that it is not possible to take into account the certificate of the first residence of the buyer because the disposer "seller" submitted a declaration at the time of disposal of the property that does not contain the request to exclude the buyer from the Real Estate Transactional Tax, in addition to the fact that the property disposed of is "land"; and under Royal Decree No. (A/86) dated 18/04/1439 AH and Royal Decree No. (A/84) dated 14/02/1442 AH, the state bears the tax applicable to the first residence of prefabricated housing units or housing units on the map as recorded in the certificate of the first residence, and does not include land, self-construction or the purchase of investment buildings. Second: Orders: Based on the above, the authority requests the esteemed committee to rule that the case is not admissible procedurally, and the authority reserves the right to provide further responses and clarifications before the closure of the hearing. "

On Sunday, 19/05/2024, the Circuit held its remote session to consider the case in accordance with the procedures for remote video litigation; and based on the provisions of paragraph (1) of Article (15) of the Rules for the Work of Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH; and by calling on the parties to the case, the presence of the Taxpayer or his representative was not proven, and the legal representative attended... (Saudi nationality) under national ID number (...) On behalf of the Zakat, Tax, and Customs Authority under the authorization letter No. (.../.../.../1445) dated 19/03/1445 AH, issued by the Deputy Governor for Legal Affairs and Compliance, and by informing the Circuit of the case file, the Circuit unanimously decided to cancel the case, in accordance with the provisions of Article (nineteen) of the rules for the work of Zakat, Tax, and Customs Committees.



On 19/05/2024, the Plaintiff submitted a request to retry the case.

On Sunday, 02/06/2024, the Circuit held its remote session to consider the case in accordance with the procedures for remote video litigation; and based on the provisions of paragraph (1) of Article (15) of the Rules for the Work of Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH; and by calling on the parties to the case, the Taxpayer attended in person (Saudi national) under national ID No. (...), and the legal representative attended... (Saudi nationality) under national ID number (...) On behalf of the Zakat, Tax and Customs Authority under the authorization letter No. (.../.../.../1445 AH) dated 19/03/1445 AH, issued by the Deputy Governor for Legal Affairs and Compliance, and by asking the Taxpayer about his lawsuit, he replied in accordance with what was stated in the lawsuit sheet submitted to the General Secretariat of Zakat, Tax and Customs Committees and adhering to what was stated in it. He added that he purchased a property through a public auction, and asked him to pay a Real Estate Transaction Tax despite the fact that he was entitled to bear the first residence tax. When the representative of the Authority was asked about her response, she answered that the Taxpayer did not object before the Authority, and when the parties to the lawsuit were asked what they would like to add, they decided to be satisfied with what was previously submitted. The Circuit decided to adjourn the hearing to deliberate, in preparation for the issuance of the decision.

#### Grounds:

After reviewing the rules for the work of the Zakat, tax, and customs committees issued by Royal Decree No. (25711) dated 08/04/1445 AH, and since the acceptance of the grievance lawsuit is conditional on the objection before the Defendant (the authority) initially, based on Article (5) of the rules, and since it is established from the case documents that the Taxpayer's lawsuit consists in his objection to the tax invoice with reference number (...) issued on 10/12/2023, and a refund of part of the amount of the tax paid is requested as a result of the holders of the state certificate bearing the first residence tax, and where the Taxpayer submitted his claim on 08/02/2024, and where the Authority argued not to object to the decision in question, and the Plaintiff did not prove that he objected before the Authority, which leads the Circuit to not accept the lawsuit procedurally, to file it prematurely.

#### Decision:

The lawsuit is not accepted procedurally; to be filed prematurely.

The judgment has become final due to the expiration of the objection period in accordance with paragraph (2) of Article (33) of the rules of operation of the Zakat and Tax Committees.





Adjudication Committee for Tax Violations and Disputes  
The Third Circuit for adjudicating VAT violations and disputes in  
Riyadh City

Decision No. VR-2024-232466

Case No. R-2024-232466

### Keywords

Real Estate Transactional Tax – procedural – repetition of the lawsuit – non-acceptance of the Plaintiff's lawsuit

### Summary:

The Taxpayer's objection to the decision of the Zakat and Tax Authority regarding the Real Estate Transactional Tax, where he submitted a statement of claim demanding that the Defendant be obligated to pay the amount of the tax due. As the hearing was taking place, his agent upheld his client's claim, while the Defendant pleaded his pleading. After reviewing the relevant regulations, it was found that there is a previous lawsuit bearing the same subject, registered under No. (R-2024-231391). Whereas Article (75) of the Sharia Procedure Law stipulates that the same dispute may not be considered in more than one lawsuit. This means that the lawsuit is inadmissible due to its repetition.

### Document:

- [Zakat, Tax and Customs Committees Regulations issued by Royal Decree No. \(25711\) dated 08/04/1445 AH.](#)
- Article (75) of [the Judicial Procedures law issued by Royal Decree No. \(M/1\) dated 22/01/1435 AH.](#)

### Facts:

The facts of this case are that the Taxpayer is a company ... Commercial registration number (...), applied for by ... National ID number (...) As an agent under the POA No.. (...), and the lawyer's license No. (...), with a statement of claim that included a claim to oblige the Defendant to pay the amount of the Real Estate Transactional Tax resulting from the real estate transaction.

On Tuesday, 30/07/2024, the session was opened and held via video conferencing in accordance with the procedures for remote video litigation; and based on the provisions of paragraph (1) of Article (15) of the Rules for the Work of Zakat, Tax and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH; and by calling on the parties to the case; attended ... (Saudi nationality) National ID



number (...). As an agent for the Plaintiff under POA No.. (...), the Defendant also attended in person ... (Saudi national) national ID No. (...), and at the beginning of the session, the Plaintiff's attorney adhered to his client's claim according to the statement of claim attached to the case file, and to the request for the Defendant to comment on his adherence to his defenses according to the response memorandum attached to the case file. asked what they would like to add, both parties decided to be satisfied with what they had previously submitted. the Circuit decided to adjourn the hearing to deliberate, in preparation for the issuance of the decision.

### Grounds:



After reviewing the relevant laws and regulations, and after reviewing Case No. (R-2024-231391), which was registered on 04/02/2024, and since the aforementioned case has precedence in the registration, and includes the same merits objected to in this case, and where Article 75 of the Sharia Procedure Law issued by Royal Decree No. M/1 dated 22/1/1435 AH stipulates: The defense of the invalidity of the lawsuit, or of lack of territorial jurisdiction, or of referring the case to another court because the same dispute is before it or because another lawsuit is related to it, must be raised before any request or defense in the case or a plea of inadmissibility, otherwise the right to raise it is forfeited. It is understood from the text that the law does not allow the same merits to be considered at the same time before the judiciary in more than one case, even if the merits of the case does not acquire a status that has been previously ruled against hearing the case, and accordingly the circuit decided not to accept the case procedurally for repetition.

### Decision:

The non-acceptance of the lawsuit procedurally of its repetition.

The judgment has become final due to the expiration of the objection period in accordance with paragraph (2) of Article (33) of the rules of operation of the Zakat and Tax Committees.



Adjudication Committee for Tax Violations and Disputes  
The First Circuit for adjudicating VAT violations and disputes in  
Jeddah City

Decision No. VJ-2024-225083

Case No. R-2023-225083

### Keywords

Real Estate Transactional Tax – procedural – Failure to File the Case – Inadmissibility of the Plaintiff's Case

### Summary:

The Taxpayer objected to the decision of the Zakat, Tax and Customs Authority regarding the imposition of the Real Estate Transactional Tax resulting from the real estate reassessment, and the imposition of the late payment penalty, requesting the cancellation of the tax and the penalty. Since it was proven to the First Circuit for adjudicating VAT violations and disputes in Jeddah that the Taxpayer did not write his case to the extent necessary to proceed with it, it decided to dismiss the case. the implication of this; the rejection of the lawsuit for not editing it.

### Document:

- Article (11) of [Zakat, Tax and Customs Committees Regulations issued by Royal Decree No. \(25711\) dated 08/04/1445 AH.](#)
- Article (66) of [the Judicial Procedures law issued by Royal Decree No. \(M/1\) dated 22/01/1435 AH.](#)

### Facts:

The facts of this case are summarized in the fact that the Taxpayer, a Saudi national under national identity number (...), submitted a statement of claim that included an objection to the decision of the Authority regarding the imposition of the Real Estate Transactional Tax resulting from the real estate reassessment, the imposition of the late payment fine, and requests that the decision to impose the tax be canceled, and the fine be canceled. When the Authority was presented with the lawsuit, it submitted a four-page response memorandum, which was reviewed by the Circuit.

On Monday, 18/03/2024 AD, the session was opened for the First Circuit to adjudicate VAT violations and disputes in the city of Jeddah, which is held via video communication in accordance with the procedures of remote video litigation; based on the provisions of clause (first) of Article (15) of the Rules of Work of Zakat, Tax and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH; and by calling on the parties to the case, the Taxpayer attended in person according to national ID No. (...) he attended...



National ID number (...) as a representative of the Zakat, Tax and Customs Authority, with his authorization issued by the Deputy Governor of the Zakat, Tax and Customs Authority for Legal Affairs No.: (.../.../1445) dated: 19/03/1445 AH, in which the Circuit was unable to take the statements of the Taxpayer for poor communication with the network, so the Circuit decided to postpone the consideration of the case to a hearing on Monday, 01/04/2024 PM at 10:15 PM.

On Monday, 01/04/2024, the session was opened for the First Circuit to adjudicate VAT violations and disputes in Jeddah Governorate, which is held via video conferencing in accordance with the procedures for remote video litigation; based on the provisions of clause (first) of Article (15) of the Rules of Work of Zakat, Tax and Customs Committees issued by Royal Decree No. (25711) and dated 08/04/1445 AH; and by calling on the parties to the case, the Taxpayer attended asala (Saudi national) under national ID No. (...), and by asking the Taxpayer about his case, he answered in accordance with the provisions of the regulation submitted to the General Secretariat of Zakat, Tax and Customs Committees and adhering to its provisions, and by asking the representative of the Authority about his response, he replied that he pleads not to edit the case, and therefore the Circuit decided to adjourn the session for deliberation, in preparation for the issuance of the decision.

#### Grounds:

After reviewing the rules for the work of the Zakat, tax, and customs committees issued by Royal Decree No. (25711) dated 08/04/1445 AH, and where Article (eleven) of the same rules stipulates that: "The lawsuit shall be filed in accordance with the requirements specified by the secretariat general, fulfilling the following data: ... and - the subject of the lawsuit and what the Taxpayer requests and its grounds ", as stipulated in Article (sixty-sixth) of the Sharia Procedure Law that: "The judge shall ask the Taxpayer what is necessary to file his case before interrogating the authority, and he shall not proceed with it before that. If the Taxpayer is unable to edit it or refuses to do so, the judge shall rule regardless of the case." By reviewing the case file and the documents submitted in it, the Circuit found that the Taxpayer did not file his case to the extent necessary to proceed with it, and the circuit ends up dismissing the case.

based on the foregoing, the Circuit unanimously decided:

#### Decision:

Dismiss the case for failure to release it.

The judgment has become final due to the expiration of the objection period in accordance with paragraph (2) of Article (33) of the rules of operation of the Zakat and Tax Committees.



Adjudication Committee for Tax Violations and Disputes  
The First Circuit for adjudicating VAT violations and disputes in  
Dammam City

Decision No. VD-2024-232096

Case No. R-2024-232096

### Keywords

Real Estate Transactional Tax – procedural – Established on a person without capacity – Inadmissibility of the Plaintiff's lawsuit

### Summary:

The Taxpayer objected to the Zakat, Tax and Customs Authority's decision related to the real estate tax, as his appeal included a request for a refund of (208,875) riyals due to its use in evacuation a property to another party. He explained that the payment was made at the direction of the Center for Support and Liquidation (Enforcement), and that the Authority recognized the possibility of recovering the amount, but the action was not taken. Whereas, the Authority argued against its capacity in the lawsuit, since the invoice was issued in the name of the Taxpayer, but he paid voluntarily despite evacuation to another party. Consequently, the lawsuit was dismissed because it was filed against an incompetent person.

### Document:

- [Zakat, Tax and Customs Committees Regulations issued by Royal Decree No. \(25711\) dated 08/04/1445 AH.](#)
- [value Added Tax Law promulgated by Royal Decree No. \(M/113\) dated 02/11/1438H.](#)
- Paragraph (1) of Article (76) of [the Judicial Procedures law issued by Royal Decree No. \(M/1\) dated 22/01/1435 AH.](#)

### Facts:

The facts of this case are summarized to the extent necessary to issue the decision, that the Taxpayer, national ID number (...) He submits his lawsuit against the authority, and objects to the amount of the Real Estate Transactional Tax, because there is a problem by the Center of Support and Liquidation stating that the tax is canceled.



On Sunday, 30/06/2024, and with reference to paragraph No. (1) of Article (15) of the rules of work of the Zakat, tax, and customs committees, which include the permissibility of holding the sessions of the Circuit by means of modern technology, and by calling on both parties, the Taxpayer attended in person, a national ID No. (...), and I also attended/ ... National ID number (...) as a representative of the Authority under authorization No. (.../.../.../.../1445) issued by the Deputy Governor for Legal Affairs and Compliance with the Zakat, Tax and Customs Authority. After verifying the validity of the attendance of the parties to the lawsuit by presenting their national identity cards through a magnifying window and verifying the status of each of them, the Circuit decided to proceed with the consideration of the lawsuit. When asked by the Plaintiff about the lawsuit, he replied: I request the annulment of the Authority's decision, as mentioned and detailed in the statement of claim. Whereas, the Circuit requested the Taxpayer to clearly write his case, stating the facts of the case, and specifying his requests and supporting documents. Accordingly, the Circuit decided to postpone the hearing of the case to 21/7/2024 at 12:00, provided that the Taxpayer submits what was requested before 6/7/2024, and that the Authority is informed of what was submitted and responds to it, before 11/7/2024.

On 03/07/2024, the person in charge submitted a memorandum that included: I submit to you the response to the lawsuit registered with you No. (232096-2024) as I was purchased for 150 of the land No. 60 of the scheme No .... by Instrument No.:.... It is a share ... The ownership of this land belongs to the so-called ... by 150 and the Plaintiff ... 50% of the auction held by the Center for Support and Liquidation (...) He despairs of the execution court in Riyadh in the amount of 4177500 riyals and a tax invoice for real estate transactions was issued by them with the number ... in the amount of 208875 riyals, which is in the name of the disposer of the property ID number ... and the disposed of ... Identity number : ... This invoice was paid from my personal account by a bank ..., and after payment and the start of the evacuation and transfer procedures, it became clear that the tax invoice paid by me with the number: ... I have used another evacuation that does not belong to me. The Zakat, Tax and Customs Authority said that this paid invoice was used by other parties, namely ... (Seller) and a company ... Real Estate (Buyer) and after using the tax invoice paid by me, I was obliged to pay a new invoice bearing the number: ... In the amount of : 208875 riyals by the Center for Support and Liquidation (Enforcement) and they told me that the previous invoice will be recovered to me by the Zakat, Tax and Customs Authority and after correspondence between the Center for Support and Liquidation and the Zakat, Tax and Customs Authority, which took about six months, they told me that I must file a lawsuit with the General Secretariat of the Zakat, Tax and Customs Committees, and this is what I did by filing this lawsuit, and therefore I request you to oblige the Zakat, Tax and Customs Authority to refund the value of the real estate tax invoice with the number: ... For the amount of 208875 riyals that I paid from my account at a bank ... In my name and identity, the parties used others who are not registered with the real estate transaction tax invoice.



On 10/07/2024, the authority submitted a response memorandum that included: "Further to the minutes of the session held on (30/06/2024), where the Circuit requested the Taxpayer to clearly write his lawsuit, stating the facts of the lawsuit and specifying his requests and supporting documents, provided that the Authority reviews what he submitted and responds to it, before 11/7/2024, and by reviewing the Taxpayer's lawsuit sheet, it becomes clear that he is claiming a refund of the value of the real estate invoice No. (...). In the amount of (208,875) riyals, the Authority shall summarize its response as follows:

Your Excellency found that the Taxpayer paid the Real Estate Transactional Tax resulting from the real estate transaction invoice number (...) in which it is found that the buyer is the Taxpayer, but the property has been emptied to another party "a company ...", and therefore the Authority has no status in the lawsuit, and that in the event that it is assumed that there is an error in evacuation the property - according to the claim of the Taxpayer - the Authority does not have a status in claiming responsibility for this, and since the status of the parties to the lawsuit is an essential condition for accepting the lawsuit and must be available when it is filed, by filing the lawsuit from a person with a status and a status, which is approved by the organizer in the Sharia pleadings law in paragraph (1) of Article (76), which stipulates the following: "The defense of lack of jurisdiction of the court due to lack of jurisdiction or due to the type or value of the case, or the defense of inadmissibility of the case due to lack of capacity, competence, interest, or for any other reason, as well as the defense that the case cannot be heard because it has already been adjudicated: it may be pleaded at any stage of the proceedings and shall be ruled on by the court sua sponte. " Therefore, filing a lawsuit against the Authority is unacceptable due to the lack of capacity of the Authority. We would also like to clarify to your Excellency regarding the evacuation request with the number (...) From the seller ( ... / ...) To the Buyer (Company ... for Real Estate Development), for which the full amount of the tax on the disposition was paid by the Taxpayer (...) Based on the fact that the Center for Support and Liquidation issued the invoice in the name of the buyer (...) However, it was released to another party (a company ... for Real Estate Development), and the Authority does not know what was the reason or agreement between the parties that led to the payment by the Taxpayer while it was emptied to another party, as the executive regulations of the Real Estate Transactional Tax law clarified that the Real Estate Transactional Tax is collected from the disposer and it is obligated to pay it, but the parties may agree among themselves to the contrary, in accordance with the provisions of paragraph (2) of Article (5) of the executive regulations of the Real Estate Transactional Tax, which stipulates the following: "The parties may agree among themselves contrary to what is stated in paragraph (1) of this article, and the disposer remains obligated before the Authority to pay", which makes it clear that the authority has no status in the lawsuit. (Details of the evacuation request are attached below).

On Sunday 21/07/2024, and with reference to paragraph No. (1) of Article (15) of the rules of work of the Zakat, tax, and customs committees, which include the permissibility of holding the sessions of the Circuit by means of modern technology, and by calling on both parties, the Taxpayer attended, according to a



national ID No. (...), and also attended/ ... National ID number (...) as a representative of the Authority under authorization No. (.../.../.../.../.../1445) issued by the Deputy Governor for Legal Affairs and Compliance with the Zakat, Tax and Customs Authority. After verifying the validity of the attendance of the parties to the case by presenting their national identity cards through a magnifying window and verifying the status of each of them, the Circuit decided to proceed with the consideration of the case. By asking the parties to the case what they would like to add other than what was previously submitted, the Taxpayer added that he would like to respond to what the Authority submitted and that he paid the amount twice based on the directive of the Support and Liquidation Center to transfer the land and the capacity of the Authority is fixed, as the invoice was issued by it and the representative of the Authority adhered to his previous response. The Circuit decided to raise it for deliberation and issuance of the decision.

### Grounds:



After reviewing the relevant laws and regulations, and since one of the preliminary matters to be decided before entering into the merits of the lawsuit is to ascertain the capacity of the parties to the lawsuit, which the Circuit rules on its own initiative, in accordance with paragraph (1) of Article (76) of the Sharia Litigation Law, and where the claim of the Taxpayer to recover the Real Estate Transactional Tax related to the refund of the value of the Real Estate Transactional Tax invoice No. (...) For the amount of (208,875) riyals that he paid from his account and was used for other parties not registered in the real estate transactions tax invoice. Whereas the Taxpayer acknowledged before the Circuit that he paid the tax twice based on a directive issued to him by the Center for Support and Liquidation and not based on a directive from the Authority. Therefore, the Taxpayer's residence for his lawsuit came in an incompetent capacity, which makes it necessary to dismiss the lawsuit for it to be filed in an incompetent capacity. Whereas it was not found that the authority had obtained more than the amount of the tax due, there is no tax on it in this case and the Taxpayer has the right to refer to whoever he believes has the right, and based on the above and in accordance with the provisions of the Unified Agreement, the VAT Law and its Executive Regulations and the working rules of the committees for adjudicating tax violations and disputes, the Circuit decided after deliberation unanimously:

### Decision:

Dismissing the lawsuit because it was filed against a person without legal capacity.

The judgment has become final due to the expiration of the objection period in accordance with paragraph (2) of Article (33) of the rules of operation of the Zakat and Tax Committees.





Adjudication Committee for Tax Violations and Disputes  
The First Circuit for adjudicating VAT violations and disputes in  
Dammam City

Decision No. VD-2024-232844

Case No. R-2024-232844

### Keywords

Real Estate Transactional Tax— procedural — Expiration of the statutory period — Non-acceptance of the Plaintiff's claim

### Summary:

The Taxpayer objected to the Zakat, Tax and Customs Authority's decision on the reassessment of the real estate tax, as the Authority argued that the lawsuit was not accepted procedurally to submit the objection after the expiry of the legal period for the appeal. After reviewing the relevant regulations, it was found that the Taxpayer may be notified of the outcome of the objection on January 20, 2022, and a request to register the case before the Committee was submitted on March 4, 2024, that is, after the lapse of the legal period for the appeal, which was set at 30 days. Accordingly, the Circuit decided not to accept the lawsuit procedurally because it was not submitted within the statutory period. This means that the lawsuit is not accepted due to the lapse of the statutory period.

### Document:

- Article (6) of [the rules for the work of Zakat, tax, and customs committees issued by Royal Decree No. \(25711\) dated 08/04/1445 AH.](#)

### Facts:

The facts of this case are summarized to the extent necessary to issue the decision, that the Taxpayer , ID No. (...) On his own behalf and on behalf of the heirs ... According to agency number (...) And the agency number (...) Submit an objection to the Taxpayer's decision regarding the reassessment of the real estate transaction tax for invoice No. (...). By presenting the lawsuit to the Authority, it responded that it argues for the inadmissibility of the lawsuit procedurally; to submit the objection before the Committee after the expiry of the statutory period.

On Sunday, 30/06/2024, the session was held in accordance with the procedures for remote video litigation and by calling on the parties, and I also attended/ ... National ID number (...) As the representative of the Authority under the authorization No. (.../.../.../1445) issued by the Deputy Governor for Legal Affairs



and Compliance with the Zakat, Tax and Customs Authority, while the Taxpayer or his representative failed to attend and did not send an excuse for his failure despite the validity of informing him of the date of the session through the electronic portal of the General Secretariat of Zakat, Tax and Customs Committees, which is considered as a waste of his right to attend and plead. Whereas the Circuit decided to proceed with the case for the authority to rule on it in accordance with the provisions of paragraph (1) of Article (19) of the rules for the work of the Zakat, tax, and customs committees, it asked the representative of the Authority about his response to the list of the case. He replied in accordance with what was stated in the response memorandum and adheres to what is stated in it. After deliberation, the following decision was issued:

#### Grounds:

After reviewing the relevant laws and regulations, and since the consideration of such a lawsuit is conditional on a grievance against it before the committee within (30) days from the date of notification, and based on Article (6) of the rules of work of the Zakat, tax, and customs committees issued by Royal Decree No. (25711) dated 08/04/1445 AH, and since it is established from the case documents that the Taxpayer is informed of the result of the objection: 20 January 2022 and submitted a request to register the case before the Committee 04 March 2024 and did not provide an excuse accepted by the Circuit; therefore, the request to register the case before the Committee was submitted after the decision was fortified by the lapse of the date of appeal against it, which necessitates the non-acceptance of the case procedurally.

Based on the above and in accordance with the provisions of the Unified Agreement, the VAT Law and its Executive Regulations, and the working rules of the committees for adjudicating tax violations and disputes, the Circuit decided after deliberation unanimously:

#### Decision:

Inadmissibility of hearing the lawsuit procedurally.

The judgment has become final due to the expiration of the objection period in accordance with paragraph (2) of Article (33) of the rules of operation of the Zakat and Tax Committees.



Adjudication Committee for Tax Violations and Disputes  
The Second Circuit for adjudicating VAT violations and disputes in  
Riyadh City

Decision No. VSR-2023-191270

Case No. R-2024-191270

### Keywords

Real Estate Transactional Tax — procedural — raised without status — non-acceptance

### Summary:

The Taxpayer objected to the decision of the Zakat, Tax and Customs Authority regarding the imposition of the Real Estate Transactional Tax and the fine for late payment on an invoice related to a disposed property. The Taxpayer filed the objection on behalf of the disposer, but the authority objected to the inadmissibility of the lawsuit for filing it without capacity. The committee established that the lawsuit was submitted by the Taxpayer in his personal capacity and not as a representative of the disposer, as the invoice was in the name of the disposer and not in the name of the Taxpayer, which proves the lack of legal capacity of the Taxpayer. This means that the lawsuit is not accepted verbally for being filed without capacity.

### Document:

- [Zakat, Tax and Customs Committees Regulations issued by Royal Decree No. \(25711\) dated 08/04/1445 AH.](#)
- Paragraph (1) of Article (76) of [the Judicial Procedures law issued by Royal Decree No. \(M/1\) dated 22/01/1435 AH.](#)

### Facts:

The facts of this case are summarized in that the Taxpayer, ID No. (...) Apply for ... (He did not provide proof of his legal status) by objecting to the re-evaluation of the amount of the Real Estate Transactional Tax due and the imposition of a fine for late payment, and by presenting the lawsuit to the Authority; she replied that she pays after accepting the lawsuit to file it without status.

On Tuesday, 07/11/2023, the first session, held via video conferencing in accordance with the procedures for remote video litigation, was opened; based on the provisions of clause (3) of Article 15 of the Rules of Work of Zakat, Tax and Customs Committees and by calling on the parties to the case, the Taxpayer attended/ ... under national ID number (...), and attended/ ... National ID number (...) In its capacity as the representative of the "Zakat, Tax and Customs Authority" under the authorization letter No. (.../1444) dated

11/05/1444 AH issued by the Deputy Governor for Legal Affairs, and by asking the Taxpayer about his case, he answered according to what was stated in the statement of claim and adheres to what is stated in it. And by asking him about his status in the lawsuit, as it became clear to the Circuit that the real estate transaction tax invoice was issued in the name of ... He stated that he is an agent for the disposer ... and that the tax and fine have been imposed on him by the Commission. By presenting this to the representative of the Authority, she replied in accordance with the memorandum attached to the case file, and she also requested a deadline for the Circuit to submit her response to what the Plaintiff raised. Accordingly, the Circuit decided to accept the request for a deadline and postpone the hearing of the case until Wednesday, 22/11/2023, provided that the Authority submits its response no later than 14/11/2023.

On Wednesday, November 22, 2023, the second session was opened via video communication in accordance with the procedures for remote video litigation; and based on the provisions of paragraph (1) of Article (15) of the Rules for the Work of Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH; and by calling on the parties to the case, the Taxpayer (Saudi national) attended under National ID No. (...), and attended/ ... National ID number (...) In its capacity as the representative of the "Zakat, Tax and Customs Authority" under the authorization letter No. (.../1444) dated 11/05/1444 AH issued by the Deputy Governor for Legal Affairs, and in this session, the Circuit asked the representative of the Authority what she was given a deadline for, and she replied in accordance with the memorandum attached to the case file, and by presenting this to the Taxpayer, he replied in accordance with what was stated in his lawsuit sheet. asked what they would like to add, both parties decided to be satisfied with what they had previously submitted. the Circuit decided to adjourn the hearing to deliberate, in preparation for the issuance of the decision.

### Grounds:

After reviewing the relevant laws and regulations, and since one of the preliminary matters that are decided before entering the merits of the lawsuit is to ensure the status of the parties to the lawsuit, which the Circuit rules on its own initiative, in accordance with paragraph (1) of Article (seventy-sixth) of the Sharia litigation law, and since it was proven to the Circuit through the documents submitted by the parties that the real estate disposition in question was carried out through the owner of the property (the disposer) ... national ID No. (...), and that the Real Estate Transactional Tax invoice was issued in the name of the disposer and not in the name of the Taxpayer, and it has not been proven to the Circuit that the Authority imposed the Real Estate Transactional Tax and fine on the Taxpayer regarding the property in question, and since the person who submitted the case is the Taxpayer in his personal capacity and not in the name of the disposer ..., which proves the lack of legal status of the Taxpayer in this case, the Circuit concludes that the case was filed without status .



### Decision:

Inadmissibility of the lawsuit procedurally of filing it by a person without capacity.

The judgment has become final due to the expiration of the objection period in accordance with paragraph (2) of Article (33) of the rules of operation of the Zakat and Tax Committees.



## Subjective Decisions Issued By Tax Committees



**The Tax Violations and Disputes Committee**  
**The First Circuit for adjudicating VAT violations and disputes in**  
**Dammam City**

Decision No. VD-2024-205508

Case No. R-2023-205508

### Keywords

Real Estate Transaction Tax- Applicability of the Real Estate Transaction Tax- Taxability of the real estate transaction under the Real Estate Transaction Tax- Mutual Funds - Revocation of the Authority's Decision

### Summary:

The Plaintiff objected to the Zakat, Tax and Customs Authority's decision to reassess and refuse to exclude the real estate transaction from the application of the real estate transaction tax and the imposition of the tax, as a closed private real estate investment fund was established and the Plaintiff contributed to this fund with the property in question as an in-kind share. the dispute lies in the subjection of the real estate transaction to the real estate transaction tax because the exception does not apply to the property, as leasing is one of the objectives of the fund according to the Authority, while the Plaintiff argued that the main purpose of establishing the fund is to develop for the purpose of selling real estate and exiting with the best return for the shareholders, and the fund manager may resort to leasing the property during the term of the fund in order to attract the final buyer and achieve the best return for the shareholders. the Circuit found that the Fund and its objectives are in accordance with the exception in the Regulation, resulting in the annulment of the Authority's decision.

### Document:

- [Zakat, Tax and Customs Committees Regulations issued by Royal Decree No. \(25711\) dated 08/04/1445 AH](#)
- Paragraph (15) of Article (3) of [The Executive Regulations of the Real Estate Transaction Tax, amended by Ministerial Decision No. \(1445-88-1\) dated 02 Ramadan 1445A.H](#)

### Facts:

The case referred to above has been considered, and since the case has met the prescribed legal conditions, it has been submitted to the General Secretariat of the Tax Committees on 11/09/2023.



The facts of this case are summarized in that the Taxpayer is a company (...) Commercial Register (...) Submitted by/ (...) National ID number (...) As a legal representative under the Memorandum of Association, with a statement of claim that included an objection to reassessment by rejecting the real estate transaction exception No. (...) From the application of the Real Estate Transactional Tax and the imposition of a tax of (3,011,850.00) riyals, where a fund was established (...) It is a private real estate investment fund closed in the Kingdom on 06/12/2021AD and the Authority did not pay attention to the business and the purpose of establishing the fund. The Plaintiff requests the cancellation of the Authority's decision and an exception to the application of the real estate tax and requests a refund of the tax amount.

When the Defendant was presented with the list, she submitted a response memorandum stating: The Authority wishes to clarify the reasons on which the decision was based after studying the documents submitted by the Plaintiff, according to the following details: It was found that the property in dispute was sold according to the agreement between the Taxpayer (...) (...) Company in the amount of (60,237,007.95) riyals, with the aim of presenting the property - the subject of the dispute - as an in-kind share in the real estate fund (...). The Authority has reviewed the terms and conditions of the Fund (...) It was found through it that clause No. (4) related to the objectives of the Fund and paragraph (3) of clause No. (5) related to the purpose and objectives of the Fund, and where the above exception was stipulated to consider the behavior excluded from the Real Estate Transactional Tax, provided that it is not among the activities of the Real Estate Fund to rent the property, and where it was found that part of the purpose of the Real Estate Fund is to rent the property, which indicates and indicates explicitly the inclusion of the rental of the property to the approved work of the Fund. That the purpose of establishing the Fund is to achieve capital returns for investors by investing the commercial land (leasing or selling) and that the sale is a subsequent process that comes at the end of the Fund's term, and that among the approved project business plan is to determine the start of leasing during the third year from the start of the project, and therefore it is clear that the work of the Fund for leasing is contrary to what the Plaintiff mentioned in its regulations and the Authority requests a ruling to reject the lawsuit. Accordingly, and based on the above, it is clear that the real estate transaction - the subject of the dispute - is provided as an in-kind share of the Fund (...) It was also clarified that renting the property is one of the objectives of the Real Estate Fund, and therefore the disposal is not excluded from the Real Estate Transaction Tax and does not fall under any of the exceptions stipulated in Article (3) of the Executive Regulations of the Real Estate Transaction Tax as explained, and therefore the Authority imposed the Real Estate Transaction Tax on the disposal, and since the disclosed value is within the scope of the fair market value, the Authority adopted that value and calculated the tax based on it in the rate stipulated in Article (2) of the Executive Regulations of the Real Estate Transaction Tax. the Authority shall request a judgment of dismissal. Its reply is completed.

The Plaintiff then submitted a response memorandum that included: Whereas, the objective of the Fund is to sell and paragraph (15) of Article (3) of the Real Estate Actions Tax Regulations on which the Defendant





relied. At the end of the Article, which is "the exception does not include funds established for the purpose of renting real estate", which is considered an exception by the Organizer from this exception mentioned in Article. Moreover, the Authority's reliance on the business plan is an argument on which there is no argument, because the leasing was mentioned during the last quarters of the third year and then the sale was mentioned at the beginning of the fourth year directly, that is, the leasing according to what was mentioned did not complete a year, and this indicates the intention of the Fund, which is to sell at the best possible price as is customary from the business of traders and not to achieve income from leasing. The Fund did not draw the business plan on leasing and selling consecutively, that is, with a difference of a period that did not reach even a year, but rather made the leasing years multiple to achieve the goal claimed by the Defendant. Is it reasonable for the lease to be for a period of nine months only to achieve income? Therefore, it is clear to your Excellency the intention of the Fund, which is development and then sale, and confirms to your Excellency that leasing is the potential option that is not approved and is not essential, as evidenced by not setting a certain period for leasing as stipulated in the list of funds. The distribution of revenues is suspended provided that there is any understanding that they may or may not exist. If they exist, they are returns of one year or less, which is that their purpose is to increase the price and not to rent at all. This indicates that the Fund's option to rent is an alternative potential goal and not a primary goal as mentioned. The use of leasing is an objective that has not been adopted and is not among the main objective of the Fund, as the leasing came after it, which indicates doubt and not certainty. The text of the clause "The Fund may resort to leasing the project in order to achieve the sale of the property." The Plaintiff requests that the Defendant's decision be overturned. Its reply is completed.

On Sunday, February 11, 2024, the hearing was held in accordance with the procedures of remote visual litigation and by calling the parties to the case, (...) attended. National ID number (...) as agent for the Plaintiff under agency number (...), and I attended (...) National ID number (...) As the representative of the Zakat, Tax and Customs Authority under the letter of authorization No. (...) on 19/03/1445 A.H., issued by the Deputy Governor for Legal Affairs and Compliance, and by asking the Deputy Prosecutor what he would like to add, he decided to settle for his previous statements, while the representative of the Authority requested a period of time to respond to the company's last memorandum, according to the memorandum submitted by the Authority previously. Accordingly, the Circuit decided to postpone the hearing of the case until Sunday, 18/02/2024 A.D.

The Defendant then submitted a response memorandum stating: The Plaintiff's response note stated the following: "It is clear that the purpose for which the fund was established is to sell only," and then the Plaintiff stated the text: "We assure you that leasing is an inevitable option that is not approved and is not essential." It is clear from the above that the Plaintiff sometimes confines the purpose of the fund to selling the property only, and at other times states that the option of the fund to resort to leasing is a potential goal, and this indicates the explicit contradiction in the Plaintiff's response note. Whereas, it is established by the



Authority according to the terms and conditions of the Real Estate Fund " that part of the goal of the Real Estate Fund is the possibility of resorting to leasing the property, and that both matters of sale and lease are expected to occur and not as the Plaintiff stated that the purpose for which the fund was established is to sell only, which confirms the phrase contained in the fund that includes " the fund manager may resort to leasing the property during the term of the fund..." which is contrary to the exception contained in paragraph (15/A) of Article (3) of the Executive Regulations of the Real Estate Actions Tax. It is clear to the esteemed committee that the fund provided the opportunity for the board of directors and unit owners to extend the term of the fund for additional periods, which makes it difficult to confirm the final term of the fund. The authority also confirms that the Plaintiff can not rely on the regulations of the capital market and its regulations related to investment funds, to apply an exception related to the Real Estate Transactional Tax, as the text of the law of special provisions that regulate it and the rules to be followed, in addition to the text of the article to be applied to the disposal did not detail or mention the duration of the lease, but only mentioned the goal of the lease as stipulated in paragraph (15/a) of Article (3) of the executive regulations of the Real Estate Transactional Tax. As for what the Plaintiff paid within her statement of claim, "and what proves that by referring to the financial statements of the Fund attached to you, it becomes clear that there are no rental revenues, which confirms that leasing is not an activity of the Fund." Accordingly, the Authority answers that after reviewing the financial statements of the Fund (...) For the period from the date of commencement of the activity (19/12/2021) to (31/12/2022), it was found that the clause included "the cost of real estate under development" in the amount of (158,198,765) riyals (attached). Looking at Note No. (7- Properties under development), it is clear that the cost of the properties under development included the cost of the land with a value of (155,758,423) riyals, financing costs with a value of (454,432) riyals, and consultancy and design costs with a value of (1,985,910) riyals (attached). It is clear that there were no construction costs during the mentioned period, and therefore it is clear that the projects for which the fund was established have not been started and are still under development. Therefore, the Plaintiff's reliance was misplaced and has no impact on the lawsuit because the project implementation was not completed until the leasing process was started. Therefore, the financial statements also did not include the revenues from the sale of the property. Based on the above, the Authority confirms that the disputed disposition is subject to the Real Estate Transaction Tax and is not excluded because the real estate disposition in dispute is provided as a share in kind to the Fund (...) It was clarified that its objectives are not limited to selling the property, and accordingly, the Authority maintains the validity and safety of its procedure. it asks for a judgment of dismissal. Its reply is completed.

The Plaintiff then submitted a response memorandum stating: The Authority tried to avoid going into and talking about the subject of the dispute, which is the actual reality of the Fund and its work and development, and it did not make sure that it was put on the reality and whether it is in agreement with the rules of exception. The Authority also ignored for the third time and did not address what we mentioned from the text of Article 10 of the terms and conditions of the Fund, which explicitly states the purpose for

which the Fund was established. Here, we draw the attention of the Circuit to the fact that the Authority stated in its recent memorandum that the leasing from the company did not occur. What the Authority mentioned from the requirement of the exception contained in paragraph (15/a) of Article 3 of the Executive Regulations of the Real Estate Transaction Tax to consider the disposal excluded from the Real Estate Transaction Tax, provided that it is not among the activities of the Real Estate Fund to rent the property, it is the subject of agreement of everyone, but what is discussed here is whether the company violated the laws and regulations that apply to it or violated the wrong interpretations of the Authority and its modification of the reality of the work activity of the Fund. The Authority stated that the Fund provided an opportunity for the Board of Directors and unit owners to extend the term of the Fund for any additional period without another, not to launch it, but if the circumstances are not suitable for liquidation or in the event that the development is not completed due to circumstances beyond its control, and here it must obtain the approval of the Board of Directors, notify the unit owners and notify the Capital Market Authority, which means that it is only a reserve period and not like the funds designated for leasing that have been previously mentioned. As for the Authority's statement that it is not possible to rely on the regulations of the capital market and its organization related to investment funds, it is returned to it. The article stipulates that the establishment of the fund shall be in accordance with the rules and regulations of the Capital Market Authority. The subject of the objection is based on the terms and conditions of the fund and the terms and conditions based on the list of real estate investment funds referred to in the article. It is not correct to say that it is not permissible to rely on the regulations. Accordingly, the fund and its objectives are in accordance with the exception mentioned in paragraph (1/15) of Article (3) of the executive regulations of the Real Estate Transactional Tax and the exception to the Real Estate Transactional Tax applies to what the fund aims at the time of disposal, which is the current goal applied.

On Sunday, February 18, 2024, the session was held in accordance with the procedures for remote video litigation and where the parties wished to hear the case, with the participation of (...) National ID number (...) as agent for the Plaintiff under POA No.. (...) , and share (...) National ID number (...) In her capacity as the representative of the Zakat, Tax and Customs Authority under the authorization letter No. ((...)/353/1445) dated 19/03/1445 AH and issued by the Deputy Governor for Legal Affairs and Compliance. asked what they would like to add, both parties decided to be satisfied with what they had previously submitted. Accordingly, the Circuit decided to temporarily withdraw the parties to the case from the visual circuit to deliberate and issue the decision. After deliberation, the following decision was issued:

#### Grounds:

After reviewing the case papers and after auditing, and based on the value added tax law issued by Royal Decree No. (M/113) dated 2/11/1438 AH and its amendments, and on the executive regulations of the law issued by a decision of the Board of Directors of the General Authority for Zakat and Income No. (3839) dated 14/12/1438 AH and its amendments, and on the rules for the work of Zakat, tax, and customs

committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. and the Unified VAT Agreement for the Gulf Cooperation Council Countries, and the relevant laws and regulations.

Procedurally, since the Plaintiff aims from her lawsuit to recover the amount of the Real Estate Transactional Tax of (3,011,850.00) riyals. Whereas this dispute is one of the disputes within the jurisdiction of the Zakat and Tax Adjudication Committee's Circuits under the Zakat, Tax and Customs Committees' working rules, and since the lawsuit was submitted within the legally prescribed period in accordance with Article (5) of the Zakat, Tax and Customs Committees' working rules and where the lawsuit was submitted by a person with standing, the Circuit must accept the lawsuit procedurally.

On the merits, and where the dispute lies in the Plaintiff's objection to subjecting the property in question to the Real Estate Transactional Tax, and considers that the exception mentioned in paragraph (15) of Article (3) of the Real Estate Disposal Regulation applies to the property in question, and the company (the Taxpayer) established its objection on the basis that (the Fund...) It is a private real estate investment fund, and it is managed by the company (...), and it is based on the development of real estate for the benefit of the fund, the company (...) the main purpose of establishing the fund is to develop it for the purpose of selling real estate and exiting with the best return for the shareholders, and the fund manager may resort to leasing the property during the term of the fund in order to attract the final buyer and achieve the best return for the shareholders, in accordance with the text of Article (4) in the objectives of the fund, and therefore the company requests to look at the main purpose of establishing the fund, and thus the application of the exception to the company, and requests to cancel the decision of the Authority, and to exclude the act from the real estate transaction tax. While the Authority responded by adhering to the validity and integrity of its decision, because the exception does not apply to the real estate transaction carried out by the company (the Taxpayer), as the third paragraph of Article (5) related to the purpose and objectives of the Fund, stipulates the distribution of rental returns (if any), and the Authority also relied on paragraph (d) of Article (6), which states that there is a plan to lease starting from the second quarter of the third year of the Fund, and therefore the Authority considers that the lease is one of the objectives of the Fund, and therefore the exception does not apply and the Authority requests that the lawsuit be rejected.

Where paragraph (15) of Article (3) of the Real Estate Disposals Regulations, which stipulates: "Disposing of the property by submitting it as a contribution in kind - by any person - in the capital of a real estate investment fund, upon the establishment of the fund initially in accordance with the laws and regulations of the Capital Market Authority, and the exception does not include funds established for the purpose of renting real estate."

After reviewing the case file and the documents it contains, it is clear that the dispute is about subjecting the real estate transaction to the real estate transaction tax, because the exception does not apply to the real estate, as leasing is one of the objectives of the fund according to the Authority, while the Plaintiff argued that the main objective of establishing the fund is to develop for the purpose of selling real estate and exiting

with the best return for the shareholders, and the fund manager may resort to leasing the property during the term of the fund for the purpose of attracting the final buyer and achieving the best return the fund manager may resort to leasing the property during the term of the fund for the purpose of attracting the final buyer and achieving the best return for the shareholders, and looking at paragraph (15) of Article (3) of the Real Estate Dispositions Regulation, it is clear that this exception relates to the disposal of the property by providing it as a contribution in kind to the capital of a real estate investment fund, provided that the leasing of real estate is not the goal of the fund's establishment the terms and conditions of the disputed real estate fund show that its main purpose is to sell real estate with the best return for the shareholders, and to achieve this purpose, the fund manager may resort to leasing the property during the term of the fund in order to attract the final buyer and achieve the best return for the shareholders, and therefore it appears that the main objective of the fund according to the is to sell real estate and exit from it with the best return, and the issue of leasing real estate is complementary and supplementary to the original, and the purpose and motivation thereof is to achieve the main objective of the fund represented in the intention to sell, which proves the incorrectness of the Authority's approach in subjecting the property to real estate transaction tax, based on the deficit of paragraph (15) of Article (3) of the Real Estate Regulation, which explicitly states it is clear that the Authority has expanded the interpretation and application of the provisions of paragraph (15) of the aforementioned article by applying them without the main objective of leasing real estate, since the original purpose of establishing the fund is to sell real estate, and in order to achieve this principle, the conditions stipulate that the fund must be sold in order to achieve this principle, the terms and conditions of the disputed real estate fund stipulated that the fund manager was given the authority to lease during the fund's term, which is four years, in order to entice the final buyer, in order to achieve the original goal and purpose of establishing the fund, which is the intention to sell, and what is stated in the deficit of paragraph (15) is not consistent with the fund's term, which is limited to four years therefore, given the four-year duration of the fund, it is not possible to consider leasing for a period of one year in accordance with paragraph (d) of Article (6) of the terms and conditions of the real estate fund, as leasing is only a means to achieve the original objective and purpose of establishing the fund, which is the intention to sell as leasing is only a means to encourage the sale of the property, and the fund manager may resort to it to achieve the main purpose of establishing the fund, which is to sell, which shows the incorrectness of the Authority's approach in considering the leasing of real estate as an offshoot of the main purpose of the fund, and consequently the incorrectness of subjecting the property to the real estate transaction tax.

Moreover, the purpose and motivation of the regulator in excluding the scope of the real estate transaction tax is to encourage and stimulate the establishment and establishment of real estate investment funds, due to its important economic and developmental effects. Therefore, the Authority's tendency to expand the interpretation of the text of paragraph (15) of Article (3) of the Real Estate Transactions Regulation is contrary to what is stipulated in the deficit of the said paragraph, according to the reasons stated, which



leads the Circuit to accept the Plaintiff company's objection and cancel the Defendant's decision on subjecting the real estate transaction to taxation.

Based on the above and in accordance with the provisions of the Unified Agreement, the VAT Law and its Executive Regulations, and the working rules of the committees for adjudicating tax violations and disputes, the Circuit decided after deliberation unanimously:

#### Decision:

Annulment of the Authority's decision to subject the real estate transaction to the real estate transaction tax.

This decision was issued in the presence of both parties, and the date of depositing the decision in the electronic system of the General Secretariat of Zakat, Tax and Customs Committees shall be considered the date of delivery of the decision, and the parties to the lawsuit may request to appeal it within (30) thirty days from the day following the date specified for its delivery, and if no objection is filed, it shall become final and enforceable after the expiration of this period.

The judgment has become final due to the expiration of the objection period in accordance with paragraph (2) of Article (33) of the rules of operation of the Zakat and Tax Committees.



**The Tax Violations and Disputes Committee**  
**The First Circuit for adjudicating VAT violations and disputes in**  
**Dammam City**

Decision No. VJ-2023-201879

Case No. R-2023-201879

### Keywords

Real Estate Transaction Tax- Applicability of the Real Estate Transaction Tax - Taxability of the real estate transaction under the Real Estate Transaction Tax - Exemption Certificate – Case Dismissal

### Summary:

The Taxpayer's objection to the decision of the Zakat, Tax and Customs Authority, where the dispute lies in the objection of the Plaintiff (the Taxpayer) to the decision of the Defendant (the authority) to subject the real estate disposition to tax, as the buyer (the Taxpayer) has an exemption and was not accepted by the Defendant, and where the Defendant replied that the real estate disposition does not apply to the exemption from the payment of the tax, and accordingly the disposition was subject to the real estate disposition tax, and it was proven to the Circuit regarding the certificate of bearing the first residence; that the property subject of the claim is land, and that the attached certificate is included in the prefabricated units, off-plan sales units, and is not covered by the land, which is considered with it the Defendant's decision to be correct in subjecting the real estate disposition to tax. This means that the Plaintiff's claim is accepted procedurally and rejected in substance.

### Document:

- [Zakat, Tax and Customs Committees Regulations issued by Royal Decree No. \(25711\) dated 08/04/1445 AH.](#)

### Facts:

The case referred to above has been considered, and since the case has met the prescribed legal conditions, it has been submitted to the General Secretariat of the Tax Committees on 14/06/2023.

The facts of this case are that the Taxpayer, National Identity No. (...) On its own behalf, it submitted a statement of claim that included its objection to the Defendant's decision to subject the real estate transaction to tax, as the buyer has an exemption and was not accepted by the Defendant, and the amount objected to (37,322 riyals), and by presenting the Plaintiff's statement of claim to the Defendant's attorney, he replied with a response note consisting of (3) pages, which the Circuit reviewed.



On Monday, 13/11/2023, the session was opened for the First Circuit to adjudicate VAT violations and disputes in Jeddah Governorate, which is held via video conferencing in accordance with the procedures for remote video litigation; based on the provisions of clause (first) of Article (15) of the Rules of Work of Zakat, Tax and Customs Committees issued by Royal Decree No. (25711) and dated 08/04/1445 AH; and by calling on the parties to the case, the Plaintiff or her representative did not legally attend despite the fact that it was proven that she was informed of the date of this session via the e-mail registered in the case file, and she attended (...) (Saudi nationality) under national ID number (...) As a representative of the Zakat, Tax, and Customs Authority under the authorization letter No. (...) dated 11/05/1444 AH issued by the Deputy Governor for Legal Affairs, the Circuit decided to dismiss the case for lack of validity of adjudication. The session concluded at 5:55 pm.

On 15/11/2023, the Plaintiff submitted a request to re-start the case.

on Monday, 04/12/2023 AD, the session was opened for the First Circuit to adjudicate VAT violations and disputes in the city of Jeddah, held via video communication in accordance with the procedures of remote video litigation; based on the provisions of clause (first) of Article (15) of the Rules of Work of Zakat, Tax and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH; and by calling on the parties to the case, the Plaintiff's Attorney (...) National ID number (...), under Power of Attorney number (...) attended. And the legal representative (...) (Saudi national) under National ID No. (...), attended on behalf of the Zakat, Tax and Customs Authority under the authorization letter No. ((...)/1445) dated 19/03/1445 AH, issued by the Deputy Governor for Legal Affairs and Compliance, and by asking the Plaintiff's deputy about his case, he answered in accordance with what was stated in the regulation submitted to the General Secretariat of Tax, Zakat and Customs Committees and adhering to what was stated in it. By asking the Defendant's representative about her response, she answered by adhering to what was stated in the response memorandum, and by asking the parties to the case what they would like to add, they decided to be satisfied with what was previously submitted. the Circuit decided to adjourn the hearing to deliberate, in preparation for the issuance of the decision.

### Grounds:

After reviewing the lawsuit papers and after auditing, and after reviewing the Income Tax Law issued by Royal Decree No. (M/1) dated 15/1/1425 AH and its amendments, and its executive regulations issued by Minister of Finance Decision No. (1535) dated 11/6/1425 AH and its amendments, and based on the Value Added Tax Law issued by Royal Decree No. (M/113) dated 2/11/1438 AH and its amendments, and the Executive Regulations of the Law issued by a decision by the Board of Directors of the General Authority for Zakat and Tax No. (3839) dated 14/12/1438 AH and its amendments, and the rules of operation of the Zakat, Tax and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH, and the





Unified Value Added Tax Agreement for the Gulf Cooperation Council countries, and the relevant laws and regulations.

Procedurally: Whereas the Plaintiff aims to object to subjecting real estate transaction to tax, and since this dispute is one of the disputes within the jurisdiction of the Zakat and Tax Adjudication Committee's Circuits under the Zakat, Tax and Customs Committees' working rules, and since the Plaintiff was informed of the result of the objection on (05/06/2023), and she submitted the lawsuit through the electronic portal on (14/06/2023), therefore, the lawsuit was submitted within the legally prescribed period, and the lawsuit was submitted by a person with standing, which requires the Circuit to accept the lawsuit procedurally.

In terms of merits: By contemplating the lawsuit papers and the response of the two parties after giving them enough time to express and submit what they have, the Circuit proved that the dispute lies in the Taxpayer's objection to the authority's decision to subject the real estate transaction to tax, as the buyer has an exemption and has not been accepted by the authority, after reviewing the case file and the documents it contains, it appears that the Plaintiff requests exemption from the Real Estate Transactional Tax due to the existence of a certificate of exemption from the buyer, and where the Defendant replied that the real estate transaction does not apply to him from paying the tax, and therefore the disposition was subject to the Real Estate Transactional Tax, and after considering the Plaintiff's request, we find that he does not meet the requirements of the law, and therefore the authority's action is correct in subjecting the real estate transaction to the Real Estate Transactional Tax, and with regard to the certificate of bearing the first residence; as the property subject of the claim is land, and by looking at the attached certificate, we find that it is included in the ready units, off-plan sale units, and the land is not included, which the Defendant's decision is correct in subjecting the real estate transaction to the tax, which leads the Circuit to respond to the Plaintiff's objection.

Based on the foregoing, the Circuit unanimously decided:

#### Decision:

Accepting the Plaintiff's claim procedurally and dismissing it in substance.

This decision was issued in the presence of both parties. The date of making the decision available in the electronic system of the General Secretariat shall be considered the date of delivery of the decision. This decision is final and enforceable in accordance with Article (33) of the rules for the work of Zakat, tax, and customs committees.

May Allah's peace and blessings be upon our Prophet Muhammad and upon his family and companions.



The Tax Violations and Disputes Committee  
The First Circuit for adjudicating VAT violations and disputes in  
Riyadh City

Decision No. VR-2024-225357

Case No. R-2023-225357

### Keywords

Real Estate Transaction Tax -Non-applicability of the Real Estate Transaction Tax-Acceptance of the Plaintiff's Claim

### Summary:

The Taxpayer's objection to the decision of the Zakat, Tax and Customs Authority to oblige the Plaintiff (the Taxpayer) to pay the real estate transaction tax, and where the dispute lies in the Plaintiff's (the seller) claim to cancel the Defendant's (the authority) decision because the sale in 2015 was for a government grant, which is a date prior to the issuance of the value-added tax law and the real estate transaction regulation, and the Plaintiff's relationship with it ended after receiving the certified check against it, while the Defendant clarified that what the Plaintiff claims that a previous contract for the purchase of the property was concluded is not supported by a document, and by informing the Circuit of the acknowledgment of receipt of a grant and the concluded sale contract, it is clear to the Circuit that the sale was made before the tax was imposed, thus; accepting the Plaintiff's claim and canceling the authority's decision.

### Document:

- [Zakat, Tax and Customs Committees Regulations issued by Royal Decree No. \(25711\) dated 08/04/1445 AH.](#)

### Facts:

The case referred to above has been considered, and since the case has met the prescribed legal conditions, it has been submitted to the General Secretariat of the Tax Committees on 19/10/2023.

the facts of this case are that the Taxpayer, national ID number (...) On his own behalf, he submitted a statement of claim that included a claim to cancel the Defendant's decision because the sale in 2015 was for a government grant, which is a date prior to the issuance of the VAT Law and the Real Estate Actions Regulations, and the Plaintiff's relationship with it ended after receiving the certified check against it.



When the lawsuit was presented to the Defendant, a response memorandum was submitted, which was reviewed by the Circuit.

on Tuesday, 27/02/2024, the first session, held via video conferencing, was opened in accordance with the procedures for remote video conferencing; and based on the provisions of paragraph (1) of Article (15) of the Rules for the Work of Zakat, Tax and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH; and by calling on the parties to the case, the Plaintiff attended in person (....) (Saudi nationality) under national ID number (....), and attended (....) (Saudi nationality) under national ID number (....) As a representative of the Defendant "Zakat, Tax and Customs Authority" under the authorization letter No. (....)/1444) dated 11/05/1444AH issued by the Deputy Governor for Legal Affairs and Compliance. After verifying the validity of the attendance of the parties to the case by presenting their national identity cards through a magnifying window and verifying their status, I decided to proceed with the case. When the Plaintiff was asked about his case, he replied in accordance with what was stated in the statement of claim submitted to the General Secretariat of the Zakat, Tax and Customs Committees and adherence to what was stated in it, and when the Defendant's representative was asked about her response, she replied by adhering to what was stated in the response memorandum. asked what they would like to add, both parties decided to be satisfied with what they had previously submitted. After discussion, the Circuit decided to stop proceeding with the lawsuit based on Article (43) of the rules of operation of the Zakat, Tax, and Customs Committees, and to write to the Municipality of Jeddah Governorate and the Notary Public in Jeddah Governorate to provide the Circuit with a copy of the High Commissioner's directive to stop issuing deeds.

On Tuesday, 25/06/2024, the session, which is held via video conferencing, was opened in accordance with the procedures for remote video conferencing; and based on the provisions of paragraph (1) of Article (15) of the Rules for the Work of Zakat, Tax and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH; and by calling on the parties to the case, the Plaintiff attended in person (....) (Saudi nationality) under national ID number (....), and attended (....) (Saudi nationality) under national ID number (....) As a representative of the Defendant "Zakat, Tax and Customs Authority" under the authorization letter No. (....)/1444) dated 11/05/1444AH issued by the Deputy Governor for Legal Affairs and Compliance. After verifying the validity of the attendance of the parties to the case by presenting their national identity cards through a magnifying window and verifying their status, I decided to proceed with the case. asked what they would like to add, both parties decided to be satisfied with what they had previously submitted. Accordingly, the Circuit decided to postpone the hearing of the case until Tuesday, 09/07/2024 at 12:00 pm, for further study.

On Tuesday, 09/07/2024, and by reviewing paragraph (1) of Article (15) of the rules of work of Zakat, tax, and customs committees, which include the permissibility of holding the sessions of the Circuit by means of modern technology, and by calling on the two parties, the Plaintiff/ (....) national ID number (....), also attended/ (....). National ID number (....) In his capacity as representative of the Defendant under

authorization number (...) Issued by the Deputy Governor for Legal Affairs and Compliance with the Zakat, Tax and Customs Authority. After verifying the validity of the attendance of the parties to the lawsuit by presenting their national identity cards through a magnifying window and verifying the status of each of them, the Circuit decided to proceed with the consideration of the lawsuit. When asked by the Plaintiff about the lawsuit, he replied: I request that the Defendant's decision be overturned as detailed in the statement of claim. When the Defendant's representative was presented with this, he replied: that it adheres to the Defendant's response previously filed with the General Secretariat of the Zakat, Tax and Customs Committees. when both parties were asked what they wished to add, they replied by contenting themselves with the above. After deliberation, the Circuit unanimously decided:

### Grounds:

After reviewing the lawsuit papers and after auditing, and after reviewing the Income Tax Law issued by Royal Decree No. (M/1) dated 15/1/1425 AH and its amendments, and its executive regulations issued by Minister of Finance Decision No. (1535) dated 11/6/1425 AH and its amendments, and based on the Value Added Tax Law issued by Royal Decree No. (M /113) dated 2/11/1438 AH and its amendments, and the Executive Regulations of the Law issued by Resolution No. (3839) dated 14/12/1438 AH and its amendments, and based on the Value Added Tax Law issued by Royal Decree No. (26040) dated 11/06/1441AH, and the Unified Value Added Tax Agreement for the GCC Countries, and the relevant laws and regulations.

Procedurally: Since this dispute is one of the disputes within the jurisdiction of the Tax Adjudication Committee Circuits under the working rules of the Zakat, Tax and Customs Committees, and since the Plaintiff was notified of the result of the objection on 09/10/2023, and submitted the lawsuit through the electronic portal on 19/10/2023, the lawsuit was submitted within the legally prescribed period in accordance with Article (5) of the working rules of the Zakat, Tax and Customs Committees, and since the lawsuit was submitted by a person with standing, the Circuit must accept the lawsuit procedurally.

On the merits, after reviewing the entire case file and the documents it contained, it is clear that the dispute lies in the claim of the Plaintiff (the seller) to cancel the Defendant's decision because the disposition of the sale in 2015 for a government grant, which is a date prior to the issuance of the Value Added Tax Law and the Real Estate Actions Regulations, and the Plaintiff's relationship with it ended after receiving the certified check against it, while the Defendant clarified that the Plaintiff's claim that a previous contract to buy the property was concluded is not supported by a document, as the attached check is not clear, and the attached contract is manually prepared, and the Plaintiff did not provide support for the validity of the contract. And to review the Circuit's documents and the total defenses submitted by the two parties, and to review the acknowledgment of receipt of a grant by the decision of His Excellency the Secretary No. ((....)) 29 Muharram 1437AH, Taibah sub-district plan number (....) Plot No. (....) The Secretariat's review of the



request to hand over a grant site on the date of the establishment of April 21, 2016 corresponding to 14 Rajab 1437AH and the date of the 05 October 2016AD corresponding to 04 Muharram 1438AH, and a check whose data can not be verified, and a copy of the contract concluded between the Plaintiff (....) - the same ID number of the Plaintiff - and(....)on 03 Safar 1437AH by selling the plot number (....) In the scheme of the Taiba sub-district No. (....) Which collectively constitute evidence supporting the validity of the Plaintiff's claim that the sale occurred before the tax was imposed, as it is judicially established that (when circumstantial evidence converges, it takes the place of a witness and is completed by oath). Based on Principle No. (39) issued in Appeal No. (Z-2018-1522) that doubt is interpreted in favor of the Taxpayer, especially given the Plaintiff's inability to provide evidence proving the impossibility of executing the property transfer at a date prior to the tax imposition. He stated that he requested the Notary Public Office in Jeddah and Jeddah Municipality to write an official letter from the General Secretariat of the Zakat, Tax and Customs Committees requesting them to provide a copy of the High Authority's directive to halt the issuance of title deeds - as is the case in similar lawsuits, which require official confirmation from government authorities- based on Article (37) of the Evidence Law, issued by Royal Decree No. (M/43) dated 26/5/1443 AH and Council of Ministers Resolution No. (283) dated 24/5/1443 AH, which states: "Subject to the provisions stipulated in the preceding articles, the court may, on its own initiative or at the request of one of the litigants, and at any stage of the case, decide the following: ... 2- A request issued by a public body or a certified copy of it indicating its conformity with its original if this is not possible for the litigant, and the court may request the public body to provide - in writing or orally - the information it has related to the lawsuit, without prejudice to the regulations." the matter with which the Circuit concludes by accepting the Plaintiff's case on the merits and canceling the decision of the Authority.

After due deliberation, the Circuit unanimously decided:

### Decision:

- 1- Acceptance of the claim procedurally.
2. On the merits: accepting the Plaintiff's claim and canceling the Authority's decision.

This decision was issued in the presence of both parties, and it was read publicly in the session, and the circuit set a period of thirty days to receive a copy of the decision, and the circuit has the right to extend this period in accordance with paragraph (1) of Article (31) of the rules of operation of the Zakat, tax, and customs committees.

This decision is final and enforceable in accordance with the provisions of Article (33) of the rules of operation of the Zakat, Tax, and Customs Committees.

May Allah's peace and blessings be upon our Prophet Muhammad and upon his family and companions.



The Tax Violations and Disputes Committee  
The First Circuit for adjudicating VAT violations and disputes in  
Riyadh City

Decision No. VR-2024-230517

Case No. R-2024-230517

### Keywords

Real Estate Transactional Tax - Applicability of the Real Estate Transaction Tax- contractual default represented in the delay in preparing the land for evacuation - rejection of the lawsuit

### Summary:

The claim of the Taxpayer to oblige the Defendant to pay the amount of the Real Estate Transactional Tax and the amount of (407,754.23) riyals resulting from the real estate transaction, while the Defendant replied that the sale contract was on 26/06/2014, and the claim of the Plaintiff (the Taxpayer) is incorrect, and requests the dismissal of her lawsuit for its invalidity. The Circuit found that the contract stipulated the Plaintiff's obligation to send a report to the second party - the Defendant - stating the readiness of the land for evacuation, on 31/12/2015, and by reviewing what proves that the Plaintiff addressed the Defendant regarding the readiness of the land subject of the contract for evacuation, it was found that the Plaintiff submitted a letter of claim dated 05/June/2018, which shows that the delay in evacuation the land is due to the Plaintiff, as it did not comply with the contract concluded with the Defendant, and since the Plaintiff's claim in this lawsuit stems from its contractual failure to prepare the land for evacuation, which resulted in the acceptance of the lawsuit procedurally and rejection of the subject.

### Document:

- [Zakat, Tax and Customs Committees Regulations issued by Royal Decree No. \(25711\) dated 08/04/1445 AH.](#)

### Facts:

The case mentioned above has been considered, and since the case has met the prescribed legal conditions, it has been submitted to the General Secretariat of the Tax Committees on 11/01/2024.

The facts of this case are summarized in that the Taxpayer is a company (...) Commercial Register No. (...) I submitted by (...), national ID number (...) in his capacity as an agent under the agency number (...), and the lawyer's license number (...), a statement of claim that included the claim to oblige the Defendant to pay the



amount of the Real Estate Transactional Tax and the amount of (407,754.23) riyals resulting from the real estate transaction.

on Tuesday, 23/07/2024, and with reference to paragraph (1) of Article (15) of the rules of work of Zakat, tax, and customs committees, which include the permissibility of holding the sessions of the Circuit by means of modern technology, and by calling on the two parties, he attended / (...) (Saudi nationality) national ID number (...). as agent for the Plaintiff under Agency No. (...). the Plaintiff's attorney was asked about his lawsuit, he answered in accordance with what was stated in the statement of claim and adhered to what was stated in it and sealed his statements thereon. Accordingly, the Circuit decided to adjourn the hearing to deliberate, in preparation for the issuance of the decision.

### Grounds:



After reviewing the Income Tax Law issued by Royal Decree No. (M/1) dated 15/01/1425 AH and its amendments, and its executive regulations issued by Minister of Finance Decision No. (1535) dated 11/06/1425 AH and its amendments, and after reviewing the rules of operation for Zakat, tax, and customs committees issued by Royal Decree No. (25711) dated 08/04/1445AH, and the related laws and regulations.

Procedurally, and since the Plaintiff filed the lawsuit through the electronic portal on 11/01/2024 AD, and the due date of the amount in question is 11/02/2021AD, and therefore the lawsuit is filed within the legal period stipulated in paragraph (8) of Article (67) of the Income Tax Law amended by Royal Decree No. (M/113): (The lawsuit in tax disputes shall not be heard after five years from the date of maturity of the amount in question or from the date of knowledge of the incident in question, unless there is an excuse accepted by the Committee), which must be accepted procedurally.

On the merits, by examining the lawsuit papers and the response of the two parties after giving them enough time to express and submit what they have, the Circuit proved that the dispute lies in the Plaintiff's claim to oblige the Defendant to pay the amount of the Real Estate Transactional Tax and an amount of (407,754.23) riyals resulting from the real estate transaction, while the Defendant replied that the sale contract was on 26/06/2014, and the Plaintiff's claim is incorrect, and he requests that her lawsuit be dismissed for its invalidity. Upon reviewing the case file and the documents submitted by the circuit, and upon reviewing the contract concluded between the two parties, it was found that the fourth paragraph of the sixth clause stipulated the Plaintiff's obligation to send a report to the second party - the Defendant - stating the readiness of the land for evacuation, on 31/12/2015, and upon reviewing the evidence proving that the Plaintiff addressed the Defendant regarding the readiness of the land subject of the contract for evacuation, it was found that the Plaintiff submitted a letter of claim dated 05/June/2018, which shows that the delay in evacuation the land is due to the Plaintiff, as it did not comply with the contract concluded with



the Defendant, and since the Plaintiff's claim in this case stems from its contractual failure to prepare the land for evacuation, which leads the circuit to reject the Plaintiff's claim.

### Decision:

- 1- Acceptance of the lawsuit procedurally.
- 2- On the Merits: dismiss the Plaintiff's claim.

This decision was issued in the presence of the Plaintiff and in the legal presence of the Defendant, and was publicly read out at the hearing, and the circuit set a period of thirty days to receive the copy of the decision, and the circuit may extend this period in accordance with paragraph (1) of Article (31) of the rules for the work of Zakat, Tax, and Customs Committees, and any of the parties to the lawsuit may appeal it within (thirty) days from the day following the date specified for its receipt, so that it becomes final and enforceable after the expiration of this period, if not appealed.

The judgment has become final due to the expiration of the objection period in accordance with paragraph (2) of Article (33) of the rules of operation of the Zakat and Tax Committees.





The Tax Violations and Disputes Committee  
The Third Circuit for adjudicating VAT violations and disputes in  
Riyadh City

Decision No. VTR-2024-226773

Case No. R-2023-226773

### Keywords

Real Estate Transaction Tax- Applicability of the Real Estate Transaction Tax- Buyer's First Residence -  
Rejection of the Taxpayer's Objection

### Summary:

The Taxpayer objected to the decision of the Defendant, the Zakat, Tax and Customs Authority, regarding the imposition of the Real Estate Transactional Tax on the property in dispute, claiming that the property is the first residence of the buyer, which requires the state to bear the tax by no more than one million riyals. The committee found that the exemption is limited to prefabricated units and off-plan units, while the property in question is vacant land, which makes it not covered by the exemption. The implication of that; rejection of the Taxpayer's objection.

### Document:

- [Zakat, Tax and Customs Committees Regulations issued by Royal Decree No. \(25711\) dated 08/04/1445 AH.](#)
- Paragraph (c) of Article (8) of [The Executive Regulations of the Real Estate Transaction Tax, amended by Ministerial Decision No. \(1445-88-1\) dated 02 Ramadan 1445A.H](#)

### Facts:

The facts of this case are summarized to the extent necessary to issue the decision, that the Taxpayer, a Saudi national under national ID number (...), submitted an objection to the decision of the Defendant (the authority) regarding the imposition of the Real Estate Transactional Tax in the amount of (8000) riyals resulting from the Real Estate Transactional Tax invoice with reference number (...) and dated 17/11/2022AD on the property owned under Deed No. (...), and the imposition of a late payment penalty in the amount of (4400) riyals, and requesting the cancellation of the decision to impose the Real Estate Transactional Tax, and the imposition of a late payment penalty.

On 25/01/2024, the Defendant submitted a response memorandum stating the following: First: On the merits: A- The Authority wishes to establish its defense on referring to the definition related to the market

value in accordance with paragraph (1) of Article (030) of the International Valuation Standards, which clarifies the foundations and standards of the international valuation of the market value, provided that: "Market value is the estimated amount on the basis of which an asset or liability should be exchanged on the valuation date between a willing buyer and a willing seller in the framework of a transaction on a neutral basis after appropriate marketing where each of the parties acts with knowledge and wisdom without coercion or coercion." In the definition of the term estimated amount, paragraph (a) of the same paragraph states: " a) The (estimated amount) refers to the price payable against the asset in a market transaction on a neutral basis. While market value means the most likely price that can be reasonably obtained in the market at the valuation date in accordance with the definition of market value. It is the best reasonable price that the seller can obtain, and it is also the most advantageous price for the buyer, and this amount excludes in particular any estimated inflated or deflated price as a result of special conditions or circumstances, such as: atypical financing, sale and leaseback arrangements, special considerations, or concessions granted to a particular owner or buyer." As explained in the previous texts, it is clear that the market value is determined based on the best price that the seller can obtain, with the exception of anomalous values. We explain to you that the Authority relies on the data received from the Ministry of Justice and excludes any anomalous amounts, whether higher or lower than the average value of real estate, following international standards of valuation. b-The Authority would also like to clarify its procedure to the esteemed Circuit regarding the reassessment of real estate, as the Authority relies on one of the international valuation methods and standards approved by the Saudi Authority for Accredited Valuers and known as the market method. This method, known as the market method used by the Authority in valuation, is based on comparing the asset under valuation with other similar assets, as stipulated in paragraph (1) of Article (020) of the International Valuation Standards (the market method) that: "The market method provides an indication of the value if the asset is compared with identical or comparable assets for which price information is available." It is clear to your Excellency that the Zakat, Tax and Customs Authority is doing the same procedure as the Saudi Authority for Accredited Valuers in its valuation processes, as it compares the asset under valuation with its counterpart from similar properties in the same scheme, while excluding any anomalous values that do not reflect reality, whether they are higher or lower than the average market values in the same scheme. C- After the Authority clarified to your Excellency the procedure it is carrying out while proving its conformity with the international standards of valuation, the Authority wishes to point out that the executive regulation of the Real Estate Transactional Tax granted the Authority the authority to verify the validity of the tax calculation, and to estimate the values of the real estate in the event that no value is specified for it or the value is less than the market value, in the text of paragraph (2) of Article (6), which states: "For the purposes of verifying the correctness of the calculation of the tax due, the Authority has the right to do the following: 2- Estimating the values of real estate and disposals for which the value is not specified or for which the value mentioned in the disposal contract is found to be less than the market value, or for which incorrect information or data are provided. D- Regarding the tax owed by the Plaintiff after the reassessment, we



inform the esteemed committee that after the Authority revalued the value of the property subject of the lawsuit and located in the city of Qurayyat Plot No .... From Chart No. \*\*/... It was found that the disposer specified an exception (the disposal of the property by a government entity as a public authority outside the framework of economic, investment or commercial activity), as the disposal process does not apply to the exception specified by the above disposer, and the real estate transaction process was subject to the Real Estate Transactional Tax based on the value disclosed in the instrument in the amount of 160,000 riyals, c- With regard to the disposer's objection to the late payment fine in accordance with Article (8) of the Executive Regulations for Real Estate Disposals, whoever does not pay the due tax within the specified period shall be punished by a fine equivalent to (5%) of the value of the unpaid tax for each month or part of it for which the tax has not been paid. (h) With regard to what the disposer mentioned that the buyer holds the certificate of the first residence, the authority responds that the certificate of the first residence of the buyer cannot be taken into account because the property disposed of is "land", and under the royal order the state bears the tax applies to the first residence of prefabricated housing units or housing units on the map as recorded in the certificate of the first residence, and does not include land, self-construction, or the purchase of investment buildings. G- Regarding the late payment penalty: Due to the increase in the value of the tax due, which was not paid by the Plaintiff on its regular date, the late payment fine was imposed based on paragraph (c) of Article (8) of the Executive Regulations of the Real Estate Actions Tax, which stipulates that " anyone who does not pay the tax due within the specified period shall be punished by a fine equivalent to (5%) of the value of the unpaid tax for each month or part of it for which the tax has not been paid." Second: Orders: Based on the above, the authority requests the esteemed committee to dismiss the case for the reasons explained above and to support the action of the authority in question. The authority also reserves the right to provide further responses and clarifications before the closure of the hearing.". Its reply is completed.

On 05/02/2024, the Plaintiff submitted a response memorandum stating the following: "With reference to the Defendant's response to Case No.R-2023-226773, we summarize as follows: We would like to clarify at the outset that when selling the property, the buyer submits the certificate of the first dwelling, and this certificate is obtained based on the royal order that the state bears the tax on the first dwelling. If the Defendant's claim is true that the exception is only for prefabricated housing units or housing units on the map, then the citizen's purchase of the land falls under this exception because this land is built and will be built on it for the first dwelling and not for the purposes of trade. As for the imposition of the delay fine by the Authority, we answer that the buyer submitted the certificate of the first residence and as a result the sale was made. We did not know about the imposition of a fine, as the tax invoice with the fine was issued after the completion of the sale on 21/09/2023 and was issued after the sale and clearance to the buyer. Therefore, we ask your honor to cancel the tax and cancel the fine issued.". Its reply is completed.



On Sunday 25/02/2024, the Circuit held its remote session to consider the case, based on what was stated in paragraph (1) of Article (15) of the rules for the work of Zakat, tax, and customs committees issued by Royal Decree No. (25711) dated 08/04/1445 AH; and by calling on the parties to the case, the lawyer attended... (Saudi national) by virtue of national ID No. (...), as agent for the Plaintiff by virtue of POA No.. (...) and the lawyer's license number (.../...), and the regular representative attended...(Saudi nationality) under the national identity number (...), for the Zakat, Tax and Customs Authority under the authorization letter number (.../.../1444) dated 19/03/1445 AH, issued by the Deputy Governor for Legal Affairs and Compliance, and by asking the Plaintiff's agent about his client's claim, he answered according to what was stated in the statement of claim submitted to the General Secretariat of the Zakat, Tax, Customs and Compliance Committees

What is stated in it, and when asked by the representative of the Defendant about his response, he answered by adhering to what was stated in the response memorandum. asked what they would like to add, both parties decided to be satisfied with what they had previously submitted. the Circuit decided to adjourn the hearing to deliberate, in preparation for the issuance of the decision.

#### Grounds:

After reviewing the lawsuit and what was submitted in it, and after reviewing the unified agreement for the value added tax for the Gulf Cooperation Council countries ratified by Royal Decree No. (M/51) dated 03/05/1438 AH, and based on the value added tax law issued by Royal Decree No. (M/113) dated 2/11/1438 AH and its amendments, and on the executive regulations of the law issued by a decision of the Board of Directors of the General Authority for Zakat and Income No. (3839) dated 14/12/1438 AH and its amendments, and on the executive regulations for the Real Estate Transactional Tax issued by Ministerial Decision No. (712) dated 15/02/1442 AH and its amendments, and on the rules of operation of the zakat, tax, and customs committees issued by Royal Decree No. (25711) dated 08/04/1445 AH, and the related laws and regulations, the Circuit considered the case:

Procedurally, since the Plaintiff aims from her lawsuit to demand the cancellation of the Defendant's decision regarding the imposition of the Real Estate Transactional Tax resulting from the real estate supply, and the fine for late payment, based on the executive regulations of the Real Estate Transactional Tax, and therefore this dispute is one of the disputes within the jurisdiction of the Circuit.

On the merits, the Circuit examined the case and what was submitted in it, and after granting the two parties sufficient deadlines to submit what they have, it was proven to the Circuit that the dispute lies in the Plaintiff's request to cancel the Defendant's decision related to the imposition of the Real Estate Transactional Tax for the property with instrument number (...) This is because the property sold by the Plaintiff (the seller) to the buyer is considered as the first residence of the buyer, and therefore the state bears its tax in an amount not exceeding one million riyals, and since by reviewing the case file and the



documents submitted in it, and by reviewing the certificate of the state bearing the tax of the first residence, and where it is stated that the units covered are the ready units, and the units for sale on the map, and since the property in question is vacant land, and therefore does not fall under the classification borne by the state, based on the certificate of the state bearing the tax of the first residence, and for the foregoing, the Circuit ends up rejecting the Plaintiff's claim to cancel the Defendant's decision to impose the Real Estate Transactional Tax for the property in question.

With respect to the late payment penalty: Where paragraph (1) of Article (59) of the executive regulations of the value added tax law (payment of tax) states that: The taxable person must pay the tax due from him for the tax period at the latest on the last day of the month following the end of that tax period."Article (43) of the Value Added Tax Law stipulates: "Whoever does not pay the tax due within the period specified by the regulation shall be punished by a fine equivalent to (5%) of the unpaid value of the tax, for each month or part of it for which the tax has not been paid," and since the above decision of the Circuit has led to the rejection of the Plaintiff's request regarding the objection to the imposition of the Real Estate Transactional Tax on the disposition in question, and since the late payment fine resulted from this, what is related to it takes its judgment, which leads the Circuit to reject the Plaintiff's claim in this regard.

Based on the above, the Circuit unanimously decided:

#### Decision:

Plaintiff's claim dismissed.

The judgment has become final due to the expiration of the objection period in accordance with paragraph (2) of Article (33) of the rules of operation of the Zakat and Tax Committees.



**The Tax Violations and Disputes Committee**  
**The First Circuit for adjudicating VAT violations and disputes in**  
**Riyadh City**

Decision No. VR-2024-236029

Case No. R-2024-236029

### Keywords

Real Estate Transaction Tax- Applicability of the Real Estate Transaction Tax- Real Estate Supply - Murabaha Contract - Rejection of the Plaintiff's Objection

### Summary:

The Taxpayer objected to the Defendant's (the authority) claim to pay the value-added tax amounting to (39,250) riyals, resulting from the supply of the property, claiming that it is exempt from tax under the certificate of the first residence, and explained that the property owner (the original seller of the bank) paid the amount to the authority. Whereas it has been proven to the adjudication committee that the Plaintiff's contract with the bank was in the form of Murabaha, this entails that there must be two sales, the first between the original seller and the bank, and the second between the bank and the Plaintiff, which makes each sale independent. Accordingly, the bank's claim to the Plaintiff for the amount of tax is correct. This means that the Plaintiff's objection is rejected.

### Document:

- [Zakat, Tax and Customs Committees Regulations issued by Royal Decree No. \(25711\) dated 08/04/1445 AH.](#)
- [The Executive Regulations of the Real Estate Transaction Tax, amended by Ministerial Decision No. \(1445-88-1\) dated 02 Ramadan 1445A.H](#)

### Facts:

The facts of this case are that the Taxpayer, National Identity No. (...) On his own behalf, he submitted a statement of claim that included an objection to the claim issued against him by the Defendant to pay the amount of value added tax of (39,250) riyals resulting from the real estate supply.

On Tuesday, 05/08/2024, and by reviewing paragraph (1) of Article (15) of the Rules of Work of Zakat, Tax and Customs Committees, including the permissibility of holding the sessions of the Circuit by means of modern technology, and by calling on both parties, attended / ... (Saudi nationality) National ID number



(...). The Defendant/ ... National ID number (...) in its capacity as an agent under Power of Attorney No. (...), by asking the Plaintiff about his case, he answered in accordance with what was stated in the statement of claim and adheres to what was stated in it, and by asking the Defendant about his response in accordance with what was stated in the memorandum of reply and adheres to what was stated in it, and by asking the parties what they wish to add, they decided to be satisfied with what was previously submitted in this case, and accordingly the Circuit decided to adjourn the session for deliberation, in preparation for the issuance of the decision.

### Grounds:



After reviewing the Income Tax Law issued by Royal Decree No. (M/1) dated 15/10/1425 AH and its amendments, and its executive regulations issued by Minister of Finance Decision No. (1535) dated 11/06/1425 AH and its amendments, and after reviewing the rules of operation for Zakat, tax, and customs committees issued by Royal Decree No. (25711) dated 08/04/1445AH, and the related laws and regulations.

Procedurally, and since the Plaintiff filed the case through the electronic portal on 09/05/2024, and since this dispute is within the jurisdiction of the Circuit in accordance with paragraph (1/a) of Article (3) of the rules of operation of the Zakat, tax, and customs committees, which stipulated the following: '1. The Zakat and Tax Adjudication Committee Circuits shall be competent to: (a) Adjudicating violations, disputes, and lawsuits of public and private rights arising from the application of the provisions of zakat and tax laws and regulations.' The lawsuit was filed by a person of capacity, which means that the lawsuit must be accepted procedurally.

On the merits, the Circuit examined the lawsuit papers and answered the parties after giving them enough time to express and submit what they have, and it was proven to the Circuit that the dispute lies in the Plaintiff's objection to the claim issued against him by the Defendant to pay the amount of value added tax of (39,250) riyals resulting from the real estate supply, as the Plaintiff indicated that he had submitted a mortgage financing request from ..., in May 2019, and the financing was approved, and then the bank contacted more than once regarding their need for the communication data of the real estate seller, and on 07/05/2024, he received a call from the bank demanding him to pay the amount of tax of (39,250) riyals, and objecting to his claim for the amount of tax, and requesting that the bank retract the action taken regarding his claim for the amount of tax as he is exempt from tax under the first residence. While the Defendant replied that he is entitled to claim the tax from the Plaintiff based on what is stipulated in the contract Article Nineteen, paragraph (19-3), and that the bank did not benefit from the certificate of the first residence, and is not available to benefit, and that the financing was in the form of the Murabaha contract is a taxable supply and is borne by the last consumer (the Plaintiff), and therefore he must pay the bank under the contract, and with regard to what the Plaintiff said that the owner of the property (the seller of



the bank) paid the amount to the authority, the bank clarifies that the owner of the property has an obligation to supply the tax amount to the authority based on the contract concluded between him and the bank, and the bank has an obligation at the same time to pay the tax value based on the contract concluded with the Plaintiff as a second supply of the property, and there is no contractual relationship between the owner of the property and the Plaintiff. The bank requests that the Plaintiff's claim be dismissed. While the Plaintiff's response was that the sale was made under only one operation, and the bank is mortgaged and not obligated to pay the tax, and he can refer to the authority to recover what was paid, and that the bank is just a financier and the property was not transferred in his name, and his dealings were direct with the seller, and he also added that the certificate of the first residence was exploited by the seller (...). Upon reviewing the case file and the documents contained therein, and since it is established that the Plaintiff's contract with the bank was in the form of Murabaha, it follows that there must be two sales, the first between the seller of the property (...) The bank, and the second process between the bank in its capacity as the seller of the property, and the Plaintiff in its capacity as the buyer of the property, which makes each sale independent of the other, and therefore the bank's claim to the Plaintiff for the amount of the tax is correct, and there is no justification for canceling it, and this is not affected by the fact that the seller (...) He exploited the certificate of the first residence in his favor, as the Plaintiff is the one concerned with his complaint, refer to it, and claim what he benefited from, as there is no contractual relationship that entitles the seller to benefit from the Plaintiff's exemption certificate, and from the above, which leads the circuit to reject the Plaintiff's claim.

### Decision:

- 1- Acceptance of the lawsuit procedurally.
- 2- dismiss the Plaintiff's claim.

The judgment has become final due to the expiration of the objection period in accordance with paragraph (2) of Article (33) of the rules of operation of the Zakat and Tax Committees.





## Tax Payment



The Tax Violations and Disputes Committee  
The Second Circuit for adjudicating VAT violations and disputes in  
Riyadh City

Decision No. VSR-2023-202798

Case No. R-2023-202798

### Keywords

Real Estate Transaction Tax-Payment of Tax-Acceptance Of Plaintiff's Claim

### Summary:

The Plaintiff (the Taxpayer) is required to oblige the Defendant to recover the Real Estate Transactional Tax in the amount of (45,000) riyals, according to the certificate of bearing the first residence. And where it was proven to the adjudication committee that the Plaintiff paid the amount due under the receipt of the invoice issued by the bank .... With reference to the aforementioned real estate tax invoice, it was found that the disposer of the property is the company, and Article 5 of the Real Estate Disposals Regulation stipulates in the first paragraph that "the tax due from the disposer shall be collected and he shall pay it and any other obligations that may arise from it." This means accepting the Plaintiff's claim and obliging the Defendant to refund the real estate tax to the Plaintiff.

### Document:

- [Zakat, Tax and Customs Committees Regulations issued by Royal Decree No. \(25711\) dated 08/04/1445 AH.](#)
- Paragraph (8) of Article (67) of [The Income Tax Law promulgated by Royal Decree No. \(M/1\) dated 15/01/1425 AH.](#)
- Paragraph (1) of Article (5) of [The Executive Regulations of the Real Estate Transaction Tax, amended by Ministerial Decision No. \(1445-88-1\) dated 02 Ramadan 1445A.H](#)

### Facts:

The facts of this case are that the Plaintiff (the Taxpayer), national ID number (...) On his own behalf, he submitted a statement of claim that included a claim to oblige the Defendant company ... Commercial Register No. (...), to recover the Real Estate Transactional Tax in the amount of (45,000) riyals, according to the certificate of bearing the first residence.

When the lawsuit was presented to the Defendant, she submitted a response memorandum, which the Circuit reviewed.

On Wednesday, 13/12/2023, the first session was opened and held via videoconferencing in accordance with the remote videoconferencing procedures; based on the provisions of Article 15, Clause 1 of the Rules of Work of Zakat, Tax and Customs Committees issued by Royal Decree No. (25711) and dated: 08/04/1445AH; By calling on the parties to the lawsuit, the Plaintiff attended the originality of/ ..., national ID number (...), and the representative of the Defendant attended..., national ID number (...), under the agency number (...), and by asking the Plaintiff about the lawsuit, he answered according to what was stated in the lawsuit statement and adheres to what was stated in it, and by asking the representative of the Defendant about his response, he answered according to what was stated in the response memorandum, and after reviewing the lawsuit documents, the circuit decided to postpone the consideration of the lawsuit to the session on Wednesday, 27/12/2023 AD, for further study.

On Wednesday, 27/12/2023, the second session was opened and held via videoconferencing in accordance with the remote videoconferencing procedures; based on the provisions of Article 15, Clause 1 of the Rules of Work of Zakat, Tax and Customs Committees issued by Royal Decree No. (25711) and dated: 08/04/1445AH; By calling on the parties to the case, the Plaintiff attended the originality /..., national ID number (...), and the representative of the Defendant attended..., national ID (...), under agency number (...). the Circuit decided to adjourn the hearing to deliberate in preparation for the issuance of the decision.

### Grounds:

After reviewing the case papers and after auditing, and after reviewing the Income Tax Law issued by Royal Decree No. (M/1) dated 15/1/1425 AH and its amendments, and its executive regulations issued by virtue of the decision of the Minister of Finance No. (1535) dated 11/6/1425 AH and its amendments, and based on the Value Added Tax Law issued by Royal Decree No. (M /113) dated 2/11/1438 AH and its amendments, and on the executive regulations of the law issued by a decision of the Board of Directors of the Zakat, Tax and Customs Authority No. (3839) dated 14/12/1438 AH and its amendments, and on the rules of work of the Zakat, Tax and Customs Committees issued by Royal Decree No. (25711) dated: and 08/04/1445 AH, and the Unified VAT Agreement for the Gulf Cooperation Council Countries, and the relevant laws and regulations.

Procedurally, and since the Plaintiff filed the lawsuit through the electronic portal on 11/07/2023 AD, and the due date of the amount in question is 30/01/2022AD, and therefore the lawsuit is filed within the regular period stipulated in paragraph (8) of Article (67) of the Income Tax Law amended by Royal Decree No. (M/113): (The lawsuit in tax disputes shall not be heard after the lapse of five years from the date of maturity of the amount in question or from the date of knowledge of the incident in question, unless there is an excuse accepted by the Committee), which must be accepted procedurally.



On the merits, and upon consideration of the case documents, the Plaintiff's claim for the recovery of the Real Estate Transactional Tax from the Defendant shows that the Plaintiff has paid the Real Estate Transactional Tax under the invoice issued by the Zakat, Tax and Customs Authority No. (...) on 08/11/2022 with a total outstanding payment of (45,000) riyals, as the Plaintiff paid the amount due under the invoice receipt issued by a bank ... With the number (...) for the Zakat, Tax and Customs Authority. With reference to the real estate transaction tax invoice referred to above, it was found that the disposer of the property is a company ... Commercial Register No. (...) This is according to Instrument No. (...) dated 11/10/1442 AH, and that the disposer is a company ... This is according to the Defendant's statement in the case file and under instrument No. (...) and dated 21/01/1444AH, and where Article 5 of the Real Estate Transactions Regulation stipulates in paragraph (1) that "the tax due from the disposer shall be collected and he shall be obligated to pay it and any other obligations that may arise from it." Accordingly, and where it has been proven to the Circuit that the Plaintiff is the one who paid the tax due despite the fact that the disposer is the Defendant company, which leads the Circuit to accept the Plaintiff's claim and oblige the Defendant to refund the real estate transactions tax to the Plaintiff.

#### Decision:

- 1- To accept the claim procedurally.
- 2- Obliging the Defendant company ... Commercial Register No. (...) by paying the Plaintiff ... National ID (...) An amount of (45,000) forty-five thousand riyals representing the Real Estate Transactional Tax for the property in question.

The judgment has become final due to the expiration of the objection period in accordance with paragraph (2) of Article (33) of the rules of operation of the Zakat and Tax Committees.



**The Tax Violations and Disputes Committee**  
**First Circuit for adjudicating VAT violations and disputes in**  
**Riyadh City**

Decision No. VD-2024-225187

Case No. R-2023-225187

### Keywords

Real Estate Transaction Tax -Payment Of Tax - Unjustified Enrichment -Acceptance of The Authority's Objection

### Summary:

The Zakat, Tax and Customs Authority requested the Defendant (the Taxpayer) to return the amount of the Real Estate Transactional Tax due for real estate transaction in the amount of (25,000) riyals, which was returned to him due to a technical defect. Whereas it has been proven to the adjudication committee according to what was stated by the Central Bank that the amount was returned to his account without a right, and since this is considered as unjust enrichment and he is not entitled to keep it and is obliged to return it to the Authority. The result is to oblige the Defendant to return to the Authority the amount transferred to him, amounting to (25,000) riyals, representing the Real Estate Transactional Tax in question.

### Document:

- [Zakat, Tax and Customs Committees Regulations issued by Royal Decree No. \(25711\) dated 08/04/1445 AH.](#)
- Paragraph (1,3) of Article (5) of [The Executive Regulations of the Real Estate Transaction Tax amended by Ministerial Decision No. \(1445-88-1\) dated 02 Ramadan 1445 AH.](#)

### Facts:

The facts of this case are summarized in the fact that the Plaintiff/Zakat, Tax and Customs Authority submitted a lawsuit statement that included, based on Decision No. (VD-2023-141468) issued in Case No. (R-2020-141468), "obligating the Zakat, Tax and Customs Authority to return the amount paid by the Taxpayer amounting to (25,000 riyals), provided that the Authority has the right to refer to the person who first returned the amount paid as it claims, if it pleases," and demands a ruling to oblige each of (Taxpayer A) and (Taxpayer B) to jointly pay the Real Estate Transactional Tax due to real estate transaction No. (...). for an amount of (25,000) riyals. Then the Authority submitted a response note stating: First: The Authority



shall adhere to all the provisions of the registered lawsuit in the neutral portal. Second: Regarding the response of the Defendant attached to the case file with the General Secretariat of the Zakat, Tax, and Customs Committees, which included the following: "Peace, mercy and blessings of Allah be upon you, tax committees, I have sent letters and instruments and I am no longer related to the lawsuit, and a copy of the lawsuit and instruments I have is attached to you. If there are any other requests, please contact me." The Authority answers this argument in two ways, which are as follows: The first side: The Authority affirms its right to refer to the Defendants and file a lawsuit to collect the tax due, as per Decision No. (VD-2023-141468) issued in Case No. (R-2020-141468), which "obliges the Zakat, Tax and Customs Authority to return the amount paid by the Taxpayer of (25,000 riyals), provided that the Authority has the right to refer to whoever returned the paid amount first, if it wants." The second side: That the tax due on real estate transaction number (...) Unpaid until the date of submission of this memorandum, and based on the provisions of the Executive Regulations of the Real Estate Transactional Tax issued by Ministerial Decision No. (712) dated 15/02/1442 AH corresponding to 02/10/2020AD, which states in paragraph (1) of Article 5 that "the tax shall be collected for real estate transactions in accordance with the following: 1-The tax due from the disposer shall be collected and he shall be obligated to pay it and any other obligations that may arise from it. " and paragraph (3) of Article 5 of the Executive Regulations of the Disposals Tax, which stipulates the following: "Without prejudice to the provisions contained in paragraphs (1.2) of this article, the disposer and the disposer shall be jointly liable for any tax obligations due under these regulations, and the authority shall have the right to refer to them jointly or individually, as the case may be." It is clear from the provisions of the aforementioned articles that the authority has the right to refer to the parties to the real estate transaction - the disposer and the disposer. And asking them jointly to pay for the tax due and for any other obligations that may arise from it, and since (...) He is the disposer and one of the parties to the real estate transaction. Accordingly, the contents of his response and the attached documents do not meet what was mentioned in the Authority's regulations and are not productive in the lawsuit. The Plaintiff requests the esteemed committee to refer the case to the issuing Circuit (the first Circuit for adjudicating VAT violations and disputes in Dammam). Its reply is completed.

On Sunday, December 17, 2023, the session was held in accordance with the procedures for remote video litigation, I attended/ ... As a representative of the Zakat, Tax and Customs Authority under the authorization letter No. (.../.../1444) dated 11/05/1444AH issued by the Deputy Governor for Legal Affairs and Compliance, and also attended/... national ID No. (...), in his capacity as the Defendant. The session was opened by requesting the representative of the authority to provide the Circuit with the name of the account holder to whom the tax amount was returned, which is the account with the bank ... The Authority has previously mentioned the remittance number and its reference number and gave the Authority for this purpose a hearing on Sunday 31/12/2023 at 12:00pm, with the Circuit emphasizing the need to inform the other Defendant/ ..., of the next date, and accordingly the Circuit decided to postpone the hearing of the case on the date specified above.



On Sunday, December 31, 2023, the session was held in accordance with the procedures for remote video litigation, I attended/ ... As a representative of the Zakat, Tax and Customs Authority under the authorization letter No. (.../.../1444) dated 11/05/1444AH issued by the Deputy Governor for Legal Affairs and Compliance, and also attended/... National ID number (...), as the first Defendant, and the other Defendant did not attend.... The session was opened by asking the representative of the Authority what she was given time for. She said that today we submitted a memorandum to which we attached evidence that the amount returned was previously and before the issuance of this Circuit to oblige the Authority to return the amount to... The Defendant's account for this case has been returned... Bank of ... , and upon hearing the Defendant present with that, he said what was mentioned is not true and I do not have an account in a bank ... For more than 20 years now. After deliberation, the Circuit decided to write to the Central Bank and provide it with what was submitted by the Authority and the transaction number that was previously referred to, and to request a report on the name of the account holder who deposited the amount, and to stop proceeding with the case until the statement was received, and for the most urgent of the two parties to follow up on this.

On Sunday, April 23, 2024, the session was held in accordance with the procedures of remote video litigation and where the parties wished to consider the case, with the participation of the Defendant on his own behalf... Under National ID number (...) The participation of the Plaintiff's representative... national ID number (...) As a representative of the Zakat, Tax and Customs Authority under the authorization letter No. (.../.../.../1445) dated 19/03/1445AH issued by the Deputy Governor for Legal Affairs and Compliance, the Circuit informed the two parties that the amount in dispute has been returned by the Authority to calculate ... In the face of his representative of the Authority, she said, "We adhere to the memorandum submitted by us, which includes obliging everyone... and... By paying the amount in solidarity and by hearing the Defendant, he said that I had nothing to do with it and this is what I was sticking to from the beginning that the amount was returned by the Authority to Walid Mohammed and that I have no account for a bank ... . Whereas, it has been proven to the Circuit that the Defendant has fulfilled ... of its obligation to the Authority to supply the tax and since the return of the tax amount to the other Defendant... No hand for... By it, it came at the sole will of the Authority as a result of what it referred to as the non-reflection of the supply process, and since it is not fair to continue to consider the lawsuit against it after the Circuit identified the conclusive evidence that requires prosecution, which the Circuit decided to dismiss the lawsuit against it, and since it was not proven that the other party was informed of the date of the hearing according to the statement of the Secretary of this Circuit, the Circuit decided after deliberation to notify the other Defendant (...) on Sunday, 5/5/2024 at 1:30pm.

On Sunday, 05/05/2024, the session was held in accordance with the procedures of remote video litigation, and where the Defendant attended and it was not proven that the Plaintiff attended despite being informed of the date and manner of this session, and the participation of the Defendant's representative... National ID number (...) As a representative of the Zakat, Tax and Customs Authority under the authorization letter

No. (.../.../.../1445) dated 19/03/1445 AH issued by the Deputy Governor for Legal Affairs and Compliance, the session was opened by the Authority sticking to its last memorandum to request the obligation ... the Circuit decided to pay an amount of (25000) riyals representing the value of real estate transactions, and accordingly the Circuit decided to adjourn the hearing to deliberate and issue the decision. After considering the case and the documents submitted, and since the case is ready for adjudication and after terminating the participation of the attendee for the purpose of deliberation and in accordance with the provisions of the law and its executive regulations and the rules of work of the tax committees, the Circuit decided unanimously:

### Grounds:

Procedurally, and since the Plaintiff aims from her lawsuit to cancel Decision No. (VD-2023-141468) issued in Case No. (R-2020-141468), which "obliges the Zakat, Tax and Customs Authority to return the amount paid by the Taxpayer of (25,000 riyals), provided that the Authority has the right to refer to the person who first returned the amount paid in what it claims if it wants," and demands the ruling to oblige both (Taxpayer A) and (Taxpayer B) jointly to pay the Real Estate Transactional Tax due to real estate transaction No. (...) in the amount of (25,000) riyals.

On the merits, where the Plaintiff's claim lies in its reliance on Decision No. (VD-2023-141468) issued in Case No. (R-2020-141468), which "obliges the Zakat, Tax and Customs Authority to return the amount paid by the Taxpayer, amounting to (25,000 riyals), provided that the Authority has the right to refer to the person who returned the amount paid first, if it wants", and where the Authority limited its case to a request to oblige (the Taxpayer) to return the amount of Real Estate Transactional Tax due for real estate transaction No. (...) In the amount of (25,000) riyals, which was returned to him due to a technical defect, and since it is established according to what was stated by the Central Bank that the amount was returned to his account without a right, and since this is considered as enrichment without a reason and he is not entitled to keep it and is obliged to return it to the Authority, which is decided by the Circuit.

Based on the above and in accordance with the provisions of the Unified Agreement, the VAT Law and its Executive Regulations, and the working rules of the committees for adjudicating tax violations and disputes, the Circuit decided after deliberation unanimously:

### Decision:

Obligating (the Taxpayer) to return to the Authority the amount transferred to him, amounting to (25,000) riyals, representing the Real Estate Transactional Tax subject to the lawsuit.

The judgment has become final due to the expiration of the objection period in accordance with paragraph (2) of Article (33) of the rules of operation of the Zakat and Tax Committees.





## Tax Reassessment



Appellate Committee for Tax Violations and Disputes  
First Appellate Circuit for  
Value Added Tax and Excise Goods Tax Violations and  
Disputes

Decision No. VA-2024-198602

Case No. R-2023-198602

### Keywords

Real Estate Transaction Tax-Reassessment of Tax-Reassessment of Real Estate Transaction Tax-Acceptance of Taxpayer's Appeal

### Summary:

The appellant (the Taxpayer) objected to the decision of the Second Circuit for adjudicating VAT violations and disputes in Riyadh (No. VTR-2023-95166) to impose a real estate transaction tax on the transfer of ownership of a property. The Taxpayer claims that the transfer of ownership was a sham transaction to correct a ownership error resulting from a financing contract with a bank .... The property was owned by his brother through the bank, and his other brother was a guarantor. Due to a technical glitch in the notary system, the property was transferred from the guarantor's brother to the Taxpayer and then to the actual owner in one day. After reviewing the documents, the Appellate Committee found that the one-day ownership period indicates that there was no intention to realize a benefit, which indicates that the transaction was a sham. Since the Commission did not provide any evidence to the contrary. This means; accepting the Taxpayer's appeal and canceling the decision of the adjudication circuit.

### Document:

- [Zakat, Tax and Customs Committees Regulations issued by Royal Decree No. \(25711\) dated 08/04/1445 AH.](#)

### Facts:

The appeal filed on 25/05/2023, from ..., national id no. (...) Was considered in his capacity as an agent for (taxpayer) national id no. (...), under power of attorney no. (...), on the decision of the second circuit for adjudicating vat violations and disputes in riyadh city no. (VTR-2023-95166) in the case filed by the appellant against the appellee (the authority).

Since the facts of this case have been stated in the decision subject to appeal, the Appellate Circuit refers to it in order to avoid repetition. Whereas the decision of the Adjudication Circuit ruled as follows:



First: To accept the claim procedurally.

Second: The Plaintiff's claim is dismissed on the merits.

Since this decision was not accepted by the appellant, he submitted to the Appellate Circuit a statement of appeal that included his objection to the decision of the Adjudication Circuit to reject his case on the reassessment of the real estate transaction tax and the fine resulting from it, because the real estate transaction was (fictitious) and was to address a mistake of ownership due to the financing contract with a bank ... he explained that the property is owned by his brother (...) Through a bank ..., and (...) before the Saudi Central Bank directed banks and finance companies to correct the situation, the deed was in the name of a bank..., so the bank transferred the ownership of the property to the owner and the joint guarantor, and to correct the deed, he indicated that there is a letter addressed to the bank stating that his brother guarantor has no objection to deleting him from the deed of the property and assigning it to the primary owner (...), and ended with a request to accept the appeal and cancel the decision of the Adjudication Circuit.

On Tuesday, 23/04/2024, the Circuit opened the hearing to consider the appeal submitted, and by appealing to the parties, the appellant's attorney attended/... National ID number (...) By virtue of power of attorney No. (...), the representative of the appellee/ ... (Saudi national) under national ID number (...), under authorization letter number .../.../... On 19/03/1445 AH, issued by the Deputy Governor for Legal Affairs, and upon asking the appellant's attorney about his appeal, he replied: He is satisfied with the list of appeals and memoranda submitted on the portal of the General Secretariat of Zakat, Tax and Customs Committees, and adheres to the grounds and defenses contained therein, and by presenting this to the representative of the Appellee, he replied: In what does not deviate from what was mentioned in the reply memorandum, and is satisfied with the memorandums filed on the portal of the General Secretariat of Zakat, Tax and Customs Committees, and adheres to the grounds and defenses contained therein, and asks both parties what they wish to add, they replied that they are satisfied with what was previously submitted, and accordingly the door of the pleading was closed and the case was filed for study and deliberation.

### Grounds:

Upon reviewing the case documents and the appeal list submitted, the Circuit found that the conditions for considering the appeal procedurally are met in accordance with the conditions stipulated in the relevant laws, regulations and decisions, which makes the appeal request procedurally admissible because it was submitted by a competent person and within the statutory period prescribed for conducting it.

On the merits, by informing the Appellate Circuit of the case papers and examining the documents and documents they contained, and after reviewing the submissions and responses submitted by the parties, the Appellate Circuit found that the decision issued by the Adjudication Circuit rejected the appellant's case on the reassessment of the real estate transaction tax and the fine resulting therefrom, and where the appellant objects to the decision of the Adjudication Circuit because the real estate transaction was

(fictitious) and was to address a mistake of ownership due to the financing contract with a bank ... he explained that the property is owned by his brother (...) Through a bank ..., and(...) A guarantor co-sponsor with him, and before the Saudi Central Bank's directive to banks and financing companies to rectify the situation, the title deed was in the name of ... Bank. The bank then transferred ownership of the property to both the owner and the co-guarantor. To rectify the deed, he indicated the existence of a letter addressed to the bank stating his guarantor brother's non-objection to being removed from the property deed and waiving his rights to the primary owner (...). After reviewing the documents submitted by the appellant supporting what he mentioned in his claim regarding the transfer of ownership of the property in question through a gift to his brother, to resolve a complication arising from a company's transfer to both the owner and the guarantor co-sponsor, and based on what is stated in the submitted contracts whose texts collectively indicate that Mr. (...) a guarantor is a guarantor and the owner is (...) this is supported by Mr. (...) the owner of the property and the debt account statement certified by the bank's seal, in which the number of installments and the total amount match what is stated in Deed No. (...) despite the Plaintiff's failure to provide evidence of a technical glitch in the notary's system that prevented the transfer of the property between his brothers, and his intervention in the matter to resolve the issue, when it appeared to the Circuit that the period between the transfer of the property from the guarantor (...) to the appellant by deed no on (17/08/1442 AH) and its transfer from the appellant to the owner (...) by Instrument No. (...) (18/08/1442 AH) is only one day and denies the intention of obtaining the benefit and ownership required to be considered a taxable real estate transaction, which is a conclusive evidence of the fictitiousness of the transaction, and since the period of ownership does not envisage any benefit to the appellant, and the Adjudication Circuit cannot see the case before it separately from the original case No. (R-2022-94085) because the real estate transaction in the present case is closely related to the real estate transaction in the aforementioned case and is a result and complement to it, and because the subordinate takes the judgment of the dependent and does not stand alone....) for the appellant (...) the appellant (the Authority) did not provide any evidence in its reply memorandum to deny the validity of the appellant's statement and merely maintained the validity of its assessment of the market value of the property even though it is not the subject of the dispute in the case, which leads the Appellate Circuit to accept the appeal.

With regard to the late payment fine, and the appellant's request to cancel that fine, and since the above clause has led to the acceptance of the appeal, and since the fine resulted from that, the associated penalty takes its judgment, which leads the Appellate Circuit to accept the appeal.

For these reasons and after due deliberation, the Circuit unanimously decided as follows:

### Decision:

- 1- Acceptance of the appeal submitted by/ ... - National ID No. (...), procedurally submitted within the legally prescribed period.



- 2- Acceptance of the appeal submitted by/ ... - National ID No. (...), regarding the reassessment of the real estate transaction tax and the annulment of the decision of the Second Circuit for Adjudicating Value Added Tax Violations and Disputes in Riyadh City No. (VTR-2023-95166), and the annulment of the Authority's decision.
- 3- Acceptance of the appeal submitted by/ ... - National ID No. (...), regarding the late payment penalty and canceling the decision of the Second Circuit for adjudicating VAT violations and disputes in Riyadh (VTR-2023-95166), and canceling the Authority's decision.



The Tax Violations and Disputes Committee  
The First Circuit for adjudicating VAT violations and disputes in  
Dammam City

Decision No. VD-2024-228105

Case No. R-2023-228105

### Keywords

Real Estate Transaction Tax-Reassessment of The Tax-Reassessment Of The Real Estate Transaction-Sale Of  
The Property-Acceptance Of The Plaintiff's Claim

### Summary:

The Plaintiff's objection to the General Authority for Zakat and Taxation's decision to reassess his property and impose a real estate transaction tax accordingly. his objection is that the sale took place years ago and he proved it with a sales paper and a bank transfer, while the Defendant (the authority) reassessed the property based on Ministry of Justice data only, without relying on an official real estate appraisal. the committee found that the authority did not prove that the property was sold for less than market value, and that real estate appraisals must be done by certified appraisers according to the law, not based on average prices only. she also emphasized that a lower selling price may be for legitimate reasons, and does not imply tax evasion. this means accepting the Plaintiff's claim and canceling the Authority's decision to reassess and its consequences.

### Document:

- [Zakat, Tax and Customs Committees Regulations issued by Royal Decree No. \(25711\) dated 08/04/1445 AH.](#)
- Article (3) of [The law of Accredited Valuers issued by Royal Decree No. \(M/43\) dated 09/07/1433AH](#)
- [The Executive Regulations of the Real Estate Transaction Tax, amended by Ministerial Decision No. \(1445-88-1\) dated 02 Ramadan 1445A.H](#)

### Facts:

The facts of this case are summarized in the fact that the Plaintiff(the Taxpayer), on his own behalf, submitted a statement of claim that included an objection to the Defendant's decision (the authority)related to the re-evaluation of the real estate transaction in question, as he stated that the sale took place in



1436AH, for an amount of SAR 50,000, under a paper written between the seller and the buyer, and under a money order, which is land outside the urban area, and until now no construction has been allowed and no permits for the municipality, and he requests the cancellation of the Defendant's decision and the resulting fines.

When the Defendant was presented with the list, she submitted a response memorandum stating: " A- The Authority wishes to establish its defense to refer to the definition related to market value in accordance with paragraph (1) of Article (030) of the International Valuation Standards, which clarifies the foundations and standards of international valuation of market value as follows: "Market value is the estimated amount on the basis of which an asset or liability should be exchanged on the valuation date between a willing buyer and a willing seller in the framework of a transaction on a neutral basis after appropriate marketing where each of the parties acts with knowledge and wisdom without coercion or coercion." In the definition of the term estimated amount, paragraph (a) of the same paragraph states: " a. (Estimated amount) refers to the price payable against the asset in a market transaction on a neutral basis. While market value means the most likely price that can be reasonably obtained in the market at the valuation date in accordance with the definition of market value. It is the best reasonable price that the seller can obtain, and it is also the most advantageous price for the buyer, and this amount excludes in particular any estimated inflated or deflated price as a result of special conditions or circumstances, such as: Atypical financing, sale and leaseback arrangements, special considerations, or concessions granted to a particular owner or buyer. As explained in the previous texts, it is clear that the market value is determined based on the best price that the seller can obtain, with the exception of anomalous values. We explain to Your Excellency that the Authority relies on the data received from the Ministry of Justice and excludes any anomalous amounts, whether higher or lower than the average value of real estate, following international standards of valuation. B- The Authority would also like to clarify its procedure to the esteemed Circuit regarding the reassessment of real estate, as the Authority relies on one of the international valuation methods and standards approved by the Saudi Authority for Accredited Valuers and known as the market method. This method, known as the market method used by the Authority in valuation, is based on comparing the asset under valuation with other similar assets, as stipulated in paragraph (1) of Article (020) of the International Valuation Standards (the market method) that: "The market method provides an indication of the value in the event that the asset is compared with identical or similar comparison assets) for which price information is available." It is clear to your Excellency that the Zakat, Tax and Customs Authority is doing the same procedure as the Saudi Authority for Accredited Valuers in its valuation processes, as it compares the asset under valuation with its counterpart from similar properties in the same scheme, while excluding any anomalous values that do not reflect reality, whether they are higher or lower than the average market values in the same scheme. C- After the Authority clarified to you the procedure it is carrying out while proving its conformity with the international standards of valuation, the Authority wishes to point out that the executive regulation of the Real Estate Transactional Tax granted the Authority the authority to verify the validity of the tax calculation,

and to estimate the values of the real estate in the event that no value is specified for it or the value is less than the market value, in the text of paragraph (2) of Article (6), which states: "For the purposes of verifying the correctness of the calculation of the tax due, the Authority has the right to do the following: 2- Estimating the values of real estate and disposals for which the value is not specified or for which it is found that the value mentioned in the disposal contract is less than the market value, or for which incorrect information or data are provided. Regarding the tax owed by the Plaintiff after the reassessment, we inform the esteemed committee that after the Authority revalues the value of the property in question, plot No .... From Chart # ... Located in the neighborhood of... In Riyadh, it was found that the declared sale amount is (50,000) riyals less than the fair market value, as after referring to the data registered with the Ministry of Justice for the same scheme in which the property is located (attached), it was found that the highest price per meter is (833.33) riyals and the lowest price per meter is (444.44) riyals, provided that the average price per meter is (502.17) riyals, while the property owner (the disposer) ...transferred the ownership of the property to ... On 13/03/1444 AH, which corresponds to 09/10/2022 AD, the Authority sold for an amount of (50,000) Saudi riyals. Therefore, the Authority studied and estimated the average selling prices of the same scheme in which the property in question is located and revalued to become the price per meter (444.44) riyals and the value of the property after the amendment (373,329.60) riyals and recalculate the tax due accordingly.

C- The Authority also refers to the appellate decision No. (VA-2024-190215) issued in Appeal No. (R-2023-190215), in which the Appellate Circuit supported the Authority's decision, where the Authority presented a study of the scheme and the method of calculating the average meter price that was relied upon, as the Appellate Circuit stipulated in the reasons for its decision that "and where it was proven to the Circuit that the Authority has excluded the abnormal amounts, following the international standards for evaluation, which led the Appellate Circuit to accept the appeal submitted by the Authority and support its decision."

H- Regarding what the Plaintiff mentioned that the property was sold more than 10 years ago at a value of (50,000) riyals, and an ordinary document dated in 1436AH was submitted to this effect, the authority responds that the attached paper from the Plaintiff is considered an unofficial "ordinary" document whose authenticity is limited to its parties, as the evacuation took place in 1444AH according to the official data (Ministry of Justice) and therefore the supply is subject to tax in accordance with Article (2) of the executive regulations of the Real Estate Transactional Tax, and the Plaintiff did not provide proof of the supply of the property before this date according to a judicial instrument or an official document. Based on Article No. (36) of the Real Estate Registration Law issued by Royal Decree No. (M/6) dated 11/02/1423 AH, which was in force at the time, which stipulated that "all actions that would create, transfer, change or remove an original or ancillary real estate right in rem, as well as the final provisions proving some of this, shall be recorded in the real estate registry. These actions include real estate division, will, endowment, inheritance and mortgage, and their effect shall not apply to others except from the date of their registration." Based on paragraph No. (1) of Article No. (4) of the Real Estate Registration Law issued by Royal Decree No. (M/91) dated 19/09/1443 AH, which stipulates that "the real estate registry shall have absolute authority to prove





in accordance with the provisions of the law, and its content shall operate before the judiciary and all parties without additional evidence, and it may not be challenged unless the challenge is due to a clerical error or forgery." The Authority's action based on the drawing data received from the Ministry of Justice in taxing the real estate transaction and revaluing it based on the market value is based on a valid legal document. G- Regarding the late payment penalty: In view of the increase in the value of the tax due, which was not paid by the Plaintiff on its regular date, the late payment fine was imposed based on paragraph (c) of Article (8) of the Executive Regulations of the Real Estate Actions Tax, which stipulates that " anyone who fails to pay the tax due within the specified period shall be punished by a fine equivalent to (5%) of the value of the unpaid tax for each month or part of it for which the tax has not been paid." . Its reply is completed.

The Plaintiff then submitted a response memorandum stating: " I submit this answer explaining that after my clarification in my previous suitor that the land was sold on 16/12/1436 AH, its price was 50 thousand at that time, but the Zakat Authority reported that the paper sale is not official because the sale is to my colleague and friend and they did not look at the bank transfer and the statement of account withdrawn at that time from the official authority (the bank ...) Note that the judge of the Ministry of Justice did not transfer the ownership of the land until after reviewing the amount of the transfer within the statement of account approved by the Bank ... At that time the statement of account and paper pledge were attached to you in our previous letter." His reply is completed.

on Monday, April 29, 2024, the session was held in accordance with the procedures for remote video litigation, with the participation of the Plaintiff... on his own behalf under national ID No. (...), and the participation of the representative of the Defendant ... National ID number (...) As a representative of the Zakat, Tax and Customs Authority under the authorization letter No. (.../.../.../1445) dated 19/03/1445 AH issued by the Deputy Governor for Legal Affairs and Compliance, and by asking the parties to the case what they would like to add, each of the parties maintained his previous statements. the Circuit decided to adjourn the hearing to deliberate and issue the decision. After deliberation, the following decision was issued:

### Grounds:

Procedurally, and since the Plaintiff aims to cancel the Defendant's decision to re-evaluate the real estate transaction, based on the value added tax law and its executive regulations, and since this dispute is a tax dispute, it is considered one of the disputes within the jurisdiction of the Tax Violations and Disputes Resolution Committee under Royal Decree No. (25711) dated 08/04/1445 AH, and where the Plaintiff was informed of the result of the objection on (03/12/2023), and the lawsuit was submitted through the electronic portal on (20/12/2023), so the lawsuit was submitted within the legally prescribed period according to Article (5) of the Zakat, Tax and Customs Committees' work rules, and the lawsuit was submitted by a person with standing, which requires the Circuit to accept the lawsuit procedurally.



On the merits, and after reviewing the entire case file and the defenses it contained, and where the Plaintiff maintained that the sale was made several years ago and submitted a pledge paper and a bank transfer, and where it became clear to the circuit that the Defendant did not attach proof that the property was sold for less than the market value, and only compared it to the real estate with the data of the Ministry of Justice, and this behavior is contrary to what the administrative judiciary in the Board of Grievances settled, as a number of decisions were canceled at the discretion of the members of the Circuit of Commerce and were supported by the Court of Appeal. The empties issued by the notary public do not have a single and definitive indication to prove the actual value of the property. A person may be compelled to sell his land at a low price, or someone may come who encourages him to sell it at an excessively high price. Furthermore, the Defendant has not provided proof of the transactions it relies upon for its defense to be properly accepted. Since evidence loses its probative value when subject to probability, and the aspect of probability here is that the average price does not necessarily indicate that the subject of valuation for tax purposes is at the same price as the average prices for the same subdivision, or less or more, and it cannot be relied upon for the market value of a specific property. This supports the existence of the (Saudi Authority for Accredited Valuers) which is concerned with granting real estate valuation licenses and establishing fair regulatory controls in real estate valuation, including actual site visits and visual inspection of the property both inside and outside, and taking several valuation considerations such as the property's location and specifications, the property's secondary and main roads, ease of access, public services, and so forth. This is not undermined by the Authority's reference to the issuance of a decision from the Appellate Circuit upholding its procedure, as upon examining the reality of the valuation process, the Circuit finds that it was conducted in a non-compliant manner and does not reflect proper verification of the nature of the property subject to valuation in a way that can be relied upon. Taking average prices while excluding outlier values cannot be considered reliable due to several considerations governed by the nature of real estate sales, and these considerations were not taken into account by the Authority during the revaluation. Instead, it only relied on taking average prices without basing the revaluation on an actual real estate appraisal by an accredited real estate appraiser in accordance with the Accredited Valuers Law issued by Royal Decree No. (M/43) dated 09/07/1433 AH. in addition, by extrapolating the purpose and objective of the regulator to verify the correct calculation of the tax due, the purpose is to prevent tax evasion based on the existence of an agreement between the disposer and the disposed to sell at a higher value than the value contained in the deed, in order to evade the payment of tax, which makes it clear to the Circuit that it is necessary for the Authority, with its multiple powers, to verify the existence of tax evasion it is incumbent upon the Authority, with its multiple powers, to verify the existence of tax evasion, and if it exists, to prove it and then reassess and impose the tax by reassessing the value of the property according to an assessment issued by a certified real estate appraiser, and accordingly impose fines, and since the Authority's action did not achieve the aforementioned, as it reassessed the value of the property this is not prejudiced by the fact that the regulation provides for this right for the Authority, as it is clear to the Circuit that this right is not in isolation



from reality and from the purpose of the regulation in preventing tax evasion, and this right is invalid because it violates the principle of hierarchy of the legal rule, which stipulates that the lower legislation does not violate the higher legislation, as the right exercised by the Authority under the Executive Regulations of the Real Estate Transaction Tax is contrary to a higher level of legislation, which is the Certified Valuers Law, Article 3 of which explicitly stipulates that the Authority has the right to reassess the value of the property. "No natural or legal person shall have the right to practice the profession of valuation in any branch of valuation unless he is licensed to practice the profession in the same branch." this explicit provision cannot be interpreted or infringed upon by a regulation that is considered inferior. in addition, what the regulation stipulates about selling according to fair value does not achieve reassurance for those dealing in real estate sales, due to the nature of the high amounts of real estate sales, and the difficulty of selling them at some times, coinciding with the need of some individuals for cash urgently, which forces them to sell them at a value lower than the value at which they intended to sell them, in addition to other considerations between the seller and the buyer that result in a reduction in the sale price, and this reduction cannot be considered as tax evasion the existence of other considerations between the seller and the buyer that result in a reduction in the sale price, and this reduction cannot be considered tax evasion in the absence of proof that the seller received an additional amount than the amount declared, and therefore in the absence of proof of tax evasion by the disposer; this entails that the Authority does not have the right to reassess the property subject to disposal. in the event of a real estate dispute before it, the courts administratively affiliated with the Ministry of Justice, including the general courts, do not use the data issued by the notaries affiliated with the Ministry of Justice, but rather assign a certified real estate appraiser to perform the appraisal, and this procedure is consistent with the statutory provisions that granted certified appraisers this right without any other natural or legal person, and therefore, this confirms the incorrectness of the Authority's action by conducting the appraisal according to the data extracted from the Ministry of Justice, and accordingly, according to what was stated, the Circuit decides to accept the Plaintiff's claim in substance, and

### Decision:

accepting the Plaintiff's claim and canceling the Authority's decision to reassess and its consequences.

The judgment has become final due to the expiration of the objection period in accordance with paragraph (2) of Article (33) of the rules of operation of the Zakat and Tax Committees.



**The Tax Violations and Disputes Committee**  
**The First Circuit for adjudicating VAT violations and disputes in**  
**Dammam City**

Decision No. VD-2024-227856

Case No. R-2023-227856

### Keywords

Real Estate Transaction Tax-Reassessment Of The Tax-Reassessment Of The Real Estate Transaction-Fair Market Value-Acceptance Of The Taxpayer's Objection

### Summary:

The Plaintiff (the Taxpayer) objected to the decision of the Zakat, Tax and Customs Authority (the Defendant) to revalue the property and impose a Real Estate Transactional Tax, on the grounds that the property was sold at a price below its market value. The Taxpayer confirmed that the sale was made at a low price because of its financial need, the distance of the property from the urban area, and the lack of services. He also argued that the Authority did not rely on an official real estate appraisal, but only compared the prices through the data of the Ministry of Justice. the committee found that the authority did not prove that the property was sold for less than market value, and that real estate appraisals must be done by certified real estate appraisers according to the law, not based on average prices only, and also confirmed that selling the property at a low price may be for legitimate reasons and does not mean tax evasion. this means accepting the Taxpayer's claim and canceling the Authority's decision to reassess and its consequences.

### Document:

- [Zakat, Tax and Customs Committees Regulations issued by Royal Decree No. \(25711\) dated 08/04/1445 AH.](#)
- Article (4,6) of [The Executive Regulations of the Real Estate Transaction Tax, amended by Ministerial Decision No. \(1445-88-1\) dated 02 Ramadan 1445A.H](#)
- Paragraph (c) of Article (8) of [The Executive Regulations of the Real Estate Transaction Tax, amended by Ministerial Decision No. \(1445-88-1\) dated 02 Ramadan 1445A.H](#)

## Facts:



The facts of this case are summarized in that the Plaintiff(assigned), on his own behalf, submitted a statement of claim that included an objection to the decision of the Defendant (the authority) related to the re-evaluation of the real estate disposition in question, as he stated that the ownership of the property was transferred to him on 18/7/1437 AH under Instrument No. (...) in the amount of (41,000) riyals, and sold it on 10/11/1442 AH for an amount of (40,000) riyals under instrument No. (...), and a tax invoice in the amount of (2000) riyals was issued and paid, and the Defendant's decision and the resulting fines are requested to be canceled.

When the Defendant was presented with the list, she submitted a response memorandum stating: "A - We inform the esteemed committee that after the authority re-evaluated the value of the property in question located in the eastern district of Riyadh in Riyadh city, chart No. (...), it was found that the declared sale amount (40,000) riyals is less than the fair market value, as after referring to the data registered with the Ministry of Justice for the same scheme in which the property is located (Attachment 1), it was found that the price per meter based on the fair market value is (233) riyals, while the Plaintiff disclosed the price per meter at an amount of (54) riyals per meter, which shows that there is a large discrepancy between the disclosed sale value and the actual value due for the property, so the authority studied and evaluated the average sale prices for the same scheme in which the property in question is located and re-evaluated to become the value of the property after the amendment (172,429.32) riyals and recalculation of the due tax, based on Article (4) of the Executive Regulations of the Real Estate Transactional Tax, which stipulates that " the tax is due on the date of the disposal value agreed upon between the parties or the value of the property, and on condition that it is not less than the fair market value at the date of the disposal "..... Based on Article (6) of the same regulation, which stipulates that " for the purposes of verifying the validity of the calculation of the due tax, the Authority shall have the right to do the following: 1- Verifying the value of real estate or the disposals on which it was made 2- Estimating the value of real estate and disposals whose value is not specified or for which it is found that the value mentioned in the disposal contract is less than the market value, or for which incorrect information or data are provided." B- The Authority wishes to establish its defense to refer to the definition related to the market value in accordance with paragraph (1) of Article (030) of the International Valuation Standards, which clarifies the foundations and standards of the international valuation of the market value, as follows: "Market value is the estimated amount on the basis of which an asset or liability should be exchanged at the valuation date between a willing buyer and a willing seller in the framework of a transaction on a neutral basis after appropriate marketing where each of the parties acts with knowledge and wisdom without coercion or coercion.". In the definition of the term estimated amount, paragraph (a) of the same paragraph states: " (a) (Estimated amount) refers to the price payable against the asset in a market transaction on a neutral basis. While market value means the most likely price that can be reasonably obtained in the market at the valuation date in accordance with the



definition of market value. It is the best reasonable price that the seller can obtain, and it is also the most advantageous price for the buyer, and this amount excludes in particular any estimated inflated or deflated price as a result of special conditions or circumstances, such as: atypical financing, sale and leaseback arrangements, special considerations, concessions granted to a particular owner, or buyer.". As explained in the previous texts, it is clear that the market value is determined based on the best price that the seller can obtain, with the exception of anomalous values. We explain to Your Excellency that the Authority relies on the data received from the Ministry of Justice and excludes any anomalous amounts, whether higher or lower than the average value of real estate, following international standards of valuation. C- The Authority would like to explain its procedure to the esteemed Circuit regarding the reassessment of real estate, as the Authority relies on one of the international valuation methods and standards approved by the Saudi Authority for Accredited Valuers and known as the market method. This method, known as the market method used by the Authority in valuation, is based on comparing the asset under valuation with other similar assets, as stipulated in paragraph (1) of Article (020) of the International Valuation Standards (the market method) that: "The market method provides an indication of value if the asset is compared with identical or comparable assets for which price information is available." It is clear to Your Excellency that the Authority carries out the same procedure as the Saudi Authority for Accredited Valuers in its valuation processes, as it compares the asset under valuation with its counterpart of similar properties in the same scheme, while excluding any anomalous values that do not reflect reality, whether higher or lower than the average market values in the same scheme. D- We also refer to the appellate decision No. (VA-2024-190215) issued in the lawsuit (R-2023-19021) and the judge in the operative part of his decision to support the Authority's action because of the aforementioned clarification that the Authority follows the international standards for evaluation and under its authority to verify the validity of the tax calculation in accordance with the Executive Regulations of the Real Estate Transactions Tax. Accordingly, the Authority adheres to the validity and integrity of its procedures in question. Second: regarding the late payment penalty: Based on the above, and in view of the reassessment and the consequent amendment of the tax amount due to the Authority, a late payment fine was imposed based on paragraph (c) of Article (8) of the Executive Regulations of the Real Estate Actions Tax, which stipulates that " anyone who fails to pay the tax due within the specified period shall be punished by a fine equivalent to (5%) of the value of the unpaid tax for each month or part of it for which the tax has not been paid....". Its reply is completed.

The Plaintiff then submitted a response memorandum stating: " In response to first paragraph (a): The attached is unclear, and I would like to clarify that the transfer of ownership of the property to me on 18/7/1437 AH under Instrument No. (...) For an amount of (41,000) forty-one thousand riyals, and sold on 10/11/1442AH for an amount of (40,000) forty thousand riyals under Instrument No. (...) However, it is established that its market value does not exceed what the eye was sold at the time, due to the lack of access to the urban scope of the eye and the lack of services or what calls for a higher price than is usual in those areas. He explained that the land is located between the city of Riyadh and the city of Ramah outside the

entrance to Riyadh and is about 10 kilograms of pavement and 10 kilograms of desert away from the eastern entrance to Riyadh. If I did not need its amount, I would not have sold it at that value, and I paid the tax amount issued to me at that time in the amount of 2,000 riyals. In response to the first paragraph (b) based on Article Four of the Executive Regulations of the Real Estate Actions Tax, which states: "Tax is due on the date of disposal on the basis of the value agreed upon between the parties or the parties thereto or the value of the property, provided that it is not less than the fair market value at the date of disposal - provided that the value of the property for the purposes of calculating the tax does not include the implied profit margin in cases of financing from the licensed entities by law - and it is imposed on the real estate transaction, including real estate completed or still in progress or on the map, and the tax due must be paid for it...." Based on the article, the value of the sale is determined by the parties, the seller and the buyer, as a condition at the time of the sale of the property, as the fair market value is the estimated price that a particular asset will bring in the open market when sold between a willing buyer and a willing seller, both of whom are reasonably aware of the asset, and act in their own interest, and it is clear that during the sale of the property, the market value of the property was at that value, there was no supply for it and it was not qualified for construction and housing, and there is no objection from an expert to verify this. In response to paragraph 1 (c) and (d): It was previously clarified in our response to the first paragraph that especially the prices of the property in those areas were not affected when selling. It may be that in this period, its value increased due to the projects announced by our wise government, which contributed to the high value of the property in the outskirts of the cities. However, the lesson is to determine the tax rate when selling and evacuation and not when issuing or returning the estimate. This is considered because I sold the land at a value lower than the purchased value due to my material circumstances that deprived me of benefiting from the eye. I took the initiative to sell it at that value due to my urgent need for money. How can the Authority issue a tax invoice in other amounts? I do not find what I pay for it. In response to first paragraph (d): According to Article Two of the Rules of Zakat and Tax Committees: which determines the competences of the committee for adjudicating tax violations and disputes (1-The Circuits of the Zakat and Tax adjudication committee are concerned with the following: (a) Deciding on violations, disputes, and lawsuits of public and private rights arising from the application of the provisions of the Zakat and Tax Laws and Regulations (b) Deciding on the objections of the concerned parties to the decisions issued by the Authority in application of the provisions of the Zakat and Tax Laws and Regulations), and based on Article Thirteen of the Executive Regulations of the Real Estate Actions Tax (a person in respect of whom a decision has been issued by the Authority may object to it in accordance with the rules of work of the Tax Violations and Disputes Resolution Committees, the law has guaranteed me the right to object. Reply to Second: The case before your esteemed committee has not been completed in order to calculate the delay fine and there is no provision for imposing the fine even if there is a dispute based on the amount issued against me.". His reply is completed.

On Monday, 29/04/2024, the session was held in accordance with the procedures for remote video litigation, with the participation of the Plaintiff and the Plaintiff's attorney ... National ID number (...) by virtue of power of attorney No. (...), and the participation of the representative of the Defendant ... National ID number (...) As a representative of the Zakat, Tax and Customs Authority under the authorization letter No. (.../.../.../1445) dated 19/03/1445 AH issued by the Deputy Governor for Legal Affairs and Compliance, and by asking the parties to the case what they would like to add, each of the parties maintained his previous statements. the Circuit decided to adjourn the hearing to deliberate and issue the decision. After deliberation, the following decision was issued:

### Grounds:

Procedurally, and since the Plaintiff aims to cancel the Defendant's decision to re-evaluate the real estate transaction, based on the value added tax law and its executive regulations, and since this dispute is a tax dispute, it is considered one of the disputes within the jurisdiction of the Tax Violations and Disputes Resolution Committee under Royal Decree No. (25711) dated 08/04/1445 AH, and where the Plaintiff was informed of the result of the objection on (13/11/2023), and the lawsuit was submitted through the electronic portal on (13/12/2023), so the lawsuit was submitted within the legally prescribed period in accordance with Article (5) of the Zakat, Tax and Customs Committees' working rules, and the lawsuit was submitted by a person with standing, which the Circuit must accept the lawsuit procedurally.

On the merits, the Circuit considered the case papers and the response of the two parties after giving them enough time to express and submit what they have with regard to the Real Estate Transactional Tax in question, and where it is clear that the dispute lies in the Plaintiff's request to the Defendant to re-evaluate the real estate transaction, because he was forced to sell the property at this value because of his need for money, and because the urban scope did not reach the property, and the lack of services or what requires a high price, and since the property is located between Riyadh city and Rumah Governorate, and is approximately (10) kilometers of paved road and (10) kilometers of desert from the eastern entrance to Riyadh, he requests cancellation of the invoice subject to valuation. After reviewing the complete case file and the defenses contained therein, it became clear to the Circuit that the Defendant did not attach evidence proving that the property was sold below market value, and merely compared the property with Ministry of Justice data. This action contradicts what has been established by the administrative judiciary in the Board of Grievances, where a number of decisions were cancelled according to the assessment of Commercial Chamber members and were upheld by the Court of Appeal. Additionally, property transfers issued by notary public offices do not have independent and conclusive significance for proving the actual value of property, as a person may be compelled to sell his land at a low price, or someone may come who encourages him to sell it at an excessively high price. Furthermore, the Defendant has not provided proof of the transactions it relies upon for its defense to be properly accepted. Since evidence loses its probative value when subject to probability, and the aspect of probability here is that the average price does not





necessarily indicate that the subject of valuation for tax purposes is at the same price as the average prices for the same subdivision, or less or more, and it cannot be relied upon for the market value of a specific property. This supports the existence of the (Saudi Authority for Accredited Valuers) which is concerned with granting real estate valuation licenses and establishing fair regulatory controls in real estate valuation, including actual site visits and visual inspection of the property both inside and outside, and taking several valuation considerations such as the property's location and specifications, the property's secondary and main roads, ease of access, public services, and so forth. This is not undermined by the Authority's reference to the issuance of a decision from the Appellate Circuit upholding its procedure, as upon examining the reality of the valuation process, the Circuit finds that it was conducted in a non-compliant manner and does not reflect proper verification of the nature of the property subject to valuation in a way that can be relied upon. Taking average prices while excluding outlier values cannot be considered reliable due to several considerations governed by the nature of real estate sales, and these considerations were not taken into account by the Authority during the revaluation. Instead, it only relied on taking average prices without basing the revaluation on an actual real estate appraisal by an accredited real estate appraiser in accordance with the Accredited Valuers Law issued by Royal Decree No. (M/43) dated 09/07/1433 AH. in addition, by extrapolating the purpose and objective of the regulator to verify the correct calculation of the tax due, the purpose is to prevent tax evasion based on the existence of an agreement between the disposer and the disposed to sell at a higher value than the value contained in the deed, in order to evade the payment of tax, which makes it clear to the Circuit that it is necessary for the Authority, with its multiple powers, to verify the existence of tax evasion it is incumbent upon the Authority, with its multiple powers, to verify the existence of tax evasion, and if it exists, to prove it and then reassess and impose the tax by reassessing the value of the property according to an assessment issued by a certified real estate appraiser, and accordingly impose fines, and since the Authority's action did not achieve the aforementioned, as it reassessed the value of the property this is not prejudiced by the fact that the regulation provides for this right for the Authority, as it is clear to the Circuit that this right is not in isolation from reality and from the purpose of the regulation in preventing tax evasion, and this right is invalid because it violates the principle of hierarchy of the legal rule, which stipulates that the lower legislation does not violate the higher legislation, as the right exercised by the Authority under the Executive Regulations of the Real Estate Transaction Tax is contrary to a higher level of legislation, which is the Certified Valuers Law, Article 3 of which explicitly stipulates that the Authority has the right to reassess the value of the property. "No natural or legal person shall have the right to practice the profession of valuation in any branch of valuation unless he is licensed to practice the profession in the same branch." this explicit provision cannot be interpreted or infringed upon by a regulation that is considered inferior. in addition, what the regulation stipulates about selling according to fair value does not achieve reassurance for those dealing in real estate sales, due to the nature of the high amounts of real estate sales, and the difficulty of selling them at some times, coinciding with the need of some individuals for cash urgently, which forces them to sell them at a value lower than the value at which



they intended to sell them, in addition to other considerations between the seller and the buyer that result in a reduction in the sale price, and this reduction cannot be considered as tax evasion the existence of other considerations between the seller and the buyer that result in a reduction in the sale price, and this reduction cannot be considered tax evasion in the absence of proof that the seller received an additional amount than the amount declared, and therefore in the absence of proof of tax evasion by the disposer; this entails that the Authority does not have the right to reassess the property subject to disposal. in the event of a real estate dispute before it, the courts administratively affiliated with the Ministry of Justice, including the general courts, do not use the data issued by the notaries affiliated with the Ministry of Justice, but rather assign a certified real estate appraiser to perform the appraisal, and this procedure is consistent with the statutory provisions that granted certified appraisers this right without any other natural or legal person, and therefore, this confirms the incorrectness of the Authority's action by conducting the appraisal according to the data extracted from the Ministry of Justice, and accordingly, according to what was stated, the Circuit decides to accept the Plaintiff's claim in substance, and

Based on the above and in accordance with the provisions of the Unified Agreement, the VAT Law and its Executive Regulations, and the working rules of the committees for adjudicating tax violations and disputes, the Circuit decided after deliberation unanimously:

#### Decision:

Accepting the Plaintiff's claim and canceling the Authority's decision to reassess and its consequences.

The judgment has become final due to the expiration of the objection period in accordance with paragraph (2) of Article (33) of the rules of operation of the Zakat and Tax Committees.



The Tax Violations and Disputes Committee  
The First Circuit for adjudicating VAT violations and disputes in  
Dammam City

Decision No. VD-2024-203523

Case No. R-2023-203523

### Keywords

Real Estate Transaction Tax-Reassessment Of The Tax-Reassessment Of The Real Estate Transaction-  
Expropriation Of Real Estate For Public Benefit-Repayment Of The Taxpayer's Lawsuit

### Summary:

The Plaintiff (the Taxpayer) objected to the decision of the Defendant (the authority) to impose the Real Estate Transactional Tax on the sale of his property, claiming that the disposition is excluded from the tax in accordance with the executive regulations, as he was exempted upon evacuation. However, the Authority requested him to prove this exemption, and the documents submitted were not clear from the source. The Plaintiff also relied on an exception for cases of expropriation for public benefit, noting that the buyer acquired the property as a result of expropriating another property he owned. Whereas the committee found that the article on which the Taxpayer relied is still in the draft of a new law and has not been approved, and the exception applies only to the forcibly removed property and not to the properties purchased as a result. The effect of this is to dismiss the Taxpayer's lawsuit.

### Document:

- [Zakat, Tax and Customs Committees Regulations issued by Royal Decree No. \(25711\) dated 08/04/1445 AH.](#)
- Paragraph (5) of Article (3) of [The Executive Regulations of the Real Estate Transaction Tax, amended by Ministerial Decision No. \(1445-88-1\) dated 02 Ramadan 1445A.H](#)
- Paragraph (4) of Article (5) of [The Executive Regulations of the Real Estate Transaction Tax, amended by Ministerial Decision No. \(1445-88-1\) dated 02 Ramadan 1445A.H](#)

### Facts:

the facts of this case are summarized in that the Taxpayer, national identity (...) He filed a statement of claim that included an objection to the imposition of a Real Estate Transactional Tax of (87,500) riyals on the disposal of a property worth (1,750,000) riyals and fixed by deed No. (...) for a plot of land No .... From Scheme Number (...) Located in the neighborhood of... in the city of Qatif and imposing a late payment



penalty of (13,125) riyals, bringing the total claimed invoice amount to (100,625.00) riyals. The Plaintiff submitted the documents within the specified period. The required documents were submitted to the Authority, but the Authority issued an invoice on 30 May for the amount of the tax imposed and added the late payment fine. And that the property that was inhabiting the buyer was removed. therefore, it was emptied with the exception. provided for in Article 3 of the Real Estate Transactions Tax. He requests that the Defendant's decision be overturned.

When the Defendant was presented with the list, she submitted a response memorandum stating: With regard to the Plaintiff's statement that the authority imposed a Real Estate Transactional Tax on an excluded property expropriated for the public interest, the authority confirms that what the Plaintiff mentioned is incorrect, as according to Article (6) of the executive regulations of the Real Estate Transactional Tax, which states that "for the purposes of verifying the validity of the calculation of the due tax, the authority has the right to do the following: 1- Verifying the value of the properties or the disposals made on them." And paragraph (5) of Article (3) of the same regulation, which states that "A- is excluded from the scope of application of the tax in whole or in part, such as the following: 5. Forcible disposal of the property in cases of expropriation for public benefit or temporary seizure of the property." The Authority examined the disputed disposal process and requested the Plaintiff to submit an imminent expropriation notice for the expropriated property and proof of the exemption of the property from tax. By submitting the required documents and examining them, the Authority found that the documents submitted to the expropriated property do not belong to the disposer and do not belong to the disputed property, as all the data submitted by the Plaintiff belongs to the buyer in his capacity as a seller of other properties. The Authority would like to clarify to you that the disputed instrument of the property located in the neighborhood ... Discharged to the buyer under deed number ... On 29/08/1444AH, as for the demolished property located in the neighborhood ... By virtue of Instrument No .... On 22/05/1439AH, and therefore has nothing to do with the disputed disposition of the property, which the Plaintiff claims to exclude, which is not the disputed disposition. A disposition that is exempt from the Real Estate Transactional Tax and does not fall under any of the exceptions stipulated in the above article. According to what has been clarified, the Authority imposed the Real Estate Transactional Tax on the disputed disposition. Since the disclosed value is within the scope of the fair market value, the Authority approved that value and calculated the tax based on it in the percentage stipulated in the regulation. It should also be noted that the Plaintiff did not submit new documents affecting the case. As for the Authority's imposition of a fine for late payment on the disposition in question, according to Article (C/8) of the Executive Regulations of the Real Estate Acts Tax, and because the Plaintiff did not pay the tax for the months subsequent to the month allowed for the payment of the tax as a result of a difference between the value of the tax approved for and due, the fine for late payment was imposed. the Authority shall request a judgment of dismissal. Its reply is completed.



The Plaintiff submitted a response memorandum that included: "The Authority stated in its response note that our request for an exemption is incorrect and based its decision on Article 6 of the Executive Regulations of the Real Estate Transaction Tax that the Authority has the right to verify the value of the properties or the disposessions that were carried out on them. Here, we would like to emphasize that this is not a subject of dispute and we affirm our commitment to the application of the regulation and the payment of the amount due to us, and that the subject of the dispute is the imposition of a tax on the full amount, and this is unacceptable and incorrect because of the availability of evidence and documents supporting our position to prove the relationship of the expropriated property to the buyer and his purchase of the property in question as a result of the expropriation of the property he inhabits, and this is in the attachments that will be explained below, and this is what we objected to. Note that it was useful to conduct the examination before the completion of the disposal process, not after it, as the tax return is before notarization by the notary. This was not the case in the aforementioned disposal, as we were informed of the exception and the authentication took place and the transaction took place, but we were surprised afterwards by a communication from the Authority and a request for documents, and then the Authority approved a tax on the full amount of the disposal despite the validity of all documents. - The Authority stated that it requested the submission of the documents supporting our objection. The necessary documents were submitted, but the Authority, as we mentioned, rejected the objection and based the rejection on the third article and the same article, the fifth paragraph (a), stipulates the exception for properties forcibly expropriated for public benefit, and this is the subject of the dispute, as the Authority, in its response memorandum No. 1, stated that the documents submitted belong to the buyer in his capacity as a seller of other properties. Here, we confirm that this is ambiguous from the Authority, as the buyer does not own any property other than the property he inhabited, which is the property in which the expropriation order was issued, and as a result of the expropriation of the property he inhabited, he purchased the property in dispute based on the amount of compensation he was compensated by the state. Attached to you is the title deed of the expropriated property located in the Shuwaikah neighborhood and the deed of the disputed property before transferring its ownership to the buyer located in the Al-Mazrou neighborhood. - The Authority stated that there is no relationship between the disputed property located in Al-Mazrou neighborhood, whose ownership has been transferred to the buyer ... and the expropriated property in Shuwaikah under deed number ... On 22/06/1439, it is completely incorrect, subjective and not based on any basis, as the Authority addressed the differences in dates and neglected the basic matter, which is the buyer's purchase... The property located in the Al-Mazroua neighborhood as a result of the removal of the property that he inhabited in the Shuwaikah neighborhood. All the evidence and documents that you find in the attachments of the removal order and the compensation check and the delivery of the check with the stamp and signature of the Notary Public have been submitted. Here, we would like to confirm that such transactions may be realized in a short period and may take months or years and the difference in the dates mentioned by the Authority has been based on the absence of a non-objective relationship, as this matter

is in the hands of the decision-maker and it is clear to your Excellency that the removal order was in 1439 while the implementation and compensation was in 1444 AH. Therefore, we confirm the validity of our request for reconnection based on Article III, paragraph 5 of the Executive Regulations of the Real Estate Transaction Tax, which provides for exemption from the tax. Article 5, paragraph 4, of the Executive Regulations of the Law on the Expropriation of Real Estate for the Public Interest and the Temporary Seizure of the Property stipulates that "the State shall bear the Real Estate Transactional Tax resulting from the purchase of a substitute property for the expropriated property, provided that what the State bears is within the amount of the tax imposed on the purchase if it is in the full amount of compensation or less, and that this burden shall be in the event that the purchase of the substitute property is made within a period not exceeding (6) years from the date of receipt of the amount of compensation." Accordingly, we demand reconnection by calculating the increase difference between the amount of compensation for the expropriated property in the Shuwaikah neighborhood and the amount of purchase of the property located in the Al-Mazrou neighborhood, which is 421,661.5 riyals, so the tax to be paid is 5% of the difference and is only 21,083. - What the Authority mentioned about the imposition of the fine is not the location of the dispute, but the location of the dispute in the wrong linkage by the Authority, and this is what was objected to and we asked for it to be re-linked. - The Authority ignored our request to use the certificate of the first residence in the event that it insists that there is no relationship between the expropriated property and the purchased property, as the buyer Jassim Ahmed Jassim Al-Abdul Razzaq holds the certificate of the first residence and it was submitted in our first application (you will find it in the attachments). In this case, the tax must be over the amount of one million, so the entitlement is only 37,500. Note that we are confident that the Secretariat will take the appropriate action and ask the Authority to calculate the amount of tax over and above the amount of compensation from the State for the expropriated property. This is in line with the Executive Regulations of the Real Estate Transaction Tax and the Executive Regulations of the Real Estate Expropriation Law for the Public Interest and the temporary seizure of the property. This is what we have previously demanded. In the event that the Secretariat finds that our request is incorrect, we thank them for clarifying the matter to us and demand the use of the first residence certificate and the request from the Authority to reconnect. ". Its reply is completed.

The Defendant then submitted a response memorandum that included: Confirms that the expropriation notice does not belong to the Defendant... It is not related to the disputed disposition, as the disputed deed is related to the property located in the cultivated neighborhood, which is discharged to the buyer by virtue of deed No .... On 29/08/1444AH, as for the expropriated property located in the neighborhood of Shuwaikah under the deed No .... On 22/05/1439Hijri, and therefore has nothing to do with the disputed disposition of the property, which the Plaintiff claims to exclude, which is not an exception to the Real Estate Transaction Tax and does not fall under any of the exceptions stipulated in the above article as explained, and the Authority refers to its previously submitted memorandum in order to prevent repetition. Its reply is completed.

The Defendant then submitted a response memorandum that included: With reference to the Secretariat's request " We hope to see what the Plaintiff has attached regarding the exception and to submit your response thereon.": The authority shall summarize its response as follows: the Commission maintains the contents of its first and second Reply Memorandum submitted before your esteemed Committee and confirms the correctness of its procedure. It also confirms that the unclear and unspecified source attached by the Plaintiff is not an official document that can be relied upon, and the Authority would also like to draw your attention to the fact that it indicated in the invoice issued to the Plaintiff that "the Authority has the right to re-evaluate the value of the property for the purposes of calculating the due tax correctly if it finds that the value of the property disposed of is less than the fair market value or that the property is not excluded from paying the tax, and to claim the difference in the unpaid due tax and impose penalties and fines due by law." Consequently, the Authority confirms the validity of its disputed decision. Its reply is completed.

On Sunday, 25/02/2024, the session was held in accordance with the procedures of remote video litigation and where the parties wished to hear the case, with the participation of the Plaintiff ... On his own behalf under national ID number (...), and with the participation of the representative of the Defendant ... National ID number (...) As a representative of the Zakat, Tax and Customs Authority under the authorization letter No. (.../.../.../1445) dated 19/03/1445 AH issued by the Deputy Governor for Legal Affairs and Compliance, and by asking the Plaintiff about the case, he answered in accordance with what was stated in the regulation submitted to the General Secretariat of Zakat, Tax and Customs Committees and adhering to what was contained in it, and by asking the representative of the Defendant about her response, she answered by adhering to what was stated in the response memorandum. asked what they would like to add, both parties decided to be satisfied with what they had previously submitted. Accordingly, the Circuit decided that both parties to the case should temporarily exit the courtroom for deliberation and issuance of the decision. After deliberation, the following decision was issued:

#### Grounds:

After reviewing the case papers and after auditing, and based on the value added tax law issued by Royal Decree No. (M/113) dated 2/11/1438 AH and its amendments, and on the executive regulations of the law issued by a decision of the Board of Directors of the General Authority for Zakat and Income No. (3839) dated 14/12/1438 AH and its amendments, and on the rules for the work of Zakat, tax, and customs committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. and the Unified VAT Agreement for the Gulf Cooperation Council Countries, and the relevant laws and regulations.

Procedurally, since the Plaintiff's aim in his lawsuit was to cancel the final reassessment of the Real Estate Transactional Tax and the fines resulting from it. Since this dispute is one of the disputes within the jurisdiction of the Zakat and Tax Adjudication Committee's Circuits under the working rules of the Zakat,



Tax and Customs Committees, and since the date of the result of the objection was on 10/07/2023, and the date of filing the lawsuit was on 24/07/2023, therefore, the lawsuit was submitted within the legally prescribed period in accordance with Article (5) of the working rules of the Zakat, Tax and Customs Committees. Whereas, the lawsuit was submitted by a person with standing, which requires the Circuit to accept the lawsuit procedurally.

On the merits, and where the dispute lies in the Plaintiff's objection to the Authority's decision to impose the Real Estate Transactional Tax on the Plaintiff's property, which is evidenced by Instrument No. (...), and where the Plaintiff indicated that an exemption was issued on the real estate transaction upon evacuation it, he was asked by the Secretariat to provide proof of this exemption on 06/12/2023 AD, and he provided evidence that the disposal is excluded, but it is not clear from the source and it is not possible to verify whether the inputs that led to the emergence of a statement excluding the property from the tax were made by the Plaintiff himself before evacuation or not. The Plaintiff argues that this real estate behavior is subject to the exception mentioned in paragraph (5) of Article (3) of the Executive Regulations of the Real Estate Actions Tax, which stipulates that "the scope of application of the tax shall be excluded, in whole or in part, from all of the following: 5-Forcible disposal of the property in cases of expropriation for public benefit or temporary seizure of the property"..

Whereas what the Plaintiff relied on is that the disposition is excluded in accordance with the text of paragraph (4) of Article 5 of the executive regulations of the law of expropriating real estate for the public interest and temporarily seizing the property, this article came in the draft of the new law and regulations for expropriating real estate for the public interest, and they have been put to the public opinion poll on a survey platform, and a project is still under study that has not been approved in accordance with the procedures followed in issuing and enforcing the laws and regulations; which is not correct to rely on this article because it has not been adopted and in force to date, so it must be deemed legally inexistent and considered merely an argument and interpretation advanced by the Plaintiff.

Upon reviewing the Plaintiff's defenses and documents, as it becomes clear that another property owned by the buyer and different from the property in question has been expropriated, but the buyer purchased the Plaintiff's property in question as a result of expropriating his property, and since the text of the exception is clear and explicit that the exception is spent on the property that was expropriated only forcibly and does not include what is purchased as a result of expropriation, and since the exception is not measured against him and does not expand his interpretation, which leads the Circuit to dismiss the Plaintiff's case because the state of exception against him has not been achieved. Based on the above and in accordance with the provisions of the Unified Agreement, the VAT Law and its Executive Regulations, and the working rules of the committees for adjudicating tax violations and disputes, the Circuit decided after deliberation unanimously:





### Decision:

Dismiss the Plaintiff's claim.

The judgment has become final due to the expiration of the objection period in accordance with paragraph (2) of Article (33) of the rules of operation of the Zakat and Tax Committees.



**The Tax Violations and Disputes Committee**  
**The Second Circuit for adjudicating VAT violations and disputes**  
**in Riyadh City**

Decision No. VSR-2024-225403

Case No. R-2023-225403

### Keywords

Real Estate Transaction Tax-Reassessment Of The Tax-Reassessment Of The Real Estate Transaction-The Value Submitted By The Taxpayer's Declaration Is Incorrect-Acceptance Of The Taxpayer's Objection

### Summary:

The Plaintiff (the Taxpayer) objected to the decision of the Defendant (the authority) to revalue the Real Estate Transactional Tax on his property, as it was imposed on it a tax of 13,375. The Taxpayer argued that the property is old and dilapidated, and it was sold to his neighbor for only 50,000 riyals, while the Authority based the reassessment on the average prices in the region according to the data of the Ministry of Justice. The Adjudication Committee found that the Authority did not provide proof of the validity of the appraisal, and that the reliance on average prices does not reflect the actual market value of the property, due to its different advantages from neighboring properties. This means that the Taxpayer's objection is accepted and the Authority's decision is overturned.

### Document:

- Article (5) of [Zakat, Tax and Customs Committees Regulations issued by Royal Decree No. \(25711\) dated 08/04/1445 AH.](#)

### Facts:

The facts of this case are summarized in that the Taxpayer, National ID No. (...), on its own behalf, submitted a statement of claim that included its objection to the decision of the Zakat, Tax and Customs Authority regarding the reassessment of the Real Estate Transactional Tax, issued with the request No. (...), the imposition of the Real Estate Transactional Tax in the amount of (13,375.00) riyals, and the fine for late payment in the amount of (15,225.00) riyals, and requesting the cancellation of the Defendant's decision.

When the lawsuit was presented to the Defendant, she submitted a response memorandum, which the Circuit reviewed.

On Wednesday, 28/02/2024 AD, the first session was opened and held via videoconferencing in accordance with the remote videoconferencing procedures; based on the provisions of Article 15, Clause 1

of the Rules of Work of Zakat, Tax and Customs Committees issued by Royal Decree No. (25711) and dated: 08/04/1445Hijri; upon calling the parties to the case, the Plaintiff appeared in person/.. (Saudi nationality) under national ID number (...), and attended ... (Saudi national) under national ID No. (...), the representative of the Zakat, Tax and Customs Authority under the authorization issued by the Zakat, Tax and Customs Authority No. (.../.../1444), and by asking the Plaintiff about her claim, she answered according to what was stated in the statement of claim submitted to the General Secretariat of the Zakat, Tax and Customs Committees and adhering to what was stated in it, and by asking the representative of the Defendant about his response, he answered by adhering to what was stated in the response memorandum. asked what they would like to add, both parties decided to be satisfied with what they had previously submitted. the Circuit decided to adjourn the hearing to deliberate, in preparation for the issuance of the decision.

### Grounds:

After reviewing the case papers and after auditing, and after reviewing the Income Tax Law issued by Royal Decree No. (M/1) dated 15/1/1425H and its amendments, and its executive regulations issued by Minister of Finance Decision No. (1535) dated 11/6/1425H and its amendments, and based on the Value Added Tax Law issued by Royal Decree No. (M/113) dated 2/11/1438H and its amendments, and the executive regulations of the law issued by Zakat, Tax and Customs Authority Board of Directors Decision No. (3839) dated 14/12/1438H and its amendments, and on the working rules of the committees for the adjudication of tax violations and disputes issued by Royal Decree No. (25711) dated: and 08/04/1445 AH, and the Unified VAT Agreement for the Gulf Cooperation Council Countries, and the relevant laws and regulations.

Procedurally: the Plaintiff was informed of the result of the objection on (17/10/2023) and submitted the lawsuit through the electronic portal on (21/10/2023), therefore, the lawsuit was submitted within the legally prescribed period according to Article (5) of the Zakat, Tax and Customs Committees Work Rules, and the lawsuit was submitted by a person with standing, which requires the Circuit to accept the lawsuit procedurally.

On the merits, by examining the case papers and the response of the two parties after giving them enough time to express and submit what they have, the Circuit established that the dispute lies in the Plaintiff's request to cancel the Defendant's decision on the reassessment of the Real Estate Transactional Tax, issued by request No. (...), and the imposition of the Real Estate Transactional Tax in the amount of (13,375.00) riyals, and the fine for late payment in the amount of (15,225.00) riyals, as the Plaintiff stated that the basic sale value was made in the amount of (50,000) riyals, and there are no other amounts collected from the buyer, and the sale was made to my due neighbor, It is a very old and dilapidated house that is more than forty years old, while the Defendant explained that she re-linked the Taxpayer because the value submitted by the Taxpayer's declaration is incorrect and does not reflect the fair price of the property, through the data received from the Ministry of Justice website, by taking the average of the properties for the same area, and



by reviewing the case file, it was proven that the Defendant did not provide the necessary supporting documents, in addition to the fact that using the average selling prices of the scheme does not represent a correct indicator of the market value of the property, as the average is calculated by taking into account high prices and low prices of real estate in the same scheme, which may lead to calculating the price per meter (as an average) higher than the actual price per meter of the property in dispute, as the advantages and disadvantages of the property in the same scheme differ, so the market value of the property varies, and therefore the Circuit ends up canceling the decision of the Defendant (the Authority) for not providing a fair evaluation of the property, as it can not rely only on the average price per meter.

With regard to the late payment fine resulting from the reassessment of the value of the property, and since the Circuit concluded that the decision of the Defendant (the Authority) in the above clause should be annulled, and since the late payment fine resulted from this, what is related to it takes its judgment, which leads the Circuit to annul the decision of the Defendant (the Authority) regarding the imposition of the late payment fine.

Accordingly, the Circuit decided after deliberation unanimously:

#### Decision:

- 1- Acceptance of the lawsuit procedurally.
- 2- The Defendant's decision with respect to the reassessment of the value of the Property, and the resulting fines, is rescinded.

The judgment has become final due to the expiration of the objection period in accordance with paragraph (2) of Article (33) of the rules of operation of the Zakat and Tax Committees.



**The Tax Violations and Disputes Committee**  
**The First Circuit for adjudicating VAT violations and disputes in**  
**Dammam City**

Decision No. VD-2024-227749

Case No. R-2023-227749

### Keywords

Real Estate Transaction Tax-Reassessment Of Real Estate Transaction-Transfer Of Ownership Of The Property By Gift-Acceptance Of The Taxpayer's Objection

### Summary:

The Plaintiff's (Taxpayer's) request to cancel the decision of the Defendant (the Zakat, Tax and Customs Authority) related to the re-evaluation of the real estate transaction and the resulting fines, because the reality of the disposal process is a gift to his son. Whereas the committee found that the reassessment was carried out without relying on an approved real estate appraisal, which violates the Accredited Valuers Law, and the registration of the act as a sale does not negate its reality as a gift, especially with the son's acknowledgment of this and his commitment to the statutory restrictions of the gift. This means accepting the Taxpayer's objection and canceling the Authority's decision and its consequences.

### Document:

- [Zakat, Tax and Customs Committees Regulations issued by Royal Decree No. \(25711\) dated 08/04/1445 AH.](#)
- Article (3) of [The law of Accredited Valuers issued by Royal Decree No. \(M/43\) dated 09/07/1433AH](#)
- [The Executive Regulations of the Real Estate Transaction Tax, amended by Ministerial Decision No. \(1445-88-1\) dated 02 Ramadan 1445A.H](#)

### Facts:

The facts of this case are that the Plaintiff (the Taxpayer), a national identity (...), on its own behalf, submitted a statement of claim that included an objection to the Defendant's decision related to the reassessment of the real estate disposition in the amount of (26,031.25) riyals, and the resulting fines, and requesting the cancellation of the Defendant's decision.



When the Defendant was presented with the list, she submitted a response memorandum stating: First: On the merits: By reviewing the Plaintiff's statement of claim, it becomes clear that it is limited to the request to object to the reassessment issued by the authority regarding the Real Estate Transactional Tax and the resulting fines, upon which the authority summarizes its response as follows: A- The Authority wishes to establish its defense to refer to the definition related to the market value in accordance with paragraph (1) of Article (030) of the International Valuation Standards, which clarifies the foundations and standards of the international valuation of the market value, as follows: "Market value is the estimated amount on the basis of which an asset or liability should be exchanged on the valuation date between a willing buyer and a willing seller in the framework of a transaction on a neutral basis after appropriate marketing where each of the parties acts with knowledge and wisdom without coercion or coercion." : In the definition of the term estimated amount, paragraph (a) of the same paragraph states : " a. Estimated amount) refers to the price payable against the asset in a market transaction on a neutral basis. While market value means the most likely price that can be reasonably obtained in the market at the valuation date in accordance with the definition of market value. It is the best reasonable price that the seller can receive, and it is also the most advantageous price for the buyer, and this amount excludes in particular any estimated inflated or deflated price as a result of special conditions or circumstances, such as: Atypical financing, sale and leaseback arrangements, special considerations, or concessions granted to a particular owner or buyer. As explained in the previous texts, it is clear that the market value is determined based on the best price that the seller can obtain with the exception of anomalous values, and it clarifies to you that the Authority is relying on the data received from the Ministry of Justice and excludes any anomalous amounts, whether higher or lower than the average value of real estate, following international standards for valuation. The Authority also wishes to clarify its procedure for the esteemed Circuit regarding the reassessment of real estate, as the Authority relies on one of the international valuation methods and standards approved by the Saudi Authority for Accredited Valuers and known as the market method, and this method known as the market method used by the Authority in valuation is based on comparing the asset under valuation with other similar assets, as stipulated in paragraph (1) of Article (020) of the International Valuation Standards (the market method): "The market method provides an indication of the value in the case of comparing the asset with identical or similar comparison assets) for which price information is available." It is clear to your Excellency that the Zakat, Tax and Customs Authority is doing the same procedure as the Saudi Authority for Accredited Valuers in its valuation processes, as it compares the asset under valuation with its counterpart from similar properties in the same scheme, while excluding any anomalous values that do not reflect reality, whether they are higher or lower than the average market values in the same scheme. After the Authority has clarified to you the procedure it is carrying out while proving its conformity with the international standards of valuation, the Authority wishes to point out that the executive regulation of the Real Estate Transactional Tax granted the Authority the authority to verify the validity of the tax calculation, and to estimate the values of the real estate in the event that no value is specified for it or the value is less



than the market value, in the text of paragraph (2) of Article (6), which states: "For the purposes of verifying the correctness of the calculation of the tax due, the Authority has the right to do the following: 2- Estimating the values of real estate and disposals for which the value is not specified or for which the value mentioned in the disposal contract is found to be less than the market value, or for which incorrect information or data are provided. C- Regarding the tax owed by the Plaintiff after the reassessment, we inform the esteemed committee that after the Authority revalues the value of the property in question, plot No .... From Scheme No .... /... Located in the neighborhood of... In the city of ... It was found that the declared sale amount (100,000) riyals is less than the fair market value, as after referring to the data registered with the Ministry of Justice for the same scheme in which the property is located (attached), it was found that the highest price per meter is (1,543.00) riyals and the lowest price per meter is (595.00) riyals, provided that the average price per meter is (1069) riyals, while the disposing owner of the property) ... Transferring ownership of the property to ... On 12/07/1443 AH, which corresponds to 13/02/2022 AD, a sale for an amount of (100,000) Saudi riyals according to what is stated in the property deed issued by the Ministry of Justice that the disposal of the property is for sale. Therefore, the Authority studied and estimated the average sale prices for the same scheme in which the property in question is located and revalued to become the price per meter (595) riyals and the value of the property after the amendment (520,625) riyals and recalculate the tax due accordingly. C- The Authority also refers to Appellate Decision No. (2024-190215) issued in Appeal No. (2023-190215), in which the Appellate Circuit supported the Authority's decision, as the Authority presented a study of the scheme and the method of calculating the average price per meter that was relied upon, as the Appellate Circuit stipulated in the reasons for its decision that "and where it was proven to the Circuit that the Authority has excluded the abnormal amounts, following the international standards of evaluation, which led the Appellate Circuit to accept the appeal submitted by the Authority and uphold its decision." H- Regarding what the Plaintiff stated that the property was transferred by gift to her son, the Authority responds that it was taken into account that the disposer is the son of the disposer, but the disposal process is a sale and not a gift in accordance with the instrument. Accordingly, the exception of Article (3) Paragraph (1/6), which states that "the disposal of the property as a gift documented by the competent authority is excluded for the husband, wife or relatives up to the third degree of the Real Estate Transactional Tax." Accordingly, the exception does not apply to this disposal. G- Regarding the late payment penalty: In view of the increase in the value of the tax due, which was not paid by the Plaintiff on its regular date, the late payment fine was imposed based on paragraph (c) of Article (8) of the Executive Regulations of the Real Estate Actions Tax, which stipulates that " anyone who does not pay the tax due within the specified period shall be punished by a fine equivalent to (5%) of the value of the unpaid tax for each month or part of it for which the tax has not been paid." Second: Orders: The authority requests the esteemed committee to dismiss the case for the reasons explained above and to support the action of the authority in question. The authority also reserves the right to provide further responses and clarifications before the closure of the hearing." Its reply is completed.

On Sunday, April 28, 2024, the session was held in accordance with the procedures for remote video litigation, with the participation of the Plaintiff... On its own behalf under national ID number (...), and with the participation of the representative of the Defendant ... National ID number (...) Acting in her capacity as the Representative of the Zakat, Tax and Customs Authority, pursuant to Delegation Letter No. (.../.../.../1445) dated 19/03/1445H issued by the Deputy Governor for Legal and Compliance Affairs, and upon being asked whether she wished to make any additional statements, the Plaintiff responded in the negative and affirmed that the Land was gifted by her to her Son, who was present at the Hearing and confirmed the accuracy of the Plaintiff's statement. The Son acknowledged his understanding that he is legally prohibited from disposing of the Land in any manner inconsistent with the form of its original transfer, unless and until the statutory period has passed. The Son limited his objection solely to the amount of Forty-Eight Thousand One Hundred Fourteen Saudi Riyals (SAR 48,114), representing the Reassessment Tax and Penalties, and further declared that he raises no dispute with respect to the previously paid amount of Five Thousand Saudi Riyals (SAR 5,000), thereby conclusively waiving any claim thereto. Upon inquiry directed to both Parties as to whether they had any additional submissions, the Representative of the Defendant reaffirmed reliance upon the contents of the submitted Memorandum and asserted that the Title Deed expressly indicates that the Transaction was a Sale and not a Gift. Accordingly, the Circuit decided that both parties to the case should temporarily exit the courtroom for deliberation and issuance of the decision. After deliberation, the following decision was issued:

#### Grounds:

Procedurally, and since the Plaintiff aims to cancel the Defendant's decision related to the reassessment of the real estate disposition in the amount of (26,031.25) riyals, and the resulting fines, based on the value added tax law and its executive regulations, and since this dispute is a tax dispute, it is considered one of the disputes within the jurisdiction of the Tax Violations and Disputes Resolution Committee under Royal Decree No. (25711) dated 08/04/1445 AH, and where the Plaintiff was informed of the result of the objection on (13/11/2023), and she submitted the lawsuit through the electronic portal on (11/12/2023), so the lawsuit was submitted within the legally prescribed period in accordance with Article (5) of the Zakat, Tax and Customs Committees' working rules, and the lawsuit was submitted by a person with standing, which requires the Circuit to accept the lawsuit procedurally.

On the merits, and where it is clear that the dispute lies in the Plaintiff's request from the Defendant to cancel its decision to re-evaluate the real estate transaction and the resulting fines, because the sale was made in the amount of (100,000) riyals, and that the disposer is her son, and that the fact of the disposal is a gift to her son. The Defendant argued that the real estate transaction process is a sale and not a gift, and therefore the invalidity of the exception, and stated that it re-evaluated the real estate transaction by considering the value submitted by the Plaintiff's declaration to be incorrect and does not reflect the fair price of the property, through the data received from the website of the Ministry of Justice, by taking the





average of the properties for the same area after excluding the abnormal amounts, whether higher or lower, and added that a decision was issued by the Appellate Circuit in support of its action. After reviewing the entire case file and the defenses it contains, where the Plaintiff's claim lies in canceling the Defendant's decision regarding the reassessment of the real estate transaction in the amount of (26,031.25) riyals, and the resulting fines, because the reality of the disposal process is a gift to her son, and the Defendant argued that the real estate transaction process is a sale process and not a gift, and therefore the invalidity of the exception, and reported that she revalued the real estate transaction by considering the value submitted by the Plaintiff's declaration to be incorrect and does not reflect the fair price of the property, through data received from the Ministry of Justice website, by taking the average of the properties for the same area after excluding the abnormal amounts, whether higher or lower, and adding that a decision was issued by the Appellate Circuit to support its action, it is clear that what the Authority indicated of a decision by the Appellate Circuit to support its action, it is not considered a productive defense in the case, as it was found that it was made contrary to the reality of the appraisal process; it does not reflect the verification of the nature of the property under appraisal correctly and can be taken, as the adoption of an average price with the exclusion of abnormal values cannot be taken into account, for several considerations governed by the nature of real estate sales, and these considerations were not taken into account by the Authority when revaluing, but only by taking into account the average prices, without basing the reassessment on the existence of a real estate appraisal from an approved real estate appraiser as stipulated in the law of Accredited Valuers. This is not affected by the fact that the regulation stipulated this right for the Authority, as this right is invalid because it violates the principle of the hierarchy of the legal rule, which stipulates that the lower legislation does not violate the higher legislation, as the right exercised by the Authority under the Executive Regulations of the Real Estate Acts Tax is contrary to a higher legislation, which is the Accredited Valuers Law issued by Royal Decree No. (M/43) dated 09/07/1433 AH, of which Article 3 explicitly stipulates: "No natural or legal person shall have the right to practice the profession of valuation in any branch of valuation unless he is licensed to practice the profession in the same branch." Accordingly, in the absence of evidence of tax evasion by the disposer, this entails the ineligibility of the Authority to revalue the property subject to disposal, and where the parties to the mother and her son agreed that the process is nothing more than a gift from the mother to her son and that the registration of the process as a sale is due to the inability to complete the process as a gift in a timely manner due to technical obstacles and where the Circuit has previously touched the difficulty faced by some in completing the gift operations at that time and where the disposer, according to his acknowledgment before the Circuit, acknowledged that the process is a gift and that he knows the legal effects of this, including the inadmissibility of disposing of the property within the period specified by law, which is a right guaranteed by the law to the Authority and has the right to uphold it in the event that the gifted violates what the same obligation, which ends with the Circuit accepting the Plaintiff's lawsuit and canceling the Defendant's decision regarding the reassessment of real estate transaction in the amount of (26,031.25) riyals, and the resulting fines.



Based on the above and in accordance with the provisions of the Unified Agreement, the VAT Law and its Executive Regulations, and the working rules of the committees for adjudicating tax violations and disputes, the Circuit decided after deliberation unanimously:

#### Decision:

Canceling the Authority's decision and its consequences.

The judgment has become final due to the expiration of the objection period in accordance with paragraph (2) of Article (33) of the rules of operation of the Zakat and Tax Committees.



## Tax Refund



The Tax Violations and Disputes Committee  
The First Circuit for adjudicating VAT violations and disputes in  
Jeddah Governorate

Decision No. VJ-2024-189880

Case No. R-2023-189880

### Keywords

Real Estate Transaction Tax - Tax Refund - Sale Of The Property In Installments - Dismissal Of The Plaintiff's Claim

### Summary:

The Plaintiff's (Assignee/ Buyer) request that the Defendant (seller) to recover the Real Estate Transactional Tax in the amount of (19,500) riyals, and agent fees in the amount of (1500) riyals. Whereas, it was proven to the adjudication committee after referring to the case documents that the property was sold in installments before imposing the tax, but the evacuation took place after the entry into force of the law, which makes it subject to tax. The Plaintiff also paid the tax before evacuation, which constitutes evidence of an implied agreement to bear it. Based on Article (5) of the executive regulation, the parties may agree on who bears the tax, and the disposer (seller) remains responsible to the authority only, not to the other party. dismiss the Plaintiff's claim.

### Document:

- [Zakat, Tax and Customs Committees Regulations issued by Royal Decree No. \(25711\) dated 08/04/1445 AH.](#)
- Article (5) of [The Executive Regulations of the Real Estate Transaction Tax, amended by Ministerial Decision No. \(1445-88-1\) dated 02 Ramadan 1445A.H](#)

### Facts:

The facts of this case are summarized in that the Plaintiff (the Taxpayer/buyer), national identity number (...), submitted on his own behalf a statement of claim that included the claim of the Plaintiff (the Taxpayer/buyer) and the Defendant (the seller) to recover the Real Estate Transactional Tax in the amount of (19,500) riyals, and the fees of an agent in the amount of (1500) riyals, and by presenting the Plaintiff's statement of claim to the Defendant, he did not submit his answer to the lawsuit despite the question was

addressed to him on 28/05/2023 and on 17/07/2023 through the electronic system of the General Secretariat of the Zakat, Tax and Customs Committees.

On Monday, December 25, 2023, the session held through videoconferencing was opened in accordance with the procedures for remote videoconferencing; based on the provisions of Clause (First) of Article (Fifteen) of the Rules of Work of the Tax Violations and Disputes Resolution Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH; and by calling on the parties to the case, the Plaintiff attended..., National ID No. (...), and the Defendant or his representative did not attend, and therefore the Circuit decided to postpone the consideration of the case to a session on Monday, 01/01/2024 AD at 5:00 PM, to enable the Defendant to attend, based on Article (57) of the Sharia Pleadings Law.

On Monday, 01/01/2024, the session was opened and held via videoconference in accordance with the procedures for remote videoconferencing; based on the provisions of Clause (First) of Article (15) of the Rules of Work of the Committees for the Resolution of Tax Violations and Disputes issued by Royal Decree No. (25711) dated 08/04/1445 AH; and by calling on the parties to the case, neither the Plaintiff nor the Defendant attended despite being notified of the date of the session in law, and after reviewing the case file and the authority to adjudicate the case in accordance with the provisions of Article (19) of the Rules of Work of the Zakat, Tax and Customs Committees. the Circuit decided to adjourn the hearing to deliberate, in preparation for the issuance of the decision.

### Grounds:

After reviewing the lawsuit papers and after auditing, and after reviewing the Income Tax Law issued by Royal Decree No. (M/1) dated 15/1/1425 AH and its amendments, and its executive regulations issued by Minister of Finance Decision No. (1535) dated 11/6/1425 AH and its amendments, and based on the Value Added Tax Law issued by Royal Decree No. (M/113) dated 2/11/1438 AH and its amendments, and the Executive Regulations of the Law issued by a decision by the Board of Directors of the General Authority for Zakat and Tax No. (3839) dated 14/12/1438 AH and its amendments, and the rules of operation of the Zakat, Tax and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH, and the Unified Value Added Tax Agreement for the Gulf Cooperation Council countries, and the relevant laws and regulations.

Procedurally: Whereas the Plaintiff aims to claim the Defendant (the seller) to recover the Real Estate Transactional Tax in the amount of (19,500) riyals, and the fees of an agent in the amount of (1500) riyals, and since this dispute is one of the disputes within the jurisdiction of the Zakat and Tax Adjudication Committee's Circuits under the Zakat, Tax and Customs Committees' working rules, and since the date the right arises (08/10/2022), and the Plaintiff submitted the lawsuit through the electronic portal on (20/03/2023), therefore, the lawsuit was submitted within the legally prescribed period, and the lawsuit was submitted by a person with standing, which requires the Circuit to accept the lawsuit procedurally.



On the merits, by examining the case papers and the response of the two parties after giving them enough time to express and submit what they have, the Circuit proved that the dispute lies in the claim of the Plaintiff (buyer) and the Defendant (seller) to recover the Real Estate Transactional Tax in the amount of (19,500) riyals, and the fees of an agent in the amount of (1500) riyals, and accordingly the Circuit shows the following:

After referring to the lawsuit documents from the statement of claim and the instruments of transfer of ownership on 12/01/1444 AH corresponding to 08/10/2022 AD and the contract for the sale of land in installments on 13/11/1438 AH and the data of filing a lawsuit against the Defendant before the General Court, which shows the sale of the property in installments before imposing the tax and the evacuation of the property deed on the date of entry into force of the Real Estate Transactions Tax Law, and thus subject to the Real Estate Transactions Tax in terms of origin, and since the Plaintiff, in his capacity as the buyer, paid the Real Estate Transactions Tax before evacuation, which is considered evidence of an agreement that the Plaintiff (the buyer) bears the Real Estate Transactions Tax, and based on Article (5) of the Real Estate Transactions Regulations, which reads: "Tax shall be collected for real estate transactions in accordance with the following: 1-The tax due from the disposition shall be collected and he shall pay it and any other obligations that may arise from it. 2-The parties may agree among themselves contrary to what is stated in paragraph (1) of this article, and the disposer remains obligated before the Authority to pay", which leads the Circuit to dismiss the Plaintiff's lawsuit.

Based on the foregoing, the Circuit unanimously decided:

#### Decision:

Dismiss the Plaintiff's claim in relation to the claim at issue.

The judgment has become final due to the expiration of the objection period in accordance with paragraph (2) of Article (33) of the rules of operation of the Zakat and Tax Committees.



**The Tax Violations and Disputes Committee**  
**The First Circuit for adjudicating VAT violations and disputes in**  
**Riyadh City**

Decision No. VR-2024-226012

Case No. R-2023-226012

### Keywords

Real estate transaction tax-Recovering the tax-Sorting the deeds of the owners-Acceptance of the Plaintiff's claim

### Summary:

The Plaintiff's (Taxpayer's) request to recover an amount of (5,000) riyals the value of the Real Estate Transactional Tax paid on a joint property between him and another party at a rate of (50%) each, as a result of sorting the sukuk. The committee found that the property was owned by them in common ownership, and that the sorting did not result in the transfer of ownership between the parties, which does not require the imposition of tax. The Plaintiff also submitted a deed proving that the transfer of ownership was effected by way of assignment. this means accepting the Plaintiff's claim and requiring the Defendant (the authority) to refund an amount of (5,000) riyals representing the amount of the Real Estate Transactional Tax in question.

### Document:

- Paragraph (1) of Article (5) of [Zakat, Tax and Customs Committees Regulations issued by Royal Decree No. \(25711\) dated 08/04/1445 AH.](#)

### Facts:

The facts of this case are summarized in the fact that ..., national ID number (...), on his own behalf, submitted a statement of claim that included the Plaintiff's claim for the refund of the Real Estate Transactional Tax paid in the amount of (5,000 riyals) for a property owned by two parties, including the Plaintiff and another party at a rate of (50%) for each owner, as a result of sorting the sukuk of the owners.

When the lawsuit was presented to the Defendant (the authority), it submitted a response memorandum, which the Circuit reviewed.

On Tuesday, 05/03/2024, the session, which is held via video conferencing, was opened in accordance with the procedures for remote video litigation; and based on the provisions of paragraph (1) of Article (15) of



the Rules for the Work of Zakat, Tax and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH; and by calling on the parties to the case, the Taxpayer attended in person, and... (Saudi national) under national ID No. (...), the representative of the Zakat, Tax and Customs Authority under the authorization issued by the Zakat, Tax and Customs Authority No. (.../.../1444), and by asking the Plaintiff about his case, he answered in accordance with what was stated in the regulation submitted to the General Secretariat of the Zakat, Tax and Customs Committees and adhering to what was stated in it, and by asking the representative of the Defendant about his response, he answered by adhering to what was stated in the response memorandum. asked what they would like to add, both parties decided to be satisfied with what they had previously submitted. Whereas the matter was mentioned, and after discussion, the Circuit decided to close the pleadings and adjourn the session for deliberation and issuance of the decision.

### Grounds:



After reviewing the lawsuit papers and after auditing, and after reviewing the Income Tax Law issued by Royal Decree No. (M/1) dated 15/1/1425 AH and its amendments, and its executive regulations issued by Minister of Finance Decision No. (1535) dated 11/6/1425 AH and its amendments, and based on the Value Added Tax Law issued by Royal Decree No. (M /113) dated 2/11/1438 AH and its amendments, and the Executive Regulations of the Law issued by a decision by the Board of Directors of the General Authority for Zakat and Tax No. (3839) dated 14/12/1438 AH and its amendments, and the rules of operation of the Zakat, Tax and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH, and the Unified Value Added Tax Agreement for the Gulf Cooperation Council countries, and the relevant laws and regulations.

Procedurally: Whereas the Plaintiff aims from his lawsuit to recover the real estate transaction tax. Whereas this dispute is one of the disputes within the jurisdiction of the Income Tax Violations and Disputes Adjudication Committee under Royal Decree No. (26040) dated 21/04/1441 AH, and where the lawsuit was submitted by a person with standing, and within the legally prescribed period, which requires the Circuit to accept the lawsuit procedurally.

On the merits, after reviewing the entire case file and the defenses it contains, it has been proven to the Circuit that the dispute lies in the Plaintiff's claim to recover the Real Estate Transactional Tax paid in the amount of (5,000 riyals) for a property owned by two parties, including the Plaintiff and another party at a rate of (50%) for each owner, as a result of sorting the deeds of the owners, as the Plaintiff indicated in his case statement that the land was originally owned by a common property, with a deed dated 01/07/1443 AH and with a number (...) With a land area of (899 square meters) and a value of (500,000) riyals, and to inform the Circuit of the case file, and since the parties have the desire to sort the sukuk only and thus the ownership of the land will not be transferred from one party to another, which does not require the supply of the Real Estate Transactional Tax, as the Plaintiff submitted the instrument No. (...) to whom the





ownership of the land was transferred by assignment, which leads the circuit to accept the Plaintiff's request for the recovery of the Real Estate Transactional Tax in question.

After discussion, the Circuit unanimously decided:

#### Decision:

- 1- To accept the claim procedurally.
- 2- On the Merits: Obliging the Defendant to refund an amount of (5,000) riyals representing the amount of the Real Estate Transactional Tax at issue in the lawsuit.

The judgment has become final due to the expiration of the objection period in accordance with paragraph (2) of Article (33) of the rules of operation of the Zakat and Tax Committees.



**The Tax Violations and Disputes Committee**  
**The First Circuit for adjudicating VAT violations and disputes in**  
**Dammam City**

Decision No. VD-2024-226383

Case No. R-2023-226383

### Keywords

Real Estate Transactional Tax - Tax Refund - Gift Contract - Dismissal Of The Taxpayer's Lawsuit

### Summary:

The claim of the Plaintiff (the Taxpayer) to recover the amount of the Real Estate Transactional Tax of (24,990.00) riyals as a result of a donation contract for his second-degree relative and then return the property in his name. The adjudication committee found that the authority re-linked the Taxpayer, considering that the value submitted by his declaration is incorrect and does not reflect the fair price of the property, through the data received from the website of the Ministry of Justice, by taking the average of the properties for the same area after excluding the abnormal amounts, whether higher or lower. The effect of this is to dismiss the Taxpayer's lawsuit.

### Document:

- [Zakat, Tax and Customs Committees Regulations issued by Royal Decree No. \(25711\) dated 08/04/1445 AH.](#)
- Article (43) of [The Value Added Tax Law promulgated by Royal Decree No. \(M/113\) dated 02/11/1438H.](#)
- Paragraph (1) of Article (59) of [The Executive Regulations of the Real Estate Transaction Tax, amended by Ministerial Decision No. \(1445-88-1\) dated 02 Ramadan 1445A.H](#)

### Facts:

The facts of this case are summarized in that the Taxpayer, national identity (...) He submitted a statement of claim that included an objection to the real estate tax with a value of (24,990.00) riyals and fines resulting from late payment with a value of (9,895.50) riyals as a result of a donation contract from the citizen/..., national ID (...) by Instrument No. (...), where the property was then returned in its name and the tax amount was paid in the amount of (3,000) riyals and to inform the Authority's employee that the law does not accept



a request for a donation to second-degree relatives, and the declaration was examined by the Authority and the amount of the invoice was amended to (34,885.5) riyals. It requests the annulment of the decision of the Defendant (the authority).

When the Defendant was presented with the list, she submitted a response memorandum stating: First: Regarding the tax due after reassessment: The Authority clarifies to the esteemed Circuit that the Plaintiff's claim is based on the exemption of the property from tax. The Authority re-linked the real estate transaction examination, which resulted in reassessment for non-conformity of the conditions of exception in accordance with paragraph (a) of Article (4) of the executive regulation of the real estate transaction law, where the Authority revalued the property. The Plaintiff claims in his statement of claim that no sale actually took place and that he merely shook the land to its owner (the instrument is attached below before the sale to the Plaintiff and after the sale to the previous owner). The authority replies that it is based on subparagraph (20) of paragraph (a) of article (3) of the executive regulation of the real estate transaction law. And that the Plaintiff's behavior does not meet the conditions of exception because the instrument moved to the Plaintiff on 02/05/1443 AH and then the Plaintiff returned it to the previous owner on 25/07/1444 AH and as a result the property was revalued at the fair market value and by reference to the Ministry of Justice Deals Index and using the Deals Index live ... In the northern abhor in Jeddah, plan number (...) Plot number (...) It showed that the fair value of the property is (727,714.29) riyals and the price per meter is (1212.86) riyals and the minimum price per meter is (749.70) riyals. Second: regarding the late payment penalty: Based on the above, and in view of the result of the reassessment and the consequent amendment of the tax amount due to the Authority, the fine for delay in payment was imposed based on paragraph (c) of Article (8) of the Executive Regulations of the Real Estate Actions Tax. the Authority shall request a judgment of dismissal. Its reply is completed.

The Plaintiff then submitted a response memorandum that included: "I inform you that a request has been submitted to dispose of the property number (...) Where I wanted to submit a request for a donation to my uncle Yaslam ... National ID number (...) As he gave me the property in advance and transferred the property from his name to my name and then decided to return the property in his name and went to one of the service offices and submitted a request to issue a real estate tax invoice in the amount of (3000) riyals, where the employee informed me that the law does not accept a request for a donation to second-degree relatives and I paid the amount and completed the evacuation procedure from the notary public and then discovered that the information provided by the employee of the service office was incorrect as the law allowed the donation to be raised and the authority made an examination on the submitted declaration and the amount of the invoice was amended to (34885.5) riyals on it. An objection was raised with the authority with the number (...) The reasons for the objection were given, but my request was rejected. Reasons for objection: My lack of knowledge of the regulations, as the application was for a gift or return of the property, and I was supposed not to pay any invoice because the application is exempt from payment. Also, my lack of



knowledge that the regulations allow me to return the land within three months (90 days) according to what the Authority mentioned in the land return law. I inform you that I did not evade paying tax nor did I attempt to circumvent the state-imposed law. I swear by Almighty Allah that no sale took place nor did I receive any money for the purpose of selling the property, but rather it was due to my lack of understanding of the regulations, and I followed the instructions of the service office that I went to. I request the Authority to understand the situation that has occurred with me. Therefore, I ask Your Excellency to cancel the amendment and the fines issued on the invoice. " Its reply is completed.

On Sunday, February 18, 2024, the session was held in accordance with the procedures of remote video litigation and where the parties wished to consider the case, with the participation of the Plaintiff ... On his own behalf under national ID number (...), and participation ... National ID number (...) As the representative of the Zakat, Tax and Customs Authority under the authorization letter No. (.../.../1445) dated 19/03/1445 AH issued by the Deputy Governor for Legal Affairs and Compliance, and by asking the Plaintiff about the case, he answered in accordance with what was stated in the regulation submitted to the General Secretariat of the Zakat, Tax and Customs Committees and adhering to what was stated in it, and by asking the representative of the Defendant about her response, she answered by adhering to what was stated in the response memorandum. The Circuit then asked the Plaintiff about the relationship between him and the other party, and he stated that he was his aunt's husband, and then asked him about the period between the purchase and sale, and he said about seven months, and he insisted that there was no sale and purchase, but the purpose of the process was just a mortgage to apply to the bank. asked what they would like to add, both parties decided to be satisfied with what they had previously submitted. Accordingly, the Circuit decided to temporarily withdraw the parties to the case from the visual circuit to deliberate and issue the decision. After deliberation, the following decision was issued:

#### Grounds:

After reviewing the case papers and after auditing, and based on the value added tax law issued by Royal Decree No. (M/113) dated 2/11/1438 AH and its amendments, and on the executive regulations of the law issued by a decision of the Board of Directors of the General Authority for Zakat and Income No. (3839) dated 14/12/1438 AH and its amendments, and on the rules for the work of Zakat, tax, and customs committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. and the Unified VAT Agreement for the Gulf Cooperation Council Countries, and the relevant laws and regulations.

Procedurally, since the Plaintiff aims from his lawsuit to recover the amount of Real Estate Transactional Tax of (24,990.00) riyals and fines resulting from late payment of (9,895.50) riyals as a result of a gift contract from his relative to the Plaintiff and then return the property in his name. Whereas this dispute is one of the disputes within the jurisdiction of the Zakat and Tax Adjudication Committee's Circuits under the working rules of the Zakat, Tax and Customs Committees, and since the lawsuit was submitted within



the legally prescribed period in accordance with paragraph (8) of Article (67) of the Income Tax Law amended by Royal Decree No. (M/113), and since the lawsuit was submitted by a person with standing, the Circuit must accept the lawsuit procedurally.

On the merits, and where the dispute lies in the recovery of the amount of the Real Estate Transactional Tax of (24,990.00) riyals as a result of a donation contract for a second-degree relative, as claimed by the Plaintiff, while the Defendant explained that it re-linked the Taxpayer as the value submitted by the Taxpayer's declaration is incorrect and does not reflect the fair price of the property, by taking the average of the properties for the same area after excluding the abnormal amounts, whether higher or lower.

As regards the late payment penalty of SAR 9,895.50, the dispute concerns the Plaintiff's request to annul the penalty imposed following the defendant's amendment of the Plaintiff's real estate transaction tax declaration. Under paragraph 1 of Article 59 of the Executive Regulations of the Value Added Tax Law, the taxable person is required to pay the tax due for a given tax period no later than the last day of the month following the end of that period. Furthermore, Article 43 of the Value Added Tax Law provides that failure to pay the tax due within the specified period shall incur a fine equal to 5% of the unpaid amount for each month or part thereof for which payment is outstanding. Having reviewed the entire case file and the defences submitted, and in view of the fact that the Plaintiff's principal argument concerned the cancellation of the late payment penalty imposed as a result of the defendant's amendment of the tax declaration—which itself has been annulled—the penalty, as a direct consequence thereof, must likewise be annulled. Accordingly, the Circuit dismissed the Plaintiff's request concerning the late payment penalty.

Based on the above and in accordance with the provisions of the Unified Agreement, the VAT Law and its Executive Regulations, and the working rules of the committees for adjudicating tax violations and disputes, the Circuit decided after deliberation unanimously:

### Decision:

Dismiss the Plaintiff's claim.

The judgment has become final due to the expiration of the objection period in accordance with paragraph (2) of Article (33) of the rules of operation of the Zakat and Tax Committees.



## Fines



**The Tax Violations and Disputes Committee**  
**The First Circuit for adjudicating VAT violations and disputes in**  
**Riyadh City**

Decision No. VTR-2024-225848

Case No. R-2023-225848

### Keywords

Real Estate Transactional Tax - Fines -Fine For Late Payment - Acceptance Of The Taxpayer's Objection

### Summary:

The Plaintiff (the Taxpayer) objected to the decision of the Defendant (Zakat, Tax and Customs Authority) regarding the reassessment of the property and the amendment of its value from (10,000) riyals to (321,533.00) riyals, which resulted in a tax due in the amount of (16,076.65) riyals and a fine for late payment in the amount of (14,018.94) riyals. The Authority argued that it valued the property according to the fair market value, based on the average real estate prices in the area. The committee found that the method of evaluation is inaccurate, as the real estate market is not subject to the usual mechanisms of efficient markets, and each property has its own characteristics that differ from others. This means that the Taxpayer's objection is accepted and the Authority's decision and the resulting fines are canceled.

### Document:

- [Zakat, Tax and Customs Committees Regulations issued by Royal Decree No. \(25711\) dated 08/04/1445 AH.](#)
- Paragraph (c) of Article (8) of [The Executive Regulations of the Real Estate Transaction Tax, amended by Ministerial Decision No. \(1445-88-1\) dated 02 Ramadan 1445A.H](#)

### Facts:

The facts of this case, to the extent necessary to issue the decision, are summarized in the fact that the Taxpayer, a Saudi national under national ID No. (...), submitted an objection to the decision of the Defendant (the authority) regarding the imposition of a Real Estate Transactional Tax of (16,076.65) riyals resulting from the reassessment of the property owned under instrument No. (...), and the imposition of a late payment fine of (14,018.94) riyals, and requested the cancellation of the reassessment decision, and the imposition of a late payment fine.



On 04/01/2024, the Defendant submitted a response memorandum stating the following: "By reviewing the Plaintiff's lawsuit and the accompanying documents, it becomes clear that they are limited to objecting to the decision of the authority relating to the reassessment of real estate transaction. The authority shall summarize its response as follows: At the outset, the Authority wishes to establish its defense to refer to the definition of market value in accordance with paragraph (1) of Article (030) of the International Valuation Standards, which clarifies the foundations and standards of international valuation of market value, as follows: "Market value is the estimated amount on the basis of which an asset or liability should be exchanged on the valuation date between a willing buyer and a willing seller in the framework of a transaction on a neutral basis after appropriate marketing where each of the parties acts with knowledge and wisdom without coercion or coercion." In the definition of the term estimated amount, paragraph (a) of the same paragraph states: " (a) (Estimated amount) refers to the price payable against the asset in a market transaction on a neutral basis. While market value means the most likely price that can be reasonably obtained in the market at the valuation date in accordance with the definition of market value. It is the best reasonable price that the seller can obtain, and it is also the most advantageous price for the buyer, and this amount excludes in particular any estimated inflated or deflated price as a result of special conditions or circumstances, such as: atypical financing, sale and leaseback arrangements, special considerations, or concessions granted to a particular owner or buyer. As explained in the previous texts, it is clear that the market value is determined based on the best price that the seller can obtain, with the exception of anomalous values, and it clarifies to Your Excellency that the Authority relies on the data received from the Ministry of Justice and excludes any anomalous amounts, whether higher or lower than the average value of real estate, following international standards of valuation. The Authority would also like to clarify its procedure to the esteemed Circuit regarding the reassessment of real estate, as the Authority relies on one of the international valuation methods and standards approved by the Saudi Authority for Accredited Valuers and known as the market method, and this method is known as the market method used by the Authority in valuation and its basis is based on comparing the asset under valuation with other similar assets, as stipulated in paragraph (1) of Article (020) of the International Valuation Standards (the market method) that: "The market method provides an indication of value if the asset is compared with identical or comparable assets for which price information is available." It is clear to your Excellency that the Zakat, Tax and Customs Authority is doing the same procedure as the Saudi Authority for Accredited Valuers in its valuation processes, as it compares the asset under valuation with its counterpart from similar properties in the same scheme, while excluding any anomalous values that do not reflect reality, whether they are higher or lower than the average market values in the same scheme. After the Authority has explained to you the procedure it is carrying out while proving its conformity with international standards of valuation, the Authority wishes to point out that the Executive Regulations of the Real Estate Transaction Tax granted the Authority the authority to verify the validity of the tax calculation, and to estimate the values of real estate in the event that no value is specified for it or the value is less than the market value. based on the above,





we inform the esteemed committee that after the authority re-evaluates the value of the property, the land (the subject of the lawsuit and the area ... In Jeddah, it was found that the amount of the declared sale is less than the fair market value, as after referring to the data registered with the Real Estate Authority platform, the average price per meter for the land was reached at (309.00) riyals, while the Plaintiff sold at a price of (10) riyals per meter and the area of the property is estimated at 1040.56 square meters, which makes it clear that there is a discrepancy between the value of the disclosed sale and the value due for the property, and in asking the disposer about the reason for the low price of the property, the disposer replied that he sold it to the buyer for years ( verbally ) The contract was requested and stated that the sale was oral and it was clarified to the disposer that the property would be evaluated at the fair market value due to the low sale price and the failure to provide us with any document to the contrary. Therefore, the Authority studied and estimated the average prices and revalued the value of the property after the amendment (321,533.00) riyals and recalculated the due tax according to the details of the invoice in question, based on paragraph (1) of Article (5) of the Executive Regulations of the Real Estate Transactional Tax, which stipulates that "the tax is due on the date of the disposal on the basis of the value agreed upon between the parties or parties or the value of the property, and provided that it is not less than the market value Based on article (6) of the same regulation, which stipulates that" for the purposes of verifying the validity of the calculation of the due tax, the Authority has the right to do the following: 1- Verifying the value of real estate or the disposals made on it -2- Estimating the value of real estate and disposals whose value is not specified or for which it is found that the value mentioned in the disposal contract is less than the market value, or for which incorrect information or data are provided. In view of the reassessment and the consequent amendment of the tax amount due to the Authority, a late payment fine was imposed based on paragraph (c) of Article (8) of the Executive Regulations of the Real Estate Actions Tax, which stipulates that " anyone who fails to pay the due tax within the specified period shall be punished by a fine equivalent to (5%) of the value of the unpaid tax for each month or part of it for which the tax has not been paid." Orders: The authority requests the esteemed committee to reject the case for the reasons explained above and to support the action of the authority in question. The authority also reserves the right to provide further responses and clarifications before the closure of the pleadings. Its reply is completed.

On Sunday 11/02/2024 AD, the Circuit held its remote session to consider the case, based on what was stated in paragraph (1) of Article (15) of the rules for the work of the Zakat, tax, and customs committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. By calling on the parties to the case, the Plaintiff attended in person...(Saudi nationality) according to National ID No. (...), and the legal representative attended... (Saudi nationality) under national ID No. (...), from the Zakat, Tax and Customs Authority under the authorization letter No. (.../.../.../1445) dated 19/03/1445 AH, issued by the Deputy Governor for Legal Affairs and Compliance, and by asking the Plaintiff about his case, he answered according to what was stated in the statement of claim submitted to the General Secretariat of Zakat, Tax and Customs Committees and adhering to what was stated in it, and by asking the representative of the Defendant about his response,

he answered by adhering to what was stated in the response memorandum. asked what they would like to add, both parties decided to be satisfied with what they had previously submitted. the Circuit decided to adjourn the hearing to deliberate, in preparation for the issuance of the decision.

### Grounds:

After reviewing the lawsuit and what was submitted in it, and after reviewing the unified value-added tax agreement for the Gulf Cooperation Council countries ratified by Royal Decree No. (M/51) dated 03/05/1438 AH, and based on the value-added tax law issued by Royal Decree No. (M/113) dated 2/11/1438 AH and its amendments, and on the executive regulations of the law issued by a decision of the Board of Directors of the General Authority for Zakat and Income No. (3839) dated 14/12/1438 AH and its amendments, and on the executive regulations of the Real Estate Transactional Tax issued by Ministerial Decision No. (712) dated 15/02/1442 AH and its amendments, and on the rules of operation of the zakat, tax, and customs committees issued by Royal Decree No. (25711) dated 08/04/1445 AH, and the related laws and regulations, the Circuit considered the case:

Procedurally, since the Plaintiff aims to demand the cancellation of the Defendant's decision to impose the real estate transaction tax resulting from the real estate supply, based on the executive regulations of the real estate transaction tax, and therefore this dispute is one of the disputes within the jurisdiction of the Circuit.

On the merits, the Circuit contemplated the lawsuit and what was submitted in it, and after granting the two parties sufficient deadlines to submit what they have, it was proven to the Circuit that the dispute lies in the Plaintiff's demand to cancel the Defendant's decision related to the reassessment of the property in the instrument No. (...), so that the value of the real estate transaction after the amendment becomes (321,533.00) riyals instead of (10,000) riyals, and the amount of the tax due from it is (16,076.65) riyals, and the fine for late payment is (14,018.94) riyals, and since the Circuit was informed of the case file and the documents submitted in it, Whereas, the Defendant re-evaluated the price of the land, explaining in her response memorandum that it is the fair market value of the property, and since it did not provide any of the considered documents that support the validity of its decision sufficiently to reassure the Circuit of its validity, and what it referred to as its use of the market price method based on the average value of the property, and since the real estate market is not subject to the usual regulatory requirements in the so-called efficient market, and the mechanism of buying and selling in it is not subject to the mechanism of supply and demand and its basic elements of presentation, disclosure and transparency, as is the case, for example, in the stock markets, which the Circuit believes that the Plaintiff's reliance based on the market price or average market prices as a basis for measurement is based on an inaccurate measurement and does not reflect the fair estimated value of the property in accordance with the accepted accounting measurement concepts, and that each real estate unit has a different nature from the other, which cannot be compared



with others, in addition to the fact that the value of the property is affected by factors specific to the buyer's financial circumstances, and for all that, the Circuit concludes that the mechanism adopted by the Defendant to reach the fair price of the property in question is inaccurate, and does not take into account the nature and privacy of the property and its market and its difference from other markets, and for the foregoing, the Circuit ends to accept the Plaintiff's claim and cancel the Defendant's decision and the fines resulting therefrom.

Based on the above, the Circuit unanimously decided:

#### Decision:

Annulment of the Defendant's decision and its consequences.

The judgment has become final due to the expiration of the objection period in accordance with paragraph (2) of Article (33) of the rules of operation of the Zakat and Tax Committees.



# Decisions Issued by Tax Committees

## (Excise Tax)



## Procedural Decisions Issued By Tax Committees



Appellate Committee for Tax Violations and Disputes  
First Appellate Circuit for  
Value Added Tax and Excise Goods Tax Violations and Disputes

Decision No. VA-2024-192220

Case No. E-2023-192220

### Keywords

Excise Tax - Procedural - Claim Amount Less Than 50K - Plaintiff's Objection Rejected

### Summary:

The Plaintiff (the Taxpayer) objected to the decision of the first circuit for adjudicating violations and disputes of the excise tax in Riyadh (ER-2022-266), where his appeal is based on the reassessment of the excise tax. Whereas the Appellate Committee proved that the amount in dispute did not exceed (fifty thousand riyals), and whereas Article (33) of the rules of operation of the Zakat, Tax, and Customs Committees stipulates that "the decisions of the adjudication Circuits acquire final status in the following cases: 1- Claims in which the value of the amounts due does not exceed fifty thousand riyals.", and where the value of this case did not exceed fifty thousand riyals. This means that the appeal is not accepted procedurally.

### Document:

- Article (33) of [Zakat, Tax and Customs Committees Regulations issued by Royal Decree No. \(25711\) dated 08/04/1445 AH.](#)

### Facts:

The appeal filed on 13/04/2023 from the Taxpayer, National ID No. (...), in its capacity as the owner of an establishment ... Commercial Register No. (...), and the appeal filed on 13/04/2023 from the Zakat, Tax and Customs Authority, against the decision of the First Circuit for Adjudicating Excise Tax Violations and Disputes in Riyadh (ER-2022-266) in the lawsuit filed by the Taxpayer against the Zakat, Tax and Customs Authority.

Since the facts of this case have been stated in the decision subject to appeal, the Appellate Circuit refers to it in order to avoid repetition. Whereas the decision of the Adjudication Circuit ruled as follows:

First: Reject Plaintiff's claim regarding excise tax reassessment.



Second: amending the Defendant's decision related to the imposition of the late payment penalty so that the calculation of the late payment penalty shall be from the lapse of a period of 15 days from the date of informing the Plaintiff of the decision to revalue the excise tax.

As this decision was not acceptable to the parties, both (the Taxpayer) and (the Zakat, Tax and Customs Authority) filed a list of appeals, which was reviewed by the Circuit and included their request to accept the appeal and cancel the decision of the Adjudication Circuit.

Whereas the First Appellate Circuit for VAT and Excise Goods Violations and Disputes held its session to consider the appeal submitted via video communication, based on paragraph (1) of Article (15) of the Rules of Work of Zakat, Tax and Customs Committees, which states: "The procedures for hearing the lawsuit and pleading therein shall be in writing, and the Circuits may, of their own accord or at the request of one of the parties, hear statements and pleadings by remote pleading or in presence, at their discretion. The hearing, in the event that it is held remotely, shall be deemed to be held in presence, and all its effects shall be arranged, and the Circuit shall record this in the minutes of the hearing." The case file, memoranda and related documents were reviewed, and the decision of the Adjudication Circuit subject of appeal was reviewed. After discussion and deliberation, the Circuit decided to adjourn the session and issue the decision.

#### Grounds:

After reviewing the rules for the work of the Zakat, tax, and customs committees. and related regulations.

whereas it is proven from the decision that is the subject of the appeal and from the case documents that the amount in dispute did not exceed (fifty thousand riyals), and whereas Article (33) of the working rules of the Zakat, Tax and Customs Committees stipulates that "the decisions of the adjudication Circuits shall acquire final status in the following cases: 1- Cases in which the value of the amounts due for payment does not exceed (fifty thousand) riyals. "Whereas the value of this lawsuit did not exceed fifty thousand riyals, which leads this circuit to the finalization of the decision of the adjudication Circuit, and therefore it is among the non-appealable decisions, and therefore it was decided by this circuit not to accept the appeal procedurally. for these reasons and after deliberation, the Circuit unanimously decided as follows:

#### Decision:

Both appeals are inadmissible.



Appellate Committee for Tax Violations and Disputes  
The First Appellate Circuit for Value Added Tax and Excise Goods  
Tax Violations and Disputes

Decision No. VA-2024-194376

Case No. E-2023-194376

### Keywords

Excise Tax - Procedural - Previously Adjudicated - Rejection Of The Authority's Claim

### Summary:

The Zakat, Tax and Customs Authority (ZTCA) appealed the decision of the First Circuit for the Adjudication of Excise Tax Violations and Disputes in Riyadh (ER-2023-153101), by canceling its decision regarding the calculation of the excise tax and the fine resulting from it. It has been established to the Appellate Committee that the Authority has already filed case No. (E-2022-138839), which included its objection to the same tax period in dispute, and since the issuance of the two decisions in the two cases came on the same day, and since it is established by jurisprudence and jurisprudence that the case may not be heard because it has already been decided in the event that the litigants, the merits and the reason are united. Consequently, the appeal of the authority and the judgment are accepted regardless of the lawsuit.

### Document:

- Paragraph (1) of Article (15) of [Zakat, Tax and Customs Committees Regulations issued by Royal Decree No. \(25711\) dated 08/04/1445 AH.](#)

### Facts:

the appeal filed on 04/05/2023 by the Zakat, Tax and Customs Authority against the decision of the First Circuit for the Adjudication of Excise Tax Violations and Disputes in Riyadh City (ER-2023-153101) was considered in the case filed by the Apellee against the Appellant.

Since the facts of this case have been stated in the decision subject to appeal, the Appellate Circuit refers to it in order to avoid repetition. Whereas the decision of the Adjudication Circuit ruled as follows:

First: Acceptance of the lawsuit procedurally.

Second: the Defendant's decision with respect to the imposition of the Excise Tax is set aside.

Third: the Defendant's decision with respect to the late payment penalty shall be annulled.”



Since this decision was not accepted by the appellant, it submitted to the Appellate Circuit a list of appeals, which included its objection to the decision of the Appealed Adjudication Circuit, which decided to cancel its decision regarding the calculation of the excise tax and the fine resulting therefrom, for the sixth tax period of 2019, in order to subject sweetened drinks to the excise tax, and ended with a request to accept the appeal and cancel the decision of the Adjudication Circuit.

Whereas the First Appellate Circuit for VAT and Excise Goods Violations and Disputes held its session to consider the appeal submitted via video communication, based on paragraph (1) of Article (15) of the Rules of Work of Zakat, Tax and Customs Committees, which stipulates that: "The procedures for hearing the lawsuit and pleading therein shall be in writing, and the Circuits may, of their own accord or at the request of one of the parties, hear statements and pleadings by remote pleading or in presence, at their discretion. The hearing, in the event that it is held remotely, shall be deemed to be held in presence, and all its effects shall be arranged, and the Circuit shall record this in the minutes of the hearing." The case file, memoranda and related documents were reviewed, and the decision of the Adjudication Circuit subject of appeal was reviewed. After discussion and deliberation, the Circuit decided to adjourn the session and issue the decision.

#### Grounds:

Upon reviewing the case documents and the appeal list submitted, the Circuit found that the conditions for considering the appeal procedurally are met in accordance with the conditions stipulated in the relevant laws, regulations and decisions, which makes the appeal request procedurally admissible because it was submitted by a competent person and within the statutory period prescribed for conducting it.

On the merits, by reviewing the case papers and examining the documents and documents contained in them, and after reviewing the submissions and responses submitted by the parties, the Appellate Circuit found that the decision issued by the Adjudication Circuit decided to cancel the Appellant's decision on the calculation of the Excise Tax and the penalty resulting therefrom, for the sixth tax period of 2019, and since the Appellant objects to the decision of the Adjudication Circuit, in order to subject the sweetened drinks to the Excise Tax, and since it was proven by the Appellate Circuit that the Appellant had previously filed Case No. (E-2022-138839), which included her objection to the same disputed tax period, which is the sixth tax period of 2019, and since the issuance of the two decisions in the two cases came on the same day on 13/04/2023, and since the Appellant ruled that the case could not be considered for a previous adjudication in the event of the litigation and the reason, which leads the Appellate Circuit to cancel the decision of the Appeal Circuit and the judgment regardless of the case for a previous adjudication.

for these reasons and after due deliberation, the Circuit unanimously decided as follows:



### Decision:

- 1- Accepting the appeal submitted by the Zakat, Tax and Customs Authority, procedurally for submitting it within the legally specified period.
- 2- Canceling the decision of the First Circuit for adjudicating VAT violations and disputes in Riyadh City No. (VR-2022-1563), and ruling regardless of the lawsuit.



Adjudication Committee for Tax Violations and Disputes  
The First Circuit for Excise Goods Tax Violations and Disputes in  
Riyadh City

Decision No. ER-2024-235210

Case No. E-2024-235210

### Keywords

Excise Tax - Procedural - Missing The Statutory Period – Inadmissibility Of The Lawsuit

### Summary:

The Taxpayer's objection to the Zakat, Tax and Customs Authority's decision to re-evaluate the tax period, resulting in the calculation of tax differences of (608,316.53) riyals. The committee found that delaying the filing of the new lawsuit for more than 40 days from the date of leaving the previous lawsuit is a clear negligence by the Taxpayer. This means that the lawsuit is inadmissible procedurally due to the lapse of the statutory period.

### Document:

- Article (5) of [Zakat, Tax and Customs Committees Regulations issued by Royal Decree No. \(25711\) dated 08/04/1445 AH.](#)

### Facts:

The facts of this case are summarized in that the Taxpayer, company..., commercial registration number (...), submitted by ..., a Saudi national under national ID number (...), in his capacity as the legal representative of the Plaintiff company, a statement of claim that included an objection to the Defendant's decision regarding the reassessment of the tax period related to the month of June 2021, resulting in the calculation of tax differences in the amount of (608,316.53) riyals, and it requests the following: 1/ To be calculated for this period at the average actual price recorded in our records and for which a study was submitted during the examination process. 2/ That the expired excise goods are evaluated during the previous period and recorded in our records. 3/ Make an adjustment for the differences that have been calculated.

On 21/05/2024, the Defendant submitted a response memorandum, which was reviewed by the Circuit.

on Sunday, 28/07/2024 AD, the First Circuit for Adjudication of Excise Tax Violations and Disputes in Riyadh held its session in the presence of its members whose names are written in the minutes, via video

communication in accordance with the procedures of remote video litigation; based on the provisions of clause (1) of Article 15 of the Rules of Work of Zakat Committees

tax and customs issued by Royal Decree No.: (25711) and date: 08/04/1445A.H.; and by calling on the opponents, the Plaintiff's attorney attended... National ID number (...) under agency number (...) Expired and the Circuit decided not to accept his representation before it because of his violation of the Sharia Procedure Law, and he also attended/ ... as a representative of the Zakat, Tax and Customs Authority under authorization letter No. (.../.../1445) dated 19/03/1445AH issued by the Deputy Governor for Legal Affairs and Compliance. The session was opened by asking the representative of the Defendant if he had any additions that he wished to add, so he adhered to what was previously submitted. the Circuit decided to adjourn the hearing to deliberate, in preparation for the issuance of the decision.

### Grounds:

After reviewing the Income Tax Law issued by Royal Decree No. (M/1) dated 15/1/1425 AH and its amendments, and its executive regulations issued by virtue of the decision of the Minister of Finance No. (1535) dated 11/6/1425 AH and its amendments, and based on the Excise Tax Law issued by Royal Decree No. (M/86) dated 27/08/1438 AH and its amendments, and the executive regulations of the law issued by a decision of the Board of Directors of the General Authority for Zakat and Tax No. (2-3-19) dated 10/09/1440 AH and its amendments, and the rules of work of the Zakat, Tax and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH, and the relevant laws, regulations and decisions.

Procedurally: Since the Plaintiff aims to object to the Defendant's decision regarding the reassessment of the tax period related to June 2021, and since this dispute is a tax dispute, it is one of the disputes within the jurisdiction of the Excise Tax Violations and Disputes Adjudication Committee, and since the Plaintiff was informed of the result of the objection on 07/02/2024, and submitted a registration of his case before the General Secretariat on 23/04/2024, and since the Plaintiff is scheduled to file her case before the Adjudication Circuits within the statutory period stipulated in Article (5) of the Zakat and Tax Committees' work rules and customs, and that the violation of this makes the decision in question immune and not subject to grievance before any other party, but for this purpose, it has exercised due diligence to file a lawsuit during the statutory period, by attaching it to the registered lawsuit number during the statutory period (GSTC-232829-2024), which was left to collect the Plaintiff in all tax periods in which a reassessment was issued by the authority, and because Article (11) of the labor rules obligated her to register a separate lawsuit for each objection, and since the Plaintiff violated this by registering one lawsuit for all periods, despite the submission Objection to each tax period, which made the General Secretariat request it to register a lawsuit for each tax period separately, and because its use for the reasons for filing the lawsuit during the statutory period is a reason that justifies the acceptance of the lawsuit procedurally, in



accordance with Principle No. (89) extracted from the decisions of the Zakat and Tax Appeal Committees for 2020-2021, which stated that: "The Taxpayer has exercised due diligence in communicating the grievance within the statutory period or proving that within the submitted correspondence, the objection or grievance is accepted procedurally," and since the Plaintiff has submitted proof of this in the case file, the Circuit considers this plea to be valid in accepting the lawsuit procedurally. On the other hand, delaying the filing of the new lawsuit for more than 40 days from the date of leaving the previous lawsuit, is a clear negligence by the Plaintiff to bear its effects. The rule stipulates that "excessive loss is first," and the Plaintiff's negligence is proven to have been delayed for all this period, despite the fact that the first lawsuit was filed on 03/03/2024, that is within the statutory period of 25 days, but its delay after leaving the lawsuit for all this period requires proof of the Plaintiff's breach of commitment to the provisions of Article (5) of the committees' work rules, which the Circuit considers that its statutory position on this matter is not valid, and since the Circuit ends with the inadability of the lawsuit due to lapses of the statutory period.

based on the foregoing, the Circuit unanimously decided the following:

#### Decision:

The case is inadmissible in procedural due to the lapse of the statutory period.

The judgment has become final due to the expiration of the objection period in accordance with paragraph (2) of Article (33) of the rules of operation of the Zakat and Tax Committees.



## Subjective Decisions Issued By Tax Committees



## Tax Reassessment



Adjudication Committee for Tax Violations and Disputes  
The First Circuit for Excise Goods Tax Violations and Disputes in  
Riyadh City

Decision No. ER-2024-225873

Case No. E-2023-225873

### Keywords

Excise Tax - Reassessment of Excise Tax -Reassessment of Excise Tax - Differences due - Acceptance of Plaintiff's objection

### Summary:

the Plaintiff (the Taxpayer/the company) objected to the decision of the Defendant (the Zakat, Tax and Customs Authority) to reassess the tax period and impose a tax difference of SAR 34,742.00, based on the difference between the prices declared at the time of import and the sales prices on the website. the panel found that the Plaintiff filed a correct tax return at the time of importation, and it was not proven that the Plaintiff intentionally disclosed inaccurate prices. also, the 0.07% difference in total sales is not sufficient evidence for reassessment, especially since prices may change due to economic factors and different locations. in addition, the authority did not notify the Plaintiff of the need to correct the prices during the customs clearance procedure. the result is that the Plaintiff's objection is accepted and the Commission's decision is overturned.

### Document:

- [Zakat, Tax and Customs Committees Regulations issued by Royal Decree No. \(25711\) dated 08/04/1445 AH.](#)
- Paragraph (1,8) of Article (17) of [The Executive Regulations of the Excise Tax Law as amended by Zakat, Tax and Customs Authority Board of Directors Decision No. \(23-1-13\) dated Rajab 15, 1444AH](#)
- Paragraph (2) of Article (6) of [The Unified VAT Agreement of the Gulf Cooperation Council for the Arab States of the Gulf](#)

### Facts:

The facts of this case are that the Taxpayer company ..., commercial registration number (...), submitted by ..., a Saudi national under national ID number (...), in his capacity as an agent under agency number (...), for





..., a Saudi national under national ID number (...), in his capacity as the owner of the Plaintiff company, a statement of claim stating the following: Procedurally: The decision of the Zakat, Tax and Customs Authority to calculate differences on my client's declarations for the excise tax for the month of November until December of 2022 was issued on 10/05/2023 AD [Attachment 1] , and we sent our objection to this decision to the objections mail of the Authority on 09/07/2022 AD [Attachment 2]. 90 days have elapsed from the objection mail sent to the Authority without any answer from the Authority [Attachment 2 bis], and therefore the decision may be appealed before the competent tax committees in accordance with Article 2 of the Rules of Work of the Committees for the Resolution of Tax Violations and Disputes published in Umm Al-Qura Newspaper on 08/ Jumada Al-Awwal/ 1441AH. Subject: First: My client is a company ... One Person Limited Liability Company Commercial Registration (...) registered with the Zakat, Tax and Customs Authority with a unique number (...). It imports goods that are subject to the excise tax for 50% sweetened juices which are [juices, powder, puree (smoothie)]. The Authority conducted an examination of our client's declarations for excise tax for the months of November and December 2022, and then issued a decision to initially link them to my client by calculating differences of (34,472) thirty-four thousand four hundred and seventy-two Saudi riyals. My client explained to the Authority through correspondence the error in the method of calculating the differences and that there are expenses included in the invoices under examination that should not have been calculated from the value of the amount. They are additional costs, but the Authority insisted on its position and then issued its final decision to approve the linkage and calculate the same differences on 10/05/2023. in the following goods: 1/ ... Italian Latte Powder, 1000g, Bag, SSP. 2/ ... Double Mocha Powder, 1000g, Bag, SSP. 3/ ... Swiss Hot Chocolate Powder, 1000 g, Bag, SSB. 4/ ... Watermelon juice, 1000ml, glass bottle, set ... , watermelon flavor. 5/ ... Red Raspberry Juice, 1000ml, Glass Bottle, Set ... , Red Raspberry Flavor. 6/ ... Forest Fruit Juice, 1000ml, Glass Bottle, Set ... , Mixed Raspberry Flavor. 7/ ... Mango juice, 1000ml, glass bottle, set ... , Mango flavor. Since the Authority's method of calculating the differences was a mistake, as we will show you, we submit to you this objection sheet: My client paid the original tax included in the reconnection decision on 30/05/2023. Third: Then we submitted to Your Excellency this newspaper to file a grievance against the decision to reject the objection. (Reasons for Objection): 1/ My client has always been committed to filing and paying Zakat and tax returns directly at the same time and has never been late in paying any dues to the Authority before, so she has no intention of violating the law, but rather, she was quick to notify the Authority as soon as any error appeared, as she notified them about the error in customs clearance, which indicates her good faith and lack of intention to violate the regulations, and the examiner should have recalled this matter when examining my client's sales documents. 2/ These amounts were not calculated correctly and fairly, as the Authority took the price of linking limited and few sales of the Taxpayer's sales, and did not take into account that these prices are covered by other costs, as they are not the real price for the sale of selective goods, as there are other costs included in the sales price but did not appear in the sales invoice (shipping costs, packaging, electronic payment commissions for ...); the fact that the Taxpayer did not mention these costs in the sales invoice



does not mean that they do not exist. my client has proven all of these costs to the Commission. 3/ These sales (sales of the online store and ... and...) this represents 0.07% of the Taxpayer's total sales of excise taxable products, and the tax examiner should have taken this into account, and the neglect of this matter by the tax examiner led to the appearance of large and incorrect figures in the calculation of the differences on the entire sales. 4/ My client also sold selective goods to its customers at prices lower than the linkage price, including its customer, a company ... (...) It is only fair that this difference should be calculated in my client's favor, which was not the case. 5/ The Authority calculated the difference in electronic sales and generalized this difference to the Taxpayer's entire sales for the months of November and December FY 2022, and thus large differences emerged. without considering the actual sales invoices sent to the Authority as one of the attachments sent during the examination process, or considering the differences in favor of my client. 6/ These differences that the Authority decided on my client did not enter my client's account, as she did not sell these amounts and did not earn them, so how can she be obliged to pay tax on them to the Authority? 7/ Also, the customer (the buyer) of my client bought the commodity from her at the selective goods linkage price in the rest of her sales, and this was stated in full and in detail in the attachments sent to the Authority by my client. 8/ Multiple buyers after my client's direct buyer are not held liable because my client is unable to control the purchase price of the rest of the buyers. (Evidence of the validity of our objection) 1/ invoices for the sale of my client to the company (...). [Attached]. These invoices show things: First: That the sale to the customer ... It was lower than the price of linking excise goods. This attachment shows the value that my client sold to her client, a company ... (...) A number of sweetened juice products, knowing that the binding prices of my client are unified according to the type, regardless of the different flavors. The binding price of all types of sweetened juices is unified with my client. Second: Discounts on sale amounts are proven. There are amounts deducted from the sale value evidenced by invoices - as shown in the pages of the attachment - and this is not considered by the tax examiner when reviewing my client's invoices. We are ready to explain the details of this to you. 2/ Details of website invoices and invoices of payment company dues (...) And invoices ... which shows the following: A/ My client's sale was less than the link price of the products through the online store and ... and.... B/ The difference in the linking price due to shipping dues, sales commissions and electronic payment commissions through bank cards due to the presence of intermediary companies in sales and collection operations such as (...), and all these commissions are proven. previously stated to the Commission. 3/ My client's inability to control the multiplicity and sequence of buyers and that the end consumer of my client is the direct buyer. C/ If we accept the Authority's refusal to calculate the other costs that were included in my client's sales invoices and did not appear as a separate item in the invoice, my client has analyzed the invoices of all its sales for the objectionable period - without calculating those added costs - and they showed differences in favor of the Authority, but they are much less than what the Authority reached in the reconnection decision, and my client is ready to provide that analysis and its documents and abide by its result. (Orders): Despite all of the above, there are other costs that were not mentioned in the invoices issued by my client, which led



to the issuance of invoices in amounts higher than those recorded when linking excise goods and the presence of sales below the price of linking excise goods, my client accepts the principle of calculating all the differences that appeared in favor of the Authority after deducting the differences in favor of my client, and therefore requests: 1/ Amending the Authority's decision to reconnect the excise tax issued for the months of November and December 2022 - according to what the Adjudication Committee deems fair - to calculate the differences between my client's sales that were less than the linkage price and that were higher than the linkage price. 2/ That the Authority shall return to the Taxpayer what he paid in addition to the result of calculating the differences that the Taxpayer has, as previously stated to Your Excellency, my client has paid the full differences decided by the Authority amounting to (34,472) thirty-four thousand four hundred and seventy-two Saudi riyals. "

when the Defendant was presented with the lawsuit, she replied with a response memorandum that included the following: First: on the surface: By reviewing the Plaintiff's statement of claim, it becomes clear that it is limited to objecting to the amendment issued by the authority after the re-evaluation of the tax periods referred to above, the authority shall summarize its response as follows: With reference to the case described above, we inform the esteemed Committee that the Plaintiff did not submit an objection to the Authority in accordance with the provisions of the Rules of Work of the Tax Violations and Disputes Adjudication Committees, as paragraph (1) of Article (3) of the Rules of Work of the Tax Violations and Disputes Adjudication Committees stipulates that "the Authority's decision becomes immune and cannot be challenged before any other party in the following cases: (1) If the Taxpayer does not object to the decision within a period of (sixty) days from the date of notification." Whereas, the decision of the Authority to link was issued on 10/05/2023 AD (attached below), while the Plaintiff did not object to the decision of the Authority during the legal period with the Authority, so the appealed decision becomes immune by the lapse of the period in accordance with the provisions of the aforementioned article. As for what the Plaintiff said about its objection with the Authority and the passage of 90 days and the Authority did not study its objection, it is an incorrect claim as the Plaintiff did not submit its objection with the Authority in the correct way. Accordingly, the Authority clarifies that once the Taxpayer makes the objection via e-mail (excise\_objections@zatca.gov.sa), the Taxpayer receives an automatic response with the objection mechanism that enables him to submit the objection before the Authority as shown below. The Taxpayer is directed, in the event of any inquiries, to communicate with the Authority through communication channels or through the Relationship Manager (attached to Your Excellency the mail sent to the Taxpayers). It is clear from the Plaintiff's documents that she did not complete her objection procedures with the Authority, and therefore the Authority confirms that she does not object and fortifies the decision in question. Second: Orders: Based on the above, the authority requests the esteemed committee to rule that the case is not admissible procedurally for the reasons explained above, and the authority reserves the right to provide further responses and clarifications before the closure of the hearing. "



On 17/01/2024, the Plaintiff submitted a response memorandum that included the following: "Reference to what was submitted by the representative of the Zakat, Tax and Customs Authority in his response submitted on 11/01/2024 AD related to our registered claim numbered (E-2023-225873). The answer of the representative of the Authority is that we did not submit our objection to the Authority, and that the period has passed. This response is incorrect, and the documents we have attached prove that my client submitted her objection during the legal period based on Article 5 of the rules of work of the Zakat, Tax and Customs Committees issued by the Royal Decree on 08/04/1445 AH, which stipulates that "the person who has received a decision from the Authority may appeal against it within (sixty) days from the day following the date of notification. The Authority must decide on the appeal within (ninety) days from the date of submission. The appellant has the right to appeal within (thirty) days from the day following the date of notification of the rejection of the appeal, its partial acceptance, or the expiration of the ninety days without a decision." It was sent to the official email of the Zakat and Tax Authority, which is the same email that the Authority mentioned in its response memo, which is (Excise\_Objections@zatca.gov.sa). Perhaps the representative of the Authority did not see our press attachments, in which we attached proof of sending our objection to the Authority's email related to tax objections, which is (Excise\_Objections@zatca.gov.sa), within the regular time specified for submitting the objection. The decision of the authority - the object of the objection - was issued on 10/05/2023 AD and we sent the objection mail on 09/07/2023 AD, that is, before the lapse of 60 days from the day following the date of the appeal decision, and our objection sent through the mail was at the regular time of the objection, so it must be accepted procedurally. Due to the lapse of 90 days from the date of sending the objection without an answer from the Authority, which allows us to submit directly the objection to the appealed decision to the Secretariat of the Committees to register the objection case. Therefore, we ask Your Excellency to consider our request set out in our statement of claim. and adjudicate it with our requests. "

On 06/03/2024, the Defendant submitted a response memorandum that included the following: "First, on the merits: The General Secretariat of the Zakat, Tax, and Customs Committees requested the authority to submit a substantive response, and by reviewing the Plaintiff's statement of claim, it was found that it is limited to objecting to the amendment issued by the authority after re-evaluation of the aforementioned tax periods. The authority shall summarize its response as follows: The Authority shall, from the outset, adhere to its procedural defense set out in Response Memorandum No. (1). We inform the esteemed committee that the Authority has carried out the examination and audit of the tax periods referred to above, and this resulted in the existence of tax differences due to the Authority, as it was found that these items were not properly supplied to the Authority. The assessment issued by the Authority resulted in the recalculation of the tax due based on the sale price to the final consumer. The Authority exercised this right related to reassessment and prices based on the provisions of paragraph (4) of Article (17) of the executive regulations of the excise tax law, which stipulates that "the Authority shall calculate the amount of tax due on excise goods in accordance with the provisions of the regulation in the event that it is proven that the



person obligated to pay the tax due does not properly disclose it to the Authority." In continuation of the above and with reference to what the Plaintiff stated in its statement of claim, the Authority summarizes its response in that there was a discrepancy between the prices disclosed by the Plaintiff at the time of import and the sale prices to the final consumer, as the Authority found during the examination and audit phase that the sale price of the items on the Plaintiff's website as well as other websites was higher than the sale amount disclosed before the Authority, and the Authority also confirms that the Plaintiff only submitted invoices issued to distributors and wholesalers, through which it is difficult to determine the quantities and the retail price of the item. We provide you with, for example, but not limited to, one of the items imported by the Plaintiff (... Red berry juice 1000ml, glass bottle, set ... Raspberry flavor.) The Plaintiff disclosed its price to the authority during the examination and audit phase in the amount of (24.30 riyals as the retail price excluding indirect taxes, and by informing the authority of the sale price of the same item through the Plaintiff's website, it was found that the sale price to the final consumer, including indirect taxes, is an amount of (50) riyals, and therefore the authority recalculated the tax due based on the price shown on the website, after excluding indirect taxes, so that the retail price of the item after examination and audit is an amount of (28.99) riyals, according to the following clarification: The Defendant submitted a table that includes: (Customs declaration number – Item name – Retail sale price registered with the Authority (without indirect taxes) – Retail sale price according to the audit (without indirect taxes) – Price difference after the audit). (Attached below is a copy of the price of the product from the Plaintiff's website). The Authority also attaches to you below a detailed table on the items subject to the Authority for the tax periods in question: The Defendant submitted a table that includes: (Customs declaration number – Item name – Quantity in units - Retail sale price registered with the Authority (without indirect taxes) – Retail sale price as per the audit (without indirect taxes) – Price difference after the audit – Total differences). As a result of the above, the Authority has recalculated the amount of the tax based on the sale prices to the final consumer reached by the Authority through the website of the Plaintiff, based on the provisions of Article (8) of the Executive Regulations of the Excise Tax Law, which states: 1-The retail sale price shall be determined in accordance with the provisions stipulated in the agreement. 2- Upon a request from the Authority or the General Authority of Customs, the person obligated to pay the due tax shall submit proof of the validity of the declared retail sale price. 3- In the event that sufficient evidence is not available based on paragraph (2) of this article, or in the event that the Authority or the General Authority of Customs has a reasonable basis to doubt the validity of the declared retail prices, the Authority or the General Authority of Customs shall have the right to reject those prices that were used to calculate the due tax and determine the correct price in accordance with the provisions of the regulation. Second: Orders: 1/ Based on the above, the Authority requests the esteemed circuit in its original capacity to rule that the case is not admissible procedurally for the reasons explained in the response memorandum No. (1). 2/The Authority shall request the Honorable Circuit, as a precautionary measure, to reject the Plaintiff's case for the reasons explained



above and to support the Authority's action. The authority reserves the right to provide further responses and clarifications before closing the door to the pleadings. "

On 27/03/2024, the Defendant submitted a response memorandum that included the following: "First, on the merits: The Authority wishes to clarify some of the facts that must be presented before the esteemed Circuit to confirm the validity of the Authority's action to re-evaluate the tax period in question, as follows: The Authority shall adhere to the pleadings and requests contained in the previous Reply Memoranda of the Authority. Article (8) of the Executive Regulations of the Excise Tax Law stipulates the following: " -1- The retail sale price shall be determined in accordance with the provisions stipulated in the agreement. 2- Upon a request from the Authority or the General Authority of Customs, the person obligated to pay the due tax shall submit evidence to prove the validity of the declared retail sale price. 3- In the event that sufficient evidence based on paragraph (2) of this article is not available or does not exist, or in the event that the Authority or the General Authority of Customs has a reasonable basis to doubt the validity of the declared retail prices, the Authority or the General Authority of Customs has the right to reject those prices that were used to calculate the due tax and determine the correct price in accordance with the provisions of the regulation. The provisions of paragraph (4) of Article (17) of the Executive Regulations of the Excise Tax Law stipulate that "the authority shall calculate the amount of tax due on excise goods in accordance with the provisions of the regulation in the event that it is proven to it that the person obligated to pay the tax due does not properly disclose it to the authority." Based on the above statutory provisions, and to clarify the validity of the Authority's action, the Authority confirms that it has verified the validity of the retail prices declared by the Plaintiff and through reviewing the invoices submitted by the Plaintiff, it was found that they were issued to traders and wholesale distributors, and therefore the Authority relied on the sale prices of the items on the Plaintiff's website in addition to other websites, as the Authority found during the examination and audit phase that the sale price of the items on the Plaintiff's website in addition to other websites was higher than the amount of the sale disclosed before the Authority. Accordingly, the Authority re-evaluated and calculated the tax due. The Authority also confirms that until the date of registration of this memorandum, the Plaintiff did not provide any evidence on the sale prices to the final consumer and what supports its claim that the sale prices to the final consumer are lower than the prices on the website, but only submitted invoices issued to distributors and wholesale traders, through which it is difficult to determine the quantities and the retail price of the item, and therefore the Authority adheres to the validity of its procedure. Second: Orders: Based on the above, the Authority requests the esteemed circuit in the original form to rule that the case is not admissible procedurally for the reasons indicated in the response memorandum No. (1) The Authority requests the esteemed circuit, as a precaution, to rule to reject the Plaintiff's case for the reasons explained above and to support the Authority's action. The authority also reserves the right to provide further responses and clarifications before closing the door to the pleadings. "

On Wednesday, 27/03/2024, the First Circuit for Adjudicating Excise Tax Violations and Disputes in Riyadh held its session, in the presence of its members whose names are recorded in the minutes, and by calling on the litigants, Mr./, National ID No. (...), appeared as a lawyer and agent for the Plaintiff company under POA No.. (...), and attended/ ..., under a national identity number (...), as a representative of the Defendant, under the letter of authorization No. (.../.../1444) dated 11/05/1444 AH issued by the Deputy Governor for Legal Affairs, and by asking the Plaintiff's agent about the lawsuit, he answered in accordance with the regulations previously filed with the General Secretariat of the Tax Committees. when the Defendant's representative was confronted with this, she replied that she was sticking to the response previously filed with the General Secretariat of the Tax Committees. when the parties were asked what they wished to add, they replied in the negative, so the Circuit decided to adjourn the session to deliberate in preparation for the issuance of the decision.

### Grounds:

Having reviewed the Income Tax Law promulgated by Royal Decree No. (M/1) dated 15/1/1425 AH and its amendments, and its executive regulations issued by Minister of Finance Decision No. (1535) dated 11/6/1425 AH and its amendments, and based on the Excise Tax Law issued by Royal Decree No. (M/86) dated 27/08/1438 AH and its amendments, the executive regulations of the law issued by a decision of the Board of Directors of the General Authority for Zakat and Income No. (2-3-19) dated 10/09/1440 AH and its amendments, the rules for the work of Zakat, tax, and customs committees issued by Royal Decree No. (25711) dated 08/04/1445 AH, and the relevant laws, regulations, and decisions.

Procedurally: Whereas the Plaintiff aims to cancel the Defendant's decisions regarding the reassessment of the sixth tax period (November and December) for the year 2022, and since this dispute is one of the tax disputes, it is one of the disputes within the jurisdiction of the Excise Tax Violations and Disputes Adjudication Committee, and where the Defendant's decision was issued on 10/05/2023, and the Plaintiff filed its objection on 09/07/2023, and the Defendant did not decide on the objection within the statutory period, and the Plaintiff filed a lawsuit on 01/11/2023, so the lawsuit was submitted within the legally prescribed period, which requires the Circuit to accept the lawsuit procedurally.

Subject: the circuit reflected on the lawsuit papers and the requests, defense and arguments presented by the parties, it became clear that the dispute lies in the Plaintiff's objection to the Defendant's re-evaluation of the sixth tax period (November and December) for the year 2022, and the resulting imposition of tax differences of (34,742.00) riyals, as the Defendant argues that it found a difference between the prices disclosed by the Plaintiff at the time of import and the sale prices through the website, and that the sale price of the items on the Plaintiff's website as well as other websites is higher than the sale amount disclosed at Customs. Based on the above and by informing the Circuit of the Defendant's decision to re-evaluate the tax, and where it is established according to the definition of the tax base contained in Article (1) of the





Executive Regulations of the Excise Tax Law, which defined it as "the value of the excise good on which the tax is imposed, which is the higher value than the retail price specified by the importer or the product or the agreed standard price for those goods in accordance with the provisions of the agreement, whichever is higher, excluding the due tax and the value added tax", as well as paragraph (2) of Article (6) of the Unified Agreement on Excise Tax for the GCC Countries, which stipulates that "the value on which the tax is imposed on the rest of the excise goods shall be determined on the basis of the retail price of these goods, provided that the retail price is the price specified by the importer or the producer of the excise goods or according to the standard price list that will be agreed periodically between the tax authorities in the GCC countries, whichever is higher," and where Article (8) of the Executive Regulations of the Excise tax law stipulates: " 1. The Retail Sale Price shall be determined in accordance with the provisions set forth in the Agreement. 2 Upon a request from the authority or from the General Authority of Customs, the person obligated to pay the due tax shall submit evidence to prove the validity of the declared retail sale price. 3 In the absence of sufficient evidence based on paragraph (2) of this article, or in the event that the authority or the General Authority of Customs has a reasonable basis to doubt the validity of the declared retail prices, the authority or the General Authority of Customs shall have the right to reject those prices that were used to calculate the due tax and determine the correct price in accordance with the provisions of the regulation." whereas it is established that the Plaintiff cleared her goods from customs by submitting an import permit and a proper tax return in accordance with the provisions of Article (17) of the Executive Regulations of the Excise Tax Law, after submitting all the necessary documents to prove the validity of the disclosed retail sales price, and whereas the Defendant did not provide any evidence to prove that the Plaintiff disclosed the incorrect retail sales price for the entire item in question, or that she deliberately submitted an incorrect retail sales price whereas the Defendant did not provide evidence that the Plaintiff made an incorrect disclosure about the entire item in question, or that she deliberately submitted an incorrect retail price, and all the Defendant based its decision on was that the retail price set by the Plaintiff and accepted by the Defendant upon importation differed from the actual retail price for an estimated 0.07% of the Taxpayer's total sales of products subject to excise tax, and where the difference in the actual selling price of a small portion of a particular commodity is not sufficient to say that the disclosed retail selling price was not correct; the different outlets and places of sale, the time difference between the time of importation and sale, and economic changes and fluctuations in the markets may cast a shadow on the prices of goods after their importation and the Taxpayer finds himself pushed to raise or lower the price of the commodity according to these facts, and therefore this cannot be considered a basis for the Defendant to return the importers with a tax assessment for the entirety of the imported goods on the pretext that the retail price of a small part of the commodity set by the importer was not correct for reasons beyond his control and attributable to the buyer of the commodity from the importer, which leads to considering that the Defendant's tax reassessment procedure failed to take into account the principles of justice, which the regulator must consider when applying and interpreting the relevant regulations and instructions in





accordance with the rule (no harm, no harm) by imposing additional costs on the Plaintiff, especially since the Defendant's decision to tax reassess the entire imported goods even though the sale through the online website -which saw a sale price higher than the disclosed retail price, did not exceed 0.07% of the total sales, and the discounts received on sales through some sales platforms were disregarded in the reassessment, despite the Plaintiff's supporting evidence. moreover, the Defendant did not provide a list of standard prices for the entire imported goods to prove the existence of tax differences on the entire imported goods at issue in the lawsuit, but only the retail price via the website, and whereas the purpose of Article (8) of the executive regulations of the law - on which the Defendant relied - determines the Defendant's right to reject and correct the retail prices during the time of submission of documents and not after importation and without notifying the Plaintiff of any doubt about the correctness of the retail price the right of the Defendant to reject and correct the retail sale prices during the time of submission of documents and not after importation and without notifying the Plaintiff that there is doubt about the correctness of the retail price, and since the approval of the prices by the customs entails determining the profit margin according to the cost and then the final sale, and since it was not proven to the Circuit that the Plaintiff was notified of the price correction during the clearance process and before the final sale, which concludes that the Circuit concludes that the procedure taken by the Defendant was incorrect and its decision regarding the tax differences resulting from the reassessment of the sixth tax period (November and December) for 2022 is invalid, and the amount of (34,472.00) Riyals.

#### Decision:

- 1- Acceptance of the lawsuit procedurally.
- 2- Cancelling the Defendant's decision regarding the tax differences resulting from the reassessment for the tax period in question in the amount of (34,472.00) riyals.

The judgment has become final due to the expiration of the objection period in accordance with paragraph (2) of Article (33) of the rules of operation of the Zakat and Tax Committees.



## Appellate Committee for Tax Violations and Disputes

### First Appellate Circuit for

### Value Added Tax and Excise Goods Tax Violations and Disputes

Decision No. VA-2024-171170

Case No. E-2023-171170

## Keywords

Excise Tax - Excise Tax Reassessment - Carbonated Water - Acceptance Of The Authority's Appeal

## Summary:

the Zakat, Tax and Customs Authority (ZTA) has appealed the decision of the First Circuit for the Adjudication of Excise Tax Violations and Disputes in Riyadh (ER-2022-208), as its appeal is based on the claim that carbonated water is subject to excise tax, as it is a carbonated or sparkling water subject to excise tax. the Appellate Committee found that the disputed product data stated that the product contains sparkling mineral water with natural lemon and lime flavors, and because the water is sparkling, it is carbonated, which determines that the product is subject to the concept contained in the definition of carbonated beverages contained in the Ministerial Decision. Consequently, the authority's appeal is accepted, and the decision of the adjudication committee is canceled.

## Document:

- [Zakat, Tax and Customs Committees Regulations issued by Royal Decree No. \(25711\) dated 08/04/1445 AH.](#)
- Paragraph (1) of Article (2) of [The Excise Tax Regulations as amended by Zakat, Tax and Customs Authority Board of Directors Decision No. \(23-1-13\) dated Rajab 15, 1444AH](#)

## Facts:

The appeal filed on 24/01/2023 by the Zakat, Tax and Customs Authority against the decision of the First Circuit for the Adjudication of Excise Tax Violations and Disputes in Riyadh City (ER-2022-208) was considered in the case filed by the Appellee against the Appellant.

Since the facts of this case have been stated in the decision subject to appeal, the Appellate Circuit refers to it in order to avoid repetition. Whereas the decision of the Adjudication Circuit ruled as follows:

First: Acceptance of the lawsuit procedurally.



Second: Annulment of the Defendant's (the Authority's) decision regarding the tax differences on the tax period from 175 to 212.

Third: Annulment of the decision of the Defendant (the authority) regarding the imposition of the late payment fine on the tax period from 175 to 212.

Whereas this decision was not accepted by the appellant, it submitted to the Appellate Circuit an appeal statement that included its objection to the decision of the Adjudication Circuit to cancel its decision on the reassessment of the tax on imports of excise goods for the tax period from 175 to 212 and the fine for late payment resulting from it, because after examining the documents submitted by the Appellee, it was found that it imports carbonated water, and since the objectionable items are carbonated water, whether flavored or unflavored, and that carbonated water is water in which carbon dioxide gas is dissolved under pressure, a process that leads to it becoming effervescent, and this process is called the carbonation process, and (...) is a global mark in bottled water that comes from France, and it is water that comes from water eyes in the southern regions with a high level of carbon dioxide. The company offers bottled water with flavors, and where carbonated beverages include carbonated beverages saturated with carbon dioxide. Whereas natural carbonated water that has been flavored falls outside the scope of the exception contained in the definition of carbonated beverages and that carbonated water is carbonated or sparkling water subject to excise tax, and ended with a request to accept the appeal and cancel the decision of the Adjudication Circuit.

Whereas the First Appellate Circuit for VAT and Excise Goods Violations and Disputes held its session to consider the appeal submitted via video communication, based on paragraph (1) of Article (15) of the Rules of Work of Zakat, Tax and Customs Committees, which stipulates that: "The procedures for hearing the lawsuit and pleading therein shall be in writing, and the Circuits may, of their own accord or at the request of one of the parties, hear statements and pleadings by remote pleading or in presence, at their discretion. The hearing, in the event that it is held remotely, shall be deemed to be held in presence, and all its effects shall be arranged, and the Circuit shall record this in the minutes of the hearing." The case file, memoranda and related documents were reviewed, and the decision of the Adjudication Circuit subject of appeal was reviewed. After discussion and deliberation, the Circuit decided to adjourn the session and issue the decision.

### Grounds:

Upon reviewing the case documents and the appeal list submitted, the Circuit found that the conditions for considering the appeal procedurally are met in accordance with the conditions stipulated in the relevant laws, regulations and decisions, which makes the appeal request procedurally admissible because it was submitted by a competent person and within the statutory period prescribed for conducting it.

On the merits, by reviewing the case papers and examining the documents and exhibits contained in them, and after reviewing the submissions and replies submitted by the parties, the Appellant Circuit found that



the decision issued by the Appellant Circuit to cancel the Appellant's decision on the reassessment of the tax on the imports of excise goods for the tax period from 175 to 212 and the fine for the delay in payment resulting therefrom, and since the Appellant objects to the decision of the Appellant Circuit, because after examining the documents submitted by the Appellee, it was found that she imports carbonated water, Whereas, the objectionable items are carbonated water, whether flavored or unflavored, and that carbonated water is water in which carbon dioxide gas is dissolved under pressure, which is the process that leads to becoming effervescent, and this process is called the carbonization process, and whereas, the Appellate Circuit found that the basis of the appeal is to require the appellant to subject (carbonated water) to the excise tax, considering that carbonated water is carbonated or sparkling water subject to the excise goods tax, and whereas, it is clear from Article 2 of the Executive Regulations of the Excise Tax Law, paragraph (1)/B It is the imposition of the excise tax on carbonated beverages, and whereas, paragraph (2) of the same article states that the definition of the excise goods mentioned in paragraph (1) of this article is subject to the decisions issued by the Ministerial Committee, and since the decision applicable to this subject contained in the minutes of the 106th meeting of the Financial and Economic Cooperation Committee defined carbonated beverages as "any beverage containing gas except carbonated water. it is considered a carbonated beverage any concentrates, powders, gels or extracts that can be converted into carbonated beverages." Since it is proven that the product data in dispute stipulates that the product contains sparkling mineral water with natural green lemon and lemon flavors, and because the water is sparkling, it is carbonated, and because of the presence of green lemon and lemon flavors, the water is flavored, which determines that the product is subject to the concept contained in the definition of carbonated drinks in the aforementioned ministerial decision, and the Appellate Circuit decides to accept the appeal.

For these reasons and after due deliberation, the Circuit unanimously decided as follows:

#### Decision:

- 1- Accepting the appeal submitted by the Zakat, Tax and Customs Authority, procedurally for submitting it within the legally specified period.
- 2- On the merits: canceling the decision of the First Circuit of Excise Tax Violations and Disputes in Riyadh (ER-2022-208) and upholding the appellant's decision.



## Appellate Committee for Tax Violations and Disputes

### First Appellate Circuit for

### Value Added Tax and Excise Goods Tax Violations and Disputes

Decision No. VA-2024-192872

Case No. E-2023-192872

## Keywords

Excise Tax - Excise Tax Reassessment – Excise Tax Reassessment – Not Accepting the Authority's Appeal

## Summary:

The zakat, tax and customs authority (ZTCA) appealed the decision of the first circuit for adjudicating excise tax violations and disputes in riyadh (ER-2023-277) to cancel its decision on the reassessment of the excise tax and the late payment penalty for the sixth and first tax periods of 2017 and 2018, based on its failure to provide the basis for its amendment and tax reassessment, in addition to the invalidity of the taxpayer's declaration, which led to differences in the tax due. Whereas it was established to the appellate circuit that the appealed decision was in accordance with the law and based on justifiable and sufficient reasons to carry its judgment, and nothing in the authority's arguments changes the conclusion reached by the decision. This means that the authority's appeal is not accepted.

## Document:

- [Zakat, Tax and Customs Committees Regulations issued by Royal Decree No. \(25711\) dated 08/04/1445 AH.](#)

## Facts:

The appeal filed on 27/04/2023 by the Zakat, Tax and Customs Authority (ZTA) against the decision of the First Circuit for the Adjudication of Excise Tax Violations and Disputes in Riyadh (ER-2023-277) in the case filed by the Appellee against the Appellant.

Since the facts of this case have been stated in the decision subject to appeal, the Appellate Circuit refers to it in order to avoid repetition. Whereas the decision of the Adjudication Circuit ruled as follows:

First: Acceptance of the lawsuit procedurally.

Second: Defendant's decision with respect to the re-assessment of the excise tax is rescinded.

Third: Cancel the late payment penalty.



Since this decision was not accepted by the appellant, it submitted to the Appellate Circuit a list of appeals, which included its objection to the decision of the Adjudication Circuit to cancel its decision regarding the reassessment of the Excise Tax and the late payment penalty on the reassessment for the sixth tax period of 2017 and the first period of 2018, because the Circuit did not have the opportunity for the Authority to provide the basis for its amendment and tax reassessment on the appellant, as it was found that there are differences due for the excise tax that were not paid for the import, as the value of the goods that were imposed on them by the General Authority for Customs is not on the prices of "retail sale". In addition, after reviewing the Taxpayer's declaration for the tax periods in question, it was found to be invalid, which necessitated amending his tax declaration, which resulted in a difference in the value of the tax due, which was not paid on the regular date, and ended with a request to accept the appeal and cancel the decision of the Adjudication Circuit.

Whereas the First Appellate Circuit for VAT and Excise Goods Violations and Disputes held its session to consider the appeal submitted via video communication, based on paragraph (1) of Article (15) of the Rules of Work of Zakat, Tax and Customs Committees, which stipulates that: "The procedures for hearing the lawsuit and pleading therein shall be in writing, and the Circuits may, of their own accord or at the request of one of the parties, hear statements and pleadings by remote pleading or in presence, at their discretion. The hearing, in the event that it is held remotely, shall be deemed to be held in presence, and all its effects shall be arranged, and the Circuit shall record this in the minutes of the hearing." The case file, memoranda and related documents were reviewed, and the decision of the Adjudication Circuit subject of appeal was reviewed. After discussion and deliberation, the Circuit decided to adjourn the session and issue the decision.

### Grounds:

Upon reviewing the case documents and the appeal list submitted, the Circuit found that the conditions for considering the appeal procedurally are met in accordance with the conditions stipulated in the relevant laws, regulations and decisions, which makes the appeal request procedurally admissible because it was submitted by a competent person and within the statutory period prescribed for conducting it.

On the merits, by reviewing the case papers and examining the documents and materials contained in the case, the Appellate Circuit found that the decision issued by the Appellant's Circuit to cancel the decision of the Appellant regarding the reassessment of the Excise Tax and the late payment penalty on the reassessment of the sixth tax period of 2017 and the first period of 2018, and that the Appellant objects to the decision of the Appellate Circuit because the Appellate Circuit did not have the opportunity to provide a basis in addition to the fact that the Taxpayer's declaration was found to be incorrect, which necessitated its amendment, which resulted in a difference in the value of the tax due and not paid on the regular date, and since it is established that the decision in question regarding the dispute at hand was in accordance



with the provisions of the Law and with the valid reasons on which it was based and sufficient to carry out its judgment, the issuing Circuit undertook a scrutiny of the dispute and reached the conclusion it reached in its operative part, and since the appellate Circuit did not observe any reason to seek redress or in light of the defenses raised before this Circuit, which concludes with a decision not to affect the outcome of the decision. Based on the above, the Circuit concluded the report of rejecting the appeal and upholding the decision of the Adjudication Circuit regarding what it concluded, based on its grounds.

for these reasons and after deliberation, the Circuit unanimously decided as follows:

#### Decision:

- 1- Accepting the appeal submitted by the Zakat, Tax and Customs Authority, procedurally for submitting it within the legally specified period.
- 2- Rejecting the appeal submitted by the Zakat, Tax and Customs Authority, subject and supporting the decision of the first Circuit for adjudicating violations and disputes of the excise tax in Riyadh (ER-2023-277).



Appellate Committee for Tax Violations and Disputes  
First Appellate Circuit for  
Value Added Tax and Excise Goods Tax Violations and  
Disputes

Decision No. VA-2024-191993

Case No. E-2023-191993

### Keywords

Excise Tax - Reassessment of Excise Tax — Sweetened Beverages — French Coffee — Acceptance of the Authority's Appeal

### Summary:

the Zakat, Tax and Customs Authority (ZTCA) appealed the decision of the First Circuit for the Adjudication of Excise Tax Violations and Disputes in Riyadh (ER-2022-270) regarding the calculation of the excise tax on the products in question and the delay fine resulting from it, given that the imported product (French coffee) falls under the definition of sweetened drinks because it contains sweeteners. The consequence of this; accepting the Authority's appeal.

### Document:

- [Zakat, Tax and Customs Committees Regulations issued by Royal Decree No. \(25711\) dated 08/04/1445 AH.](#)

### Facts:

Since the facts of this case have been stated in the decision subject to appeal, the Appellate Circuit refers to it in order to avoid repetition. Whereas the decision of the Adjudication Circuit ruled as follows:

First: the Defendant's decision with respect to the calculation of the Excise Tax on the Products at issue is rescinded.

Second: the Defendant's decision with respect to the demurrage is rescinded.

Since this decision was not accepted by the appellant, it submitted to the Appellate Circuit a list of appeals, which included its objection to the decision of the Adjudication Circuit to cancel its decision on the final reassessment of the first tax period of 2021, and the fines resulting therefrom, because the excise tax was imposed on the imported French coffee because it falls under the definition of sweetened drinks because it





contains sweeteners, and ended with a request to accept the appeal and cancel the decision of the Adjudication Circuit.

Whereas the First Appellate Circuit for VAT and Excise Goods Violations and Disputes held its session to consider the appeal submitted via video communication, based on paragraph (1) of Article (15) of the Rules of Work of Zakat, Tax and Customs Committees, which stipulates that: "The procedures for hearing the lawsuit and pleading therein shall be in writing, and the Circuits may, of their own accord or at the request of one of the parties, hear statements and pleadings by remote pleading or in presence, at their discretion. The hearing, in the event that it is held remotely, shall be deemed to be held in presence, and all its effects shall be arranged, and the Circuit shall record this in the minutes of the hearing." The case file, memoranda and related documents were reviewed, and the decision of the Adjudication Circuit subject of appeal was reviewed. After discussion and deliberation, the Circuit decided to adjourn the session and issue the decision.

### Grounds:

Upon reviewing the case documents and the appeal list submitted, the Circuit found that the conditions for considering the appeal procedurally are met in accordance with the conditions stipulated in the relevant laws, regulations and decisions, which makes the appeal request procedurally admissible because it was submitted by a competent person and within the statutory period prescribed for conducting it.

On the merits, by informing the Appellant Circuit of the case papers and examining the documents and documents they contained, and after reviewing the submissions and responses submitted by the parties, the Appellant Circuit found that the decision issued by the Adjudication Circuit decided to cancel the appellant's decision on the final re-evaluation of the first tax period for the year 2021, and the fines resulting therefrom, and where the appellant objects to the decision of the Adjudication Circuit, because the product falls under the definition of sweetened drinks because it contains sweeteners, and where the appellee argues that the imported product (French coffee) does not contain added sugar and that the presence of the phrase "glucose as a sweetener" in the product card is not considered an added sugar, but rather natural glucose in the product itself and is not added, and where the appellee did not provide proof of the validity of his claim without providing laboratory evidence or a statement from a competent authority stating that the sugar percentage is 0%, and this is not affected by his response to the statement in the customs declaration that the product is subject to the excise tax based on Ministerial Decision No.: (S/I/42/19/2/4) Considering that one of the drinks prepared in restaurants and served in an open container is therefore exempt from the application of the provisions of the excise tax, and by reviewing the imported product, it was found that it is sold as (local powder), and therefore the exception contained in the decision of the Ministerial Committee "to be served in an open, unsealed container" does not apply to the product in dispute, which leads the Appellate Circuit to accept the appeal submitted.



With regard to the late payment fine, and the appellant's request to cancel the decision of the adjudication Circuit, and since the above clause led to the acceptance of the appeal, and since the fine resulted from this, the associated judgment is taken, which leads the appellate Circuit to accept the appeal.

for these reasons and after due deliberation, the Circuit unanimously decided as follows:

#### Decision:

- 1- Accepting the appeal submitted by the Zakat, Tax and Customs Authority, procedurally for submitting it within the legally specified period.
- 2- Accepting the appeal submitted by the Zakat, Tax and Customs Authority regarding the tax differences and canceling the decision of the first Circuit for adjudicating violations and disputes of the excise tax in Riyadh (ER-2022-270).
- 3- Accepting the appeal submitted by the Zakat, Tax and Customs Authority, regarding the late payment penalty, and canceling the decision of the First Circuit for Adjudicating Excise Tax Violations and Disputes in Riyadh City (ER-2022-270).



Adjudication Committee for Tax Violations and Disputes  
The First Circuit for adjudicating VAT violations and disputes in  
Riyadh City

Decision No. ER-2024-233460

Case No. E-2024-233460

### Keywords

Excise Tax - Reinstatement of Tax – Reinstatement of Tax Due – Inadmissibility of Plaintiff's Claim

### Summary:

The Plaintiff's objection (the Taxpayer/company) to the decision of the first circuit to adjudicate violations and disputes of the excise tax in Riyadh, where the Taxpayer's appeal is based on the decision to re-evaluate the tax period for February 2021, and the resulting calculation of tax differences in the amount of (1,337,947.44) riyals, demanding calculation according to the average actual price proven in its records, the evaluation of expired excise goods, and a settlement of the calculated differences. Whereas, the Committee established that the Plaintiff exercised due diligence in filing the lawsuit during the legal period, and that he submitted proof of his attempts to object in accordance with the specified procedures, which justifies the acceptance of the lawsuit procedurally. In the matter, it was found that the reassessment was carried out in accordance with the provisions of paragraph (4) of Article (17) of the executive regulations of the excise tax law, and that the Plaintiff did not prove the fulfillment of the statutory requirements related to proving the total damage to the goods in accordance with paragraph (5) of Article (5) of the executive regulations, which justifies the validity of the Authority's decision to revalue. This means that the lawsuit is accepted procedurally, and rejected in substance, with the support of the authority's decision.

### Document:

- Article (5) of [Zakat, Tax and Customs Committees Regulations issued by Royal Decree No. \(25711\) dated 08/04/1445 AH.](#)
- Article (11) of [Zakat, Tax and Customs Committees Regulations issued by Royal Decree No. \(25711\) dated 08/04/1445 AH.](#)
- Paragraph (2) of Article (6) of [The Excise Tax Law promulgated by Royal Decree No. \(M/86\) dated 27/08/1438AH.](#)
- Paragraph (4) of Article (17) of [The Excise Tax Regulations as amended by Zakat, Tax and Customs Authority Board of Directors Decision No. \(23-1-13\) dated Rajab 15, 1444AH](#)

- Paragraph (5) of Article (5) of [The Excise Tax Regulations as amended by Zakat, Tax and Customs Authority Board of Directors Decision No. \(23-1-13\) dated Rajab 15, 1444AH](#)

### Facts:



The facts of this case are that the Taxpayer is a company ... For trading limited, commercial registration number (...), I submitted by ..., a Saudi national under national ID number (...), in his capacity as the legal representative of the Plaintiff company, a statement of claim that included an objection to the Defendant's decision (the authority) regarding the reassessment of the tax period related to the month of February 2021, resulting in the calculation of tax differences in the amount of (1,337,947.44) riyals, and it requests the following: 1/ To be calculated for this period at the average actual price recorded in our records and for which a study was submitted during the examination process. 2/ That the expired excise goods are evaluated during the previous period and recorded in our records. 3/ Make an adjustment for the differences that have been calculated.

On 20/05/2024, the Defendant submitted a response memorandum, which was reviewed by the Circuit.

on Sunday, 28/07/2024 AD, the First Circuit for Adjudication of Excise Tax Violations and Disputes in Riyadh held its session in the presence of its members whose names are written in the minutes, via video communication in accordance with the procedures of remote video litigation; based on the provisions of clause (1) of Article 15 of the Rules of Work of Zakat Committees

tax and customs issued by Royal Decree No.: (25711) and date: 08/04/1445A.H.; and by calling on the opponents, the Plaintiff's attorney attended... National ID number (...) by proxy (.....) Expired and the Circuit decided not to accept his representation before it because of his violation of the Sharia Procedure Law, and he also attended/ ... as a representative of the Zakat, Tax and Customs Authority under authorization letter No. (.../.../1445) dated 19/03/1445AH issued by the Deputy Governor for Legal Affairs and Compliance. The session was opened by asking the representative of the Defendant if he had any additions that he wished to add, so he adhered to what was previously submitted. the Circuit decided to adjourn the hearing to deliberate, in preparation for the issuance of the decision.

### Grounds:



After reviewing the Income Tax Law issued by Royal Decree No. (M/1) dated 15/1/1425 AH and its amendments, and its executive regulations issued by virtue of the decision of the Minister of Finance No. (1535) dated 11/6/1425 AH and its amendments, and based on the Excise Tax Law issued by Royal Decree No. (M/86) dated 27/08/1438 AH and its amendments, and the executive regulations of the law issued by a decision of the Board of Directors of the General Authority for Zakat and Tax No. (2-3-19) dated 10/09/1440 AH and its amendments, and the rules of work of the Zakat, Tax and Customs Committees



issued by Royal Decree No. (25711) dated 08/04/1445 AH, and the relevant laws, regulations and decisions.

Procedurally: Since the Plaintiff aims to object to the Defendant's decision regarding the reassessment of the tax period related to February 2021, and since this dispute is a tax dispute, it is one of the disputes within the jurisdiction of the Excise Tax Violations and Disputes Adjudication Committee, and since the Plaintiff was informed of the result of the objection on 07/02/2024, and submitted the registration of his case before the General Secretariat on 17/03/2024, and since the Plaintiff is scheduled to file her case before the Adjudication Circuits within the statutory period stipulated in Article (5) of the Zakat and Tax Committees' work rules and customs, and that the violation of this makes the decision in question immune and not subject to grievance before any other party, but for this purpose, it has exercised due diligence to file a lawsuit during the statutory period, by attaching it to the registered lawsuit number during the statutory period (GSTC-232829-2024), which was left to collect the Plaintiff in all tax periods in which a reassessment was issued by the authority, and because Article (11) of the labor rules obligated her to register a separate lawsuit for each objection, and since the Plaintiff violated this by registering one lawsuit for all periods, despite the submission of an objection for each tax period, which made the General Secretariat request it to register a lawsuit for each tax period separately, and because its exertion of the reasons for filing the lawsuit during the regular period is a reason that justifies the acceptance of the lawsuit procedurally, in accordance with Principle No. (89) extracted from the decisions of the Zakat and Tax Appeal Committees for 2020-2021, which stipulates that: The Taxpayer's exertion of Due Diligence in communicating the Grievance within the Prescribed Period, or in evidencing such diligence through the Correspondence submitted, shall result in the Objection or Grievance being deemed Procedurally Admissible. Whereas the Plaintiff has submitted substantiating documentation within the Case File, the Circuit finds such Plea to be procedurally valid. The Defendant's argument for Procedural Dismissal due to lapse of the Statutory Period is hereby dismissed, as reliance on procedural requirements alone, without giving due consideration to the Plaintiff's substantiated actions, runs contrary to established precedent issued by the Appellate Circuits. Moreover, the classification of a previously Abandoned Claim as "null and void" does not invalidate this action, as the official Correspondence and diligent efforts through the General Secretariat to lodge a Proper and Valid Claim eliminate any presumption of Bad Faith. Given the substantial effort required in initiating a claim for each relevant Period, the Plaintiff's Good Faith is affirmed. Consequently, the Claim shall be deemed Procedurally Admissible.

Subject: The Circuit examined the lawsuit papers and the requests, defenses and defenses of the parties, and since the dispute lies in the Plaintiff's objection to the Defendant's decision regarding the reassessment of the tax period related to February 2021, which resulted in the calculation of tax differences in the amount of (1,337,947.44) riyals, and where paragraph (4) of Article (17) of the Executive Regulations of the Excise Tax Law stipulates that: "The authority shall calculate the amount of tax due on excise goods in accordance



with the provisions of the regulation in the event that it is proven that the person obligated to pay the tax due does not properly disclose it to the authority." Article (158) of the Unified Customs Law stipulates the following: The owners of the goods, employers, and carriers of the goods shall be responsible for the actions of their employees and all workers for their benefit regarding the fees and taxes collected by the customs Circuit, as well as the fines and confiscations stipulated in this law (law) resulting from those actions. Paragraph (2) of Article (6) of the unified agreement stipulates that "the value on which the tax is imposed on the rest of the excise goods shall be determined on the basis of the retail sale price of these goods, provided that the retail sale price is the price specified by the importer or producer of the excise goods, or according to the standard price list that will be agreed periodically between the tax authorities in the GCC countries, whichever is higher." Paragraph (5) of Article (5) of

The Executive Regulations of the Excise Tax Law as "Total damage to excise goods or their loss in a tax suspending situation, unless the licensee proves that their loss or damage resulted from causes beyond its control, under the following conditions and procedures: (a) The licensee completes the form prepared by the authority for that purpose, provided that it includes at least the following information: 1 Tax warehouse license number of the licensed person. 2. Information regarding the status of total damage or final loss of excise goods. 3 Evidence confirming that the total damage or final loss of the excise goods was beyond the control of the licensee. b. The licensee shall submit the form to the authority within a period not exceeding 7 days from the date of total damage or final loss. " Upon reviewing the case file and the documents submitted therein, the Circuit found that the Plaintiff did not know of these differences before the examination process and that the error was made by the customs clearance office and that the company does not recalculate the tax calculated. Whereas, the owner of the goods (the importer) is responsible for what relates to duties and taxes, based on Article (158) of the Unified Customs Law System. With regard to what the Plaintiff said about her concluding contracts with customers to sell products at prices ranging from (26-27.5) excluding indirect taxes and demanding that these prices be approved. The Defendant also attached a sample from one of the customs data with number (74440). It is clear to the Circuit from the purchase invoice of the product that the imported quantity is equivalent to 9,504 and that the Plaintiff determined the sale price of the product (30) riyals, that is, it is clear that the tax payable is  $(9,504 \text{ Qty} * 30 \text{ riyals retail price before taxes} * 50\% \text{ applicable tax rate}) = 142,560 \text{ riyals}$ , while the Plaintiff paid the excise tax at the customs in the amount of (64,246.68) riyals, which is less than the tax due. Accordingly, the Defendant circulated the disclosed price contained in the Plaintiff's sales invoices for those products.

With regard to what the Plaintiff said about its conclusion of contracts with customers to sell products at prices ranging from (26-27.5) excluding indirect taxes and its demand that these prices be approved, and based on what is stated in paragraph (2) of Article (6) of the unified agreement, the Defendant adopted the higher price disclosed by the Plaintiff. Since the Plaintiff did not submit documents and invoices proving the



disclosed price, which is contrary to what the Defendant reached, the Circuit concludes that the Defendant's action in approving the disclosed price by the Plaintiff is correct.

With regard to the Plaintiff's claim to re-evaluate the damaged products, and where the Plaintiff did not submit the necessary documents and did not take the procedures that prove the damage of these products in accordance with paragraph (5) of Article (5) of the executive regulation of the Excise Tax law. Accordingly, the Circuit concludes by rejecting the Plaintiff's objection regarding the clause of recalculating the tax due on excise goods for the period related to February 2021 and supporting the Defendant's action.

based on the foregoing, the Circuit unanimously decided the following:

#### Decision:

- 1- Acceptance of the lawsuit procedurally.
- 2- On the merits: dismiss the Plaintiff's objection with respect to the excise tax recalculation clause for the period related to February 2021.

The judgment has become final due to the expiration of the objection period in accordance with paragraph (2) of Article (33) of the rules of operation of the Zakat and Tax Committees.



## Fines





Adjudication Committee for Tax Violations and Disputes  
The First Circuit for adjudicating VAT violations and disputes in  
Riyadh City

Decision No. ER-2024-233330  
Case No. E-2024-233330

### Keywords

Excise Tax – Fines – Field Control Penalty – Inadmissibility of the Plaintiff's Claim

### Summary:

the Plaintiff (the Taxpayer) objected to the decision of the First Circuit for Adjudicating Excise Tax Violations and Disputes in Riyadh City regarding the imposition of a field control fine of (20,000) riyals due to the lack of tax stamps on some tobacco products seized within its commercial premises, demanding that the decision be canceled due to a procedural defect in the control procedures. The Circuit proved the validity of the procedures of the Defendant (the authority), as the products were seized during a regular inspection, and the violation was documented in an official report signed by the representative of the facility, which confirms the Defendant's commitment to the legal procedures. The Plaintiff also did not make an effective substantive plea denying the violation. This means that the Plaintiff's claim is not accepted.

### Document:

- Article (5) of [Zakat, Tax and Customs Committees Regulations issued by Royal Decree No. \(25711\) dated 08/04/1445 AH.](#)
- Paragraph (1) of Article (9) of [The Excise Tax Regulations as amended by Zakat, Tax and Customs Authority Board of Directors Decision No. \(23-1-13\) dated Rajab 15, 1444AH](#)
- Paragraph (3) of Article (23) of [The Excise Tax Law promulgated by Royal Decree No. \(M/86\) dated 27/08/1438AH.](#)

### Facts:

The facts of the case are summarized in the fact that the Taxpayer, a Saudi national under national ID No. (...), as an agent under POA No. (...), and under a lawyer's license No. (...), on behalf of the Plaintiff/ ... Saudi national under national ID number (...), in her capacity as the owner of an institution ... Commercial, commercial registration number (...), filed a statement of claim that included an objection to the decision of the Defendant (the authority) regarding the imposition of a fine for field control (lack of tax stamps),



number (...) on 13/12/2023, in the amount of (20,000.00) twenty thousand riyals, and requests the annulment of the Defendant's decision.

On 20/05/2024, the Defendant submitted an eleven-page response note, and the Plaintiff submitted a one-page response note on 10/06/2024, which the Circuit reviewed.

on Sunday, 30/06/2024, the First Circuit for Excise Tax Violations and Disputes in Riyadh held its session, which is held via video communication in accordance with the procedures for remote video litigation; its session to consider

The case before it, and by calling on the opponents, he attended/... national ID No. (...), as agent for the Plaintiff by virtue of POA No.. (...) and lawyer's license number (...), and attended/ ... under a national identity No. (...), as a representative of the Defendant, under the authorization letter No. (.../.../1445) dated 19/03/1445 AH issued by the Deputy Governor for Legal Affairs, and by asking the Plaintiff's agent about the lawsuit, he answered in accordance with the regulations previously filed with the General Secretariat of the Tax Committees. when the Defendant's representative was confronted with this, she replied that she was sticking to the response previously filed with the General Secretariat of the Tax Committees. when the parties were asked what they wished to add, they replied in the negative, so the Circuit decided to adjourn the session to deliberate in preparation for the issuance of the decision.

### Grounds:

After reviewing the Income Tax Law issued by Royal Decree No. (M/1) dated 15/1/1425 AH and its amendments, and its executive regulations issued by virtue of the decision of the Minister of Finance No. (1535) dated 11/6/1425 AH and its amendments, and based on the Excise Tax Law issued by Royal Decree No. (M/86) dated 27/08/1438 AH and its amendments, and the executive regulations of the law issued by a decision of the Board of Directors of the General Authority for Zakat and Tax No. (2-3-19) dated 10/09/1440 AH and its amendments, and the rules of work of the Zakat, Tax and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH, and the relevant laws, regulations and decisions.

Procedurally: Whereas the Plaintiff aims, in her lawsuit, to cancel the Defendant's decision regarding the imposition of a fine for field control (lack of tax stamps), No. (...) on 13/12/2023, and since this dispute is one of the tax disputes, it is considered one of the disputes within the jurisdiction of the Committee for the Resolution of Excise Tax Violations and Disputes, and since the Plaintiff was informed of the result of the objection on 15/02/2024, and she submitted a registration of his lawsuit before the General Secretariat on 13/03/2024, and since the lawsuit was submitted by a person with standing, and within the legally prescribed period in accordance with the provisions of Article (5) of the Zakat, Tax and Customs Committees' working rules, which requires the Circuit to accept the lawsuit procedurally.



Subject: the Circuit examined the case papers and the requests, defenses and defenses expressed by the parties, and since the dispute lies in the Plaintiff's objection to the Defendant's decision regarding the imposition of a fine for field control (lack of tax seals), No. (...) On 13/12/2023 AD, in the amount of (SAR 20,000.00) the Circuit found that the Defendant carried out a regular inspection and then seized (5) honey products and cigarettes inside the Plaintiff's shop through which it carries out its commercial activity, and then put them for public consumption in the Kingdom without bearing tax stamps, in violation of paragraph (1) of Article (9) of the executive regulations of the excise tax law, which the Circuit considers correct to impose a field seizure fine/the absence of tax stamps in the amount of 20,000 riyals; based on paragraph (3) of Article (23) of the excise tax law, and this is not undermined by the Plaintiff's attorney's argument that the decision is defective procedurally due to the Defendant's failure to conduct an investigation and hear the parties' statements, as the Defendant, upon detecting the violation during the routine inspection, prepared a field inspection report with acknowledgment from the establishment's representative (...) that the Defendant's inspector seized the violating goods and confirmed the accuracy of the recorded data, and he signed the report. Therefore, it becomes clear that the Defendant's procedure of seizing the violation and hearing the statements of the establishment's representative was correct - even if the designations differ - as the principal is responsible for the acts of his agents, especially since the Plaintiff's attorney insists on the procedural defect without raising any substantive defense in the case. Consequently, the Circuit concludes by rejecting the Plaintiff's objection.

for these reasons and after deliberation, the Circuit unanimously decided as follows:

#### Decision:

- 1- Acceptance of the lawsuit procedurally.
- 2- On the merits: dismiss the Plaintiff's claim.

The judgment has become final due to the expiration of the objection period in accordance with paragraph (2) of Article (33) of the rules of operation of the Zakat and Tax Committees.

سلاسل

